

Agenda Item (10)
Appendix A'



COTSWOLD
DISTRICT COUNCIL

STATEMENT OF ACCOUNTS
2015/2016

Cotswold District Council

Statement of Accounts 2015/2016

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Narrative Report

Local authorities in England are required by the Accounts and Audit Regulations 2015 to publish a narrative statement within the Statement of Accounts. This 'Narrative Report' replaces the Explanatory Foreword that introduced the Statement of Accounts in previous years.

The purpose of this report is to provide an understandable guide to the most significant matters reported in the accounts and to provide information on the Council's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.

1. The 'core' statements

The statement of accounts comprises four 'core' statements, the Collection Fund and supporting notes. To gauge an idea of the Council's financial position and activities the 'core' statements provide a good summary. To gain a detailed understanding of the accounts the core statements need to be read in conjunction with the supporting notes to the accounts.

The purpose of each of the core statements is briefly outlined below.

The Comprehensive Income & Expenditure Statement (CI&E)

The CI&E statement shows the accounting cost of providing services; it represents the 'running costs' of the Council for the year. The statement is prepared in accordance with generally accepted accounting practices rather than the amount to be funded by taxation.

The Movement in Reserves Statement

The Movement in Reserves Statement (or MiRS) provides a summary of the changes that have taken place in the bottom-half of the Balance Sheet over the financial year. It does this by analysing:

- The increase or decrease in the net worth of the authority as a result of incurring expenses and generating income
- The increase or decrease in the net worth of the authority as a result of movements in the fair value of its assets
- Movements between reserves to increase or reduce the resources available to the authority according to statutory provisions

The Council's reserves are classified as either usable or unusable reserves. Usable reserves are as they sound, available for use. Unusable reserves are those reserves held for accounting purposes and do not represent funds that can be spent. The total of the reserves represents the 'net worth' of the Council.

The Balance Sheet

The balance sheet summarises the financial position of the authority at a specific point in time. For these accounts the balance sheet represents the position as at 31st March. The 'top half' of the balance sheet summarises the assets and liabilities that the Council holds, or has accrued with other parties. The 'bottom half' of the balance sheet details the Council's reserves, which represent the 'net worth' of the authority, as described above.

The Cash Flow Statement

The cash flow statement summarises the flows of cash that have taken place into and out of the authority's bank accounts over the financial year. It separates flows into: those that have occurred as a result of the authority's operations; those arising from the authority's investing activities (including cash flows related to non-current assets), and; those attributable to financing decisions. The movement in cash and cash equivalents on the cash flow statement match the movement between years on the balance sheet.

The Collection Fund

Although not a core statement as such, the Council is also required to produce a Collection Fund statement. The collection fund is a statutory fund separate from the main accounts of the Council. It shows the various transactions relating to council tax and business rates collection. The account illustrates the amount of council tax collected and how the council tax has been distributed to preceptors (Gloucestershire County Council, Gloucestershire Police and Crime Commissioner, Town and Parish Councils) and this Council. The account also records the amount of business rates collected and how this has been distributed to the Council, Gloucestershire County Council and central government, under the Business rates Retention Scheme.

2. Financial Performance and Value for Money

Financial Performance

The Council's 2015/16 budget strategy assumed a balanced budget with a small £236 surplus and contribution to General Fund balances. The outturn position reported to Cabinet resulted in a £1,336,084 underspend as shown below:

| Service Directorate | Original Budget £ | Revised Budget £ | Actual Outturn £ | (under) / overspend vs. budget |
|--|----------------------|---------------------|---------------------|--------------------------------------|
| Chief Executives | 1,161,123 | 1,214,123 | 1,084,954 | (129,169) |
| Corporate Management | 1,938,830 | 1,938,830 | 1,998,371 | 59,541 |
| Corporate Resources | 798,085 | 659,447 | 305,997 | (353,450) |
| Waste Management | 3,803,252 | 3,743,526 | 3,660,048 | (83,478) |
| Parking Services & Public Conveniences | (1,081,037) | (749,825) | (910,957) | (161,132) |
| Other Environmental Services | 1,973,338 | 1,995,794 | 1,898,348 | (97,446) |
| Leisure & Cultural Services | 1,208,990 | 1,047,671 | 1,062,367 | 14,696 |
| Planning | 1,323,581 | 1,027,831 | 789,521 | (238,310) |
| Sustainable Communities & Housing | 1,344,817 | 1,686,893 | 1,659,198 | (27,695) |
| Interest from Investments Income | (231,270) | (319,411) | (367,567) | (48,156) |
| Other accounting adjustments | (974,374) | (1,085,102) | (947,409) | 137,693 |
| Net revenue budget | 11,265,335 | 11,159,777 | 10,232,871 | (926,906) |
| RSG | (1,510,389) | (1,510,389) | (1,510,389) | 0 |
| Business Rates Retention | (2,339,300) | (2,339,300) | (2,733,949) | (394,649) |
| New Homes Bonus and Other Grants | (2,615,629) | (2,510,071) | (2,524,364) | (14,293) |
| Council Tax Income [Council share] | (4,708,463) | (4,708,463) | (4,708,463) | 0 |
| Collection Fund (surplus)/deficit | (91,790) | (91,790) | (91,790) | 0 |
| Contribution to / (from) General Fund | 236 | 236 | 1,336,084 | 1,335,848 |
| | 0 | 0 | 0 | 0 |

At the meeting of the Cabinet on 16th June 2016 Cabinet approved an additional transfer to earmarked reserves of £520,000. The transfers to reserves therefore reduced the revenue underspend and contribution to General Fund balance to £816,084.

Employee budgets across the Council are approximately £111,000 underspent. This is in excess of the budgeted vacancy factor (of £300,000) for the year. The major contributing factor has been the establishment of the 'core' 2020 project team, to which a number of staff were seconded. As a result, a share of the employment cost of the Chief Executive, Strategic Director and Business Improvement Manager have been funded by the 2020 project.

Services across the whole of the Council have underspent; expenditure has been tightly controlled and income targets have been exceeded in most income-generating services with the exception of Building Control fee income. Some savings from the 2020 Partnership Working have been delivered earlier than anticipated and have therefore contributed to the operational budget surplus.

The £394,649 additional funding from the Council's share of Retained Business Rates includes a distribution of £114,854 for the surplus delivered by the Gloucestershire Business Rates Pool.

Operational Performance

Operational performance is measured against a number of key tasks identified in the Corporate Strategy and Plan. Overall service delivery and performance during the year has been maintained, and is on the whole, slightly higher than performance in the previous year. At the end of the year, thirty-two key tasks had been completed, with the majority of the remaining key tasks to be delivered in 2016/17.

Over 85% of all performance indicators achieved their targets or achieved their target 'within tolerance'.

Efficiency Measures

The Council's efficiency is measured against a basket of indicators. For each indicator, performance is ranked against the performance of all 201 shire district councils, with the best performance ranked '1' and the lowest '201'. The rankings for individual indicators are aggregated to produce an overall ranking for each council; the council with the lowest score is the best performing or 'most efficient' council.

Baseline rankings for all indicators and overall ranking was established (primarily based on 2011/2012) data) which is used to gauge future improvements.

The latest ranking exercise (primarily based on 2014/15 data) placed the Council in 8th position. New rankings for each of the indicators will be updated as benchmarking data becomes available.

The Council's Summary Performance Report for 2015/16 was considered by Cabinet on 16th June 2016. The report details the key variances for the year and explanations of the major balances. All Committee papers are available from the Council website at: www.cotswold.gov.uk.

3. Material Assets and Liabilities acquired during the year.

During the year the Council acquired a waste transfer depot, valued at £1.7m at the Balance Sheet date.

4. Pensions liability

Cotswold District Council is a member of the Gloucestershire County Council Pension Fund, for which Gloucestershire County Council is the administering authority.

The scheme is a defined benefit statutory scheme that is administered in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). It is contracted out of the State Second Pension.

At the balance sheet date the actuarial valuation had the pension fund in deficit (liabilities exceed assets). The valuation was represented as follows:

| | £000 |
|---|----------|
| Fair value of employer assets | 57,854 |
| Present value of defined benefit obligation | (93,558) |
| Surplus / (deficit) on the pension fund | (35,704) |

Every three years, the pensions fund is formally valued by the fund actuary. The valuation is used to inform decisions on the level of contributions into the fund. The last valuation was carried out as at 31st March 2013. The Council is making contributions to cover liabilities accruing for employees that are members of the scheme and an annual lump-sum contribution to fund the deficit.

For a full breakdown of the disclosures on the pension fund see Note 47 to the accounts.

5. Explanation of any material and unusual charges or credits in the accounts

Changes in the valuation of pension fund liabilities

The Council's pension fund liability is calculated by the actuary in accordance with International Accounting Standard 19 (IAS 19). The net liability in the pension fund has decreased over the past year by £7.8m.

The most significant change is the change in discount rate which had led to a reduction in the value placed on liabilities, compared to the financial assumptions adopted at 31st March 2015.

| Assumptions: | 2014/15 | 2015/16 |
|--------------------------------|---------|---------|
| • Rate of inflation (CPI) | 2.4% | 2.4% |
| • Rate of increase in pensions | 2.4% | 2.2% |
| • Rate of increase in salaries | 3.8% | 3.7% |
| • Discount rate | 3.2% | 3.5% |

The next formal valuation of the fund will be carried out as at March 2016 when the level of contribution will be reviewed. The outcome of the triennial review will be received toward the end of 2016 will feed into the 2017/18 budget setting process.

Significant areas of income and expenditure within the revenue account include:

| Description | 2014/15 £ | 2015/16 £ |
|----------------------------------|--------------|--------------|
| Expenditure: | | |
| Staff employment costs | 8,915,159 | 8,674,804 |
| Housing benefit payments | 20,337,497 | 20,089,878 |
| | | |
| Income: | | |
| Housing benefit subsidy grant | (20,018,994) | (19,914,729) |
| Revenue support grant [RSG] | (2,003,593) | (1,510,388) |
| New Homes Bonus grant | (1,949,831) | (2,570,418) |
| Non-domestic rates net income | (2,163,504) | (2,733,949) |
| Council tax receipts [CDC share] | (4,909,927) | (4,708,463) |

6. Significant changes in accounting policy

The Council's statement of accounts has been prepared based upon International Financial Reporting Standards, in accordance with the local authority adaptation of the standards, documented within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'). The Council's accounting policies are based upon the requirements of the Code.

2015/16 saw the application of IFRS 13, *Fair Value Measurement*, which has impacted upon the valuation of the Council's surplus assets. Surplus assets are now valued on a 'highest and best use' rather than existing use basis. This change has increased the value of surplus assets on the Council's balance sheet. See Note 12 to the accounts for further details.

There have been no other changes in accounting policy which had had a significant impact upon balances or accounting treatments within the Council.

7. Major changes in functions

No major changes in functions have taken place during 2015/16.

8. Non-current asset [fixed asset] purchases and disposals

During the year the Council purchased and disposed of a number of assets. The Council's purchases of non-current assets, capital enhancement works and asset disposals during 2015/16 can be summarised as follows:

| Class of asset | Purchases [cost] £ | Disposals [sale price] £ |
|-------------------------------------|--------------------------|--------------------------------|
| Property, Plant and Equipment (PPE) | 2,587,678 | 375,000 |
| Assets held for sale | 201,500 | 2,652,000 |
| Investment Property | 0 | 0 |
| Intangible assets [ICT software] | 145,871 | 0 |
| Total | 2,935,049 | 3,027,000 |

The most significant addition in 15/16 was the purchase of a waste transfer depot, for approximately £1.7m.

The Council disposals related to two areas of land; one in Bourton-on-the-Water and one at Hammond Way, Cirencester.

9. Summary of the Authority's internal and external sources of funds to meet its capital plans, and commitments

The Council is currently debt free. It has no external borrowing.

A summary of the balances available to the Council in reserves to fund its future plans and meet its future commitments are as follows:

| Funding source [reserves] | 31 st March 2015 £ | 31 st March 2016 £ |
|----------------------------------|-------------------------------------|-------------------------------------|
| General Fund balance | 2,911,603 | 3,727,687 |
| Earmarked reserves | 4,801,692 | 5,634,966 |
| Capital grants unapplied account | 155,363 | 59,749 |
| Capital receipts | 11,019,223 | 11,422,201 |
| | 18,887,881 | 20,844,603 |

The Council plans to utilise its capital receipts to fund its capital programme. There are currently no plans to use Prudential Borrowing powers over the life of the Council's Medium Term Financial Strategy.

10. Significant provisions or contingencies

At 31st March the Council has £1,114,729 set aside in provisions. £1,035,741 is a result of arrangements for the retention of business rates that came into effect as at 1st April 2013, whereby local authorities assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. The provision represents the Council's potential share of the outstanding liability at the balance sheet date.

Details of all provisions are included in note 22 to the accounts. Contingent liabilities are disclosed under note 48.

11. Events after the reporting date

There are no events to report after the balance sheet date.

12. Impact of the current economic climate and the outlook for the future

Following the United Kingdom's vote to leave the European Union the economic outlook for the UK has immeasurably altered and the long term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU, particularly with regard to single-market access. The short term outlook is more predictable; economic and political uncertainty will likely dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment.

UK CPI inflation will probably rise over the coming year as previous rates in commodity prices and the sharp depreciation in sterling begin to drive up imported material costs for businesses. The medium term outlook for inflation is likely to support looser monetary policy. The cut in the Bank Rate plus increasing asset purchases (QE) are direct actions the Bank of England have applied to support growth and achieve sustainable levels of inflation.

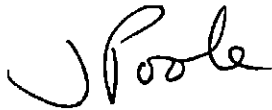
In terms of risk to this Council, at the moment there is no significant change, but like the rest of the country it is wait and see how the implications of the 'Brexit' evolve and what direct impact it will have in the short and longer term.

New Homes Bonus began in 2011/12 as a 'reward' over a six year period for additional housing generated within the District. The Council will receive its anticipated New Homes Bonus in 2016/17 (the sixth year since the start of the scheme). However, as part of the governments finance settlement it was announced the system is going to be changed and indications are that there could at least be a reduction of 33% future funding. As a result the Medium Term Financial Strategy has assumed a new reduced basis of allocation from 2017/18 although the overall scheme is under a consultation process and specific details are still to be agreed.

The '2020 Vision for Joint Working' is progressing and a Joint Committee for all partner Councils came into operation in February 2016. The Council's Chief Executive is undertaking a new role as Partnership Managing Director, with two Strategic Directors now sharing responsibilities to manage West Oxfordshire District Council and Cotswold District Council. The 2020 Programme has appointed a number of 'Group Managers' to plan business cases to incorporate a cross section of services from the partner Councils into the 2020 Programme. The overall business case for the Programme is currently being reviewed and updated and initial indications are that the original savings programme will be achieved. Some savings have already been taken by partner Councils and the Public Protection Project is now largely complete with a phased implementation up to August 2016 when the new structure will be fully operational. The 2020 Vision project is a fundamental part of the Council's Medium Term Financial Strategy to achieve the level of efficiency savings that will be required over the coming years.

Further information

For further information on the accounts please contact: Jenny Poole, Chief Finance Officer, Cotswold District Council, Trinity Road, Cirencester, Gloucestershire, GL7 1PX; or via email at Jenny.Poole@Cotswold.gov.uk.

A handwritten signature in black ink, appearing to read 'J Poole', with a large, stylized initial 'J'.

Jenny Poole CPFA
Chief Finance Officer

The Comprehensive Income & Expenditure Statement

| 2014/15 Gross Expenditure £ | 2014/15 Income £ | 2014/15 Net Expenditure £ | | 2015/16 Gross Expenditure £ | 2015/16 Income £ | 2015/16 Net Expenditure £ | Note |
|--------------------------------------|------------------------|------------------------------------|--|--------------------------------------|------------------------|------------------------------------|------|
| 1,448,024 | (205,380) | 1,242,644 | Cultural and related service | 1,271,873 | (304,554) | 967,318 | |
| 7,687,864 | (2,769,701) | 4,918,163 | Environmental and regulatory services | 8,126,068 | (2,662,199) | 5,463,870 | |
| 4,161,989 | (2,006,186) | 2,155,803 | Planning services | 4,585,032 | (2,340,645) | 2,244,387 | |
| 1,030,599 | (2,465,436) | (1,434,837) | Highways, Roads and Transport Services | 1,408,512 | (2,615,692) | (1,207,179) | |
| 23,282,774 | (21,639,356) | 1,643,418 | Housing Services | 22,806,887 | (21,221,820) | 1,585,067 | |
| 1,690,733 | (182,095) | 1,508,638 | Corporate and Democratic Core | 2,157,269 | (639,735) | 1,517,534 | |
| 52,862 | 0 | 52,862 | Non Distributed Costs | 111,907 | 0 | 111,907 | |
| 4,766,009 | (4,020,695) | 745,315 | Central Services to the Public | 4,907,500 | (3,986,101) | 921,399 | |
| 44,120,854 | (33,288,848) | 10,832,006 | Cost of Services - continuing operations | 45,375,048 | (33,770,745) | 11,604,303 | |
| 2,312,047 | (2,176,994) | 135,053 | Other Operating Expenditure | 2,086,318 | (506,575) | 1,579,743 | 9 |
| 1,945,621 | (852,222) | 1,093,399 | Financing and Investment Income and Expenditure | 1,523,056 | (1,157,967) | 365,089 | 10 |
| 10,283,853 | (23,105,844) | (12,821,991) | Taxation and Non-Specific Grant Income | 10,492,987 | (24,243,065) | (13,750,078) | 11 |
| 58,662,376 | (59,423,909) | (761,533) | (Surplus) or Deficit on Provision of Services | 59,477,408 | (59,678,352) | (200,944) | |
| | | (19,842,781) | (Surplus) or deficit on revaluation of non current assets | | | (9,699,551) | |
| | | (10,912) | (Surplus) or deficit on revaluation of available for sale financial assets | | | (2,034) | |
| | | 7,129,000 | Remeasurement of the net defined benefit liability | | | (8,852,000) | |
| | | 0 | Other (gains) and losses | | | 0 | |
| | | (12,724,693) | Other Comprehensive Income and Expenditure | | | (18,553,585) | |
| | | (13,486,226) | Total Comprehensive Income and Expenditure | | | (18,754,529) | |

Movement in Reserves Statement 2015/16

| | General Fund Balance £ | Earmarked Reserves £ | Capital Grants Unapplied £ | Capital Receipts Reserve £ | Total Usable Reserves £ | Unusable Reserves £ | Total Authority Reserves £ |
|--|---------------------------------|----------------------------|-------------------------------------|-------------------------------------|----------------------------------|---------------------------|-------------------------------------|
| Balance at 31 March 2015 | 2,911,602 | 4,801,692 | 155,363 | 11,019,223 | 18,887,880 | 15,997,386 | 34,885,265 |
| Surplus/(deficit) on provision of services (accounting basis) | 200,944 | 0 | 0 | 0 | 200,944 | 0 | 200,944 |
| Other Comprehensive Expenditure and Income | 0 | 0 | 0 | 0 | 0 | 18,553,585 | 18,553,585 |
| Total Comprehensive Income & Expenditure | 200,944 | 0 | 0 | 0 | 200,944 | 18,553,585 | 18,754,529 |
| Adjustments between accounting basis & funding basis under regulations [see Note 7 to the Accounts] | 1,660,067 | 0 | 0 | 0 | 1,660,067 | (1,308,600) | 351,467 |
| Other movements in reserves | 0 | (211,651) | (95,614) | 402,978 | 95,712 | (447,179) | (351,467) |
| Net Increase / (Decrease) in GF balance before Transfers to Earmarked Reserves | 1,861,011 | (211,651) | (95,614) | 402,978 | 1,956,723 | 16,797,806 | 18,754,529 |
| Transfers (to) / from earmarked reserves | (1,044,926) | 1,044,926 | 0 | 0 | 0 | 0 | 0 |
| Increase / (Decrease) in Year | 816,085 | 833,275 | (95,614) | 402,978 | 1,956,723 | 16,797,806 | 18,754,529 |
| Balance at 31 March 2016 | 3,727,687 | 5,634,966 | 59,749 | 11,422,201 | 20,844,603 | 32,795,191 | 53,639,795 |

Movement in Reserves Statement 2014/15

| | General Fund Balance £ | Earmarked Reserves £ | Capital Grants Unapplied £ | Capital Receipts Reserve £ | Total Usable Reserves £ | Unusable Reserves £ | Total Authority Reserves £ |
|--|---------------------------------|----------------------------|-------------------------------------|-------------------------------------|----------------------------------|---------------------------|-------------------------------------|
| Balance at 31 March 2014 | 2,839,699 | 4,196,133 | 206,943 | 7,941,163 | 15,183,938 | 6,215,103 | 21,399,040 |
| Surplus/(deficit) on provision of services (accounting basis) | 761,533 | 0 | 0 | 0 | 761,533 | 0 | 761,533 |
| Other Comprehensive Expenditure and Income | 0 | 0 | 0 | 0 | 0 | 12,724,693 | 12,724,693 |
| Total Comprehensive Income & Expenditure | 761,533 | 0 | 0 | 0 | 761,533 | 12,724,693 | 13,486,226 |
| Adjustments between accounting basis & funding basis under regulations [see Note 7 to the Accounts] | (84,071) | 0 | 0 | 0 | (84,071) | (687,591) | (771,662) |
| Other movements in reserves | 0 | 0 | (51,580) | 3,078,060 | 3,026,480 | (2,254,818) | 771,662 |
| Net Increase / (Decrease) in GF balance before Transfers to Earmarked Reserves | 677,463 | 0 | (51,580) | 3,078,060 | 3,703,943 | 9,782,283 | 13,486,226 |
| Transfers (to) / from earmarked reserves | 44,442 | (44,442) | 0 | 0 | 0 | 0 | 0 |
| Transfers (to) / from Business Rates movement reserve | (650,000) | 650,000 | 0 | 0 | 0 | 0 | 0 |
| Increase / (Decrease) in Year | 71,904 | 605,558 | (51,580) | 3,078,060 | 3,703,943 | 9,782,283 | 13,486,226 |
| Balance at 31 March 2015 | 2,911,603 | 4,801,691 | 155,363 | 11,019,223 | 18,887,881 | 15,997,386 | 34,885,267 |

Balance Sheet

| (restated) * | | | |
|-------------------------|---------------------------------------|------|-------------------------|
| 31st March 2015 £ | | Note | 31st March 2016 £ |
| 47,070,609 | Property, Plant & Equipment | 12 | 57,710,122 |
| 133,357 | Assets under construction | 12 | 0 |
| 17,000 | Heritage Assets | 51 | 17,000 |
| 5,050,299 | Investment Property | 13 | 5,264,044 |
| 362,853 | Intangible Assets | 14 | 354,256 |
| 0 | Long Term Investments | 15 | 502,422 |
| 2,945,950 * | Long Term Debtors | 18 | 2,715,867 |
| 55,580,069 | Long Term Assets | | 66,563,712 |
| 14,054,834 | Short Term Investments | 15 | 20,626,272 |
| 29,081 | Inventories | 16 | 24,336 |
| 3,948,316 * | Short Term Debtors | 18 | 5,385,021 |
| 7,128,693 | Cash and Cash Equivalents | 19 | 2,462,368 |
| 4,235,829 | Assets held for sale | 20 | 1,188,400 |
| 29,396,753 | Current Assets | | 29,686,397 |
| (4,411,833) | Short Term Creditors | 21 | (4,523,454) |
| (733,207) | Short Term Creditors - s.106 balances | 21 | (1,083,144) |
| (1,080,424) | Provisions | 22 | (1,114,729) |
| (6,225,465) | Current Liabilities | | (6,721,328) |
| 0 | Long Term Creditors | | 0 |
| (43,569,000) | Other Long Term Liabilities | 33 | (35,704,000) |
| (297,092) | Capital Grants Receipts in Advance | 38 | (184,987) |
| (43,866,092) | Long Term Liabilities | | (35,888,987) |
| 34,885,265 | Net Assets | | 53,639,794 |
| 18,887,880 | Usable reserves | 23 | 20,844,603 |
| 15,997,385 | Unusable Reserves | 24 | 32,795,191 |
| 34,885,265 | Total Reserves | | 53,639,794 |

* 2014/15 debtor balances have been restated, with a movement between Long-term and Short-term debtors. See note 18 for details.

Cash flow statement

| | Note | 2014/15 £000s | 2015/16 £000s |
|---|------|------------------|------------------|
| Net (surplus) or deficit on the provision of services | | (762) | (201) |
| Adjustments to net surplus or deficit on the provision of services to exclude non-cash movements | | (2,985) | (5,489) |
| Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | | 2,193 | 4,749 |
| Net cash flows from Operating Activities | 25 | (1,554) | (941) |
| Investing Activities | 26 | (1,259) | 5,608 |
| Financing Activities | 27 | 0 | 0 |
| Net (increase) or decrease in cash and cash equivalents | | (2,813) | 4,667 |
| Cash and cash equivalents at 1st April | | (4,315) | (7,129) |
| Cash and cash equivalents at 31st March | | (7,128) | (2,462) |

Notes to the Accounts

1. Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Authority's transactions for the financial year and its position at the 31st March year-end. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, those regulations which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom* and the *Service Reporting Code of Practice for Local Authorities (SeRCOP)*, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The summary of significant accounting policies includes the following items where they have a significant effect on the amounts recognised in the financial statements:

(b) Accruals of Income and Expenditure

Activity is accounted for in the year it takes place, not when physical cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption they are carried as inventories [stock] on the Balance Sheet, where the value is material.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument ('what is due') rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. For all debts outstanding at the balance sheet date the balance of debtors is written down and a charge made to revenue for the income that might not be collected (bad debts).

(c) Acquisition and Discontinued Operations

Where operations are acquired, discontinued or transferred these will be fully disclosed in the notes to the accounts.

(d) Cash and cash Equivalents

Cash and cash equivalents are represented by cash in hand and deposits with financial institutions repayable, without penalty, on notice of not more than 24 hours. This includes bank call-accounts, Money Market Funds (MMF) and any other 'overnight-type' investments.

(e) Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

(f) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. A full disclosure of the reasons for the amendments will accompany any changes in figures.

(g) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the services where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore

replaced by the contribution in the General Fund Balance - Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

(h) Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlement (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Overtime is only paid on limited occasions and requires prior Head of Service approval. Overtime is not contractual or regular, and therefore any holiday leave potentially accruing on overtime worked is not significant. The Council does not accrue for holiday pay due on overtime.

Termination benefits

Termination benefits are amounts payable as a result of decisions by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or the employee in the year, not the amount calculated according to the relevant accounting standards.

(i) Post employment benefits

Employees of the Authority are permitted to join of the Local Government Pension Scheme, administered by Gloucestershire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Gloucestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the gross redemption yield on the Iboxx Sterling Corporate Index, AA over 15 years, at the IAS19 valuation date. This is a high quality corporate bond of equivalent term and currency to the liability.
- The assets of the Gloucestershire County Council pension fund attributable to the Authority are included in the balance sheet at their fair value.
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

(j) Events After the Balance Sheet Date

Events after the Balance Sheet date are those events (both favourable and unfavourable) that occur between the end of the reporting period and the date when the Statement of accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

(k) Financial Instruments

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for

interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Any borrowing that the Authority may undertake would be presented in the Balance Sheet at the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, where material. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Where loans are repaid in advance of the settlement date the Council will recognise any interest paid in respect of the loan in the financial year in which settlement is received.

(l) Foreign Currency Translation

The Council deals in sterling wherever possible.

Movements in foreign currency exchange rates will impact on the value of the investment. At the time the investment matures (or at the balance sheet date) investments are valued, based upon the current exchange rate. Any change in investment value will be debited or credited to the 'financing and investing income & expenditure' section of the Comprehensive Income & Expenditure Account as an exchange rate gain/loss.

The Authority currently has one financial asset denominated in Icelandic Krona.

(m) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is only then credited to Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Most Section 106 grant contributions which the Council holds have conditions which require the contribution to be returned if the contribution remains unspent after 5 years. Although it is highly probable that the conditions will be met, it is not guaranteed. Section 106 contributions are therefore held on the balance sheet as creditors. Similarly, where grants have been received for specific projects these are treated as grants with conditions [creditors] until the project has begun or the item of equipment to which the grant relates has been purchased.

(n) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the authority. Intangible assets are measured initially at cost.

The depreciable amount of an intangible asset is amortised over its useful life (usually 4 years) to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Council carries no internally generated intangible assets on its balance sheet.

(o) Interests in Companies and Other Entities

The Authority is required to consider all its interests (including those in local authorities and similar bodies) and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures.

(p) Inventories and Long Term Contracts

Inventories [stocks] are included in the Balance Sheet at cost.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

(q) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or if is classified as held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are subject to a review at year end to determine whether market conditions require properties to be revalued. Any gains or losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account or (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

(r) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance leases

Property, plant and equipment held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value, measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority may be added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in Accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating leases

Lease payments made under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased asset.

The Authority as Lessor

Finance leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Any gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund

Balance to the Capital Receipts Reserve in the Movement on Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the 'Other Operating Expenditure' line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset (if material) and charged as an expense over the lease term on the same basis as rental income.

(s) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting *Code of Practice (SeRCOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Recharges are primarily made on the basis of time allocations or other means of activity. Examples of recharge methodologies include debtors and creditors (transaction numbers), payroll and personnel (employee numbers) and office overheads (floor areas), for example.

(t) Property, Plant and Equipment (updated)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred.

The Council's capitalisation de minimis is £10,000, except for where the sum of a group of assets is significant, such as waste collection bins and boxes or ICT equipment.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The 'cost' of an asset acquired other than by purchase is deemed to be its fair value, unless the acquisition was for no monetary value. Where the purchase of an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are carried in the Balance sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- Surplus assets – 'highest and best use'
- all other classes of asset – 'current cost', determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of 'current cost' because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of 'current cost'.

Items of equipment, which have short useful lives or low values (or both) are held on the balance sheet at depreciated historical cost, as an approximation of 'current cost'.

Assets included in the balance sheet at current cost are revalued to ensure that their carrying amount is not materially different from their value at year-end. All land and buildings are revalued at least every 5-years as part of a rolling programme. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where items or property plant and equipment are revalued, and the valuers identifies an asset which has component parts that have significantly different useful lives, where one or more parts represent a significant proportion of the overall asset, then the asset may be componentised. With componentisation, one or more constituent parts may be identified, and

the component parts separately valued for the accounts and depreciated over different useful lives to the main asset. Useful economic lives (and therefore depreciation calculations) will be based upon the asset lives recommended by the Council's valuers.

Upon revaluation, where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets. Assets are written-down over the useful life of the asset. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are under construction (and not yet available for use).

Depreciation is calculated on the following bases:

- Operational buildings and surplus property – depreciated on a straight-line basis, over a 40 year period (unless an asset life is deemed to be materially different to this by the Council's Valuer).
- Car Park depreciable components (surface) – 20 years
- Land is not depreciated
- Vehicles, plant, furniture and equipment – depreciated on a straight-line basis, over a 4-year period
- Investment property is not depreciated

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and current cost less costs to sell.

If assets no longer meet the criteria to be classified as Assets Held for Sale, it will be reclassified back to non-current assets and valued at the lower of their carrying amount before being classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any accumulated revaluation gains held for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for disposal in excess of £10,000 are categorised as capital receipts.

(u) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and certainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Any material contingent liabilities are disclosed in the notes to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in the notes to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

(v) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance, via the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then charged back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement & employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

(w) Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account to reverse out the amounts charged so there is no impact on the level of council tax.

(x) Heritage Assets (updated)

Heritage assets are those assets that are held and maintained principally for their contribution to knowledge and culture.

The Council owns the Corinium Museum in Cirencester. The museum contains a large number of artefacts, with a particular specialism in the Roman heritage of Cirencester and the surrounding area. Many of the items in the Museum collection meet the classification of Heritage Assets adopted by the Code [FRS102].

Where assets have been purchased or recently obtained, information on their cost or value will be available. The Code allows that where this information is not available, or cannot be obtained at a value which is commensurate with the benefits to users of the financial statements, that the assets need not be recognised in the Balance Sheet. The majority of the Council's museum collection has not been included on the Council's Balance Sheet.

When purchased or where a value is available, heritage assets are recognised on the balance sheet at historic cost. Assets within the museum collection are deemed to have indeterminate lives; hence the authority does not consider it appropriate to charge depreciation on those heritage assets on the Council's balance sheet. Due to the nature of the type of assets held, the Council's heritage assets are not subject to revaluation and will only be impaired if there is clear reason to suspect the assets have become impaired.

(y) Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

2. Accounting standards that have been issued but have not yet been adopted

The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. There is also the requirement for an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The primary change in accounting standards or forthcoming changes in the Code is the 2016/17 Code interpretation on transport infrastructure assets. The change to the code will require the establishment of a separate class of asset for 'transport infrastructure assets'. The Council does not currently have any assets that meet this definition will therefore have no requirement to restate any prior-year balances.

There are no additional changes in accounting standards which require mention that are expected to have a material impact upon the financial statements of the Council.

3. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- In 2014/15 the Council had a one-half share in Ubico Limited and categorised its investment as a joint venture, preparing Group Accounts in accordance with IAS 31 *Interests in Joint Ventures*. During 2015/16 Ubico Ltd took on additional shareholders. The Council was deemed to be an 'associate' until 29th January when a 6th shareholder bought-in to the Company. At that point the tests over 'significant influence' were lost so equity accounting ceased at that point. The separate operating practices, management structure, the application of majority-voting on the Ubico Limited board and the reduction in the Council's shareholding no longer constitute the Council having joint-control or significant influence over the company. Given the Council's reduced share in Ubico, group accounts in the year of dilution of interest have not been prepared on the grounds of materiality. The Council's interest has therefore been classified as an investment in Ubico and group accounts have not been prepared.
- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has plans in place that enable it to determine the requirement for savings which may need to be delivered by greater efficiency savings or reducing levels of service provision.
- Under International Financial Reporting Standards (IFRS) assessments have been made as to the correct accounting treatment for a number of lease agreements which the Council has entered into. Categorising leases as either operating or finance leases does result in different accounting treatment. In each case, a lease is classified based upon criteria contained within the Code and an assessment of the nature of the leasing arrangement in place.
- A significant level of risk remains due to the volume of outstanding business rates appeals which are being processed by the Valuation Office. Where appeals are successful, refunds of business rates are generally repayable back to the latest valuation date which reduces the business rates yield in the year in which the refund is made. This set of accounts includes a provision for appeal losses. The value has been assessed using information of outstanding appeals supplied by the valuation office, as at 31st March, and using experience of previous appeals rates.

4. Assumptions made

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. Significant assumptions affecting the statement of accounts include:

| Item | Uncertainties | Effect if actual result differs from assumption |
|-------------------------------|---|--|
| Property, Plant and Equipment | Operational assets are depreciated over the best estimate of an assets useful economic life. These asset lives are based upon assumed repairs and maintenance being carried out to maintain an asset. Asset lives are based upon information provided by the Council's valuers. | If the useful economic life of an asset is reduced, depreciation increases and the carrying value of an asset will fall. |
| Pension liability | The estimation of the pension liability is based upon a number of factors and judgements applied by the scheme's actuary. Estimates are made upon judgements and conditions as seen by the actuary at a point in time. | The effect of changing assumptions will result in changes in the valuation of the pension funds' assets and liabilities. |
| Bad debt provisions | Debtors on the balance sheet assume an element of bad debt (when debtors cannot/will not settle their debt to the Council). | Income receivable and included in the accounts will differ from that actually received. The CI&E could be overstated. The effect is offset by establishing a suitable provision. |

Where other assumptions have been made these will be disclosed in the appropriate note to the accounts.

5. Prior-period adjustments

The Council has made no prior period adjustments to any of its core financial statements.

The Council has restated the 2014/15 Balance sheet with a movement between long-term debtors to short term debtors of £309,130. The restatement did not affect the 'net worth' of the Council and does not constitute a prior period adjustment.

6. Events after the balance sheet date

There have been no significant events after the balance sheet date that require reporting.

7. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

Adjustments are made against the following reserves:

General fund balance

The general fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might state otherwise. The general fund balance therefore summarises the resources that the Council is statutorily empowered to spend on its services (or the deficit of resources that the Council is to recover) at the end of the financial year.

Earmarked reserves

Where resources have been set-aside for specific projects or activities the allocation is shown in earmarked reserves.

Capital receipts reserve

The capital receipts reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure. The balance on the reserve shows the resources that are yet to be applied for these purposes at the year-end.

Capital grants unapplied

The capital grants unapplied account holds grants and contributions which have been received but are yet to be applied to meet expenditure. Grants may have specific terms attached to the use of the allocation (eg. The grant must be spent in a specific service area). Where the Council has received grant monies, but are yet to meet the specific terms of the grant, the balance is held as a receipt in advance on the balance sheet (and not in the capital grants unapplied account).

Adjustments between accounting basis and funding basis under regulations 2015/16

| 2015/16 Adjustments between accounting basis and funding under regulations | Usable Reserves | | | | Total Usable Reserves £ | Unusable Reserves £ |
|--|---------------------------|-------------------------|-------------------------------|-------------------------------|----------------------------|------------------------|
| | General Fund Balance £ | earmarked Reserves £ | Capital Grants Unapplied £ | Capital Receipts Reserve £ | | |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement | | | | | | |
| Charges for depreciation and amortisation | (1,572,335) | 0 | 0 | 0 | (1,572,335) | 1,572,335 |
| Writing-out accumulated depreciation on revaluation | (90,180) | 0 | 0 | 0 | (90,180) | 90,180 |
| Reversal of previous Revaluation losses on PPE | 345,400 | 0 | 0 | 0 | 345,400 | (345,400) |
| Movements in the market value of Investment Properties | 213,745 | 0 | 0 | 0 | 213,745 | (213,745) |
| Revenue expenditure funded from capital under statute | (1,094,954) | 0 | 0 | 0 | (1,094,954) | 1,094,954 |
| Application of grants credited to revenue | 94,711 | 0 | 0 | 0 | 94,711 | (94,711) |
| Capital grants and contributions applied | 699,661 | 0 | 0 | 212,840 | 912,501 | (912,501) |
| Writing-out Revaluation Reserve balance on disposal of fixed assets | (3,562,855) | 0 | 0 | 0 | (3,562,855) | 3,562,855 |
| Writing-out the asset NBV on disposal of fixed assets | (304,500) | 0 | 0 | 0 | (304,500) | 304,500 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement | | | | | | |
| Capital loans receipts | 0 | 0 | 0 | (10,273) | (10,273) | 10,273 |
| Capital expenditure charged against the General Fund | 250,000 | 211,651 | 0 | 0 | 461,651 | (461,651) |
| Adjustments primarily involving the Capital Grants Unapplied Account | | | | | | |
| Grants credited from the Ci&E statement | (18,294) | 0 | (4,386) | 0 | (22,680) | 22,680 |
| Application of grants to CAA | 0 | 0 | 100,000 | 0 | 100,000 | (100,000) |
| Adjustments primarily involving Usable Capital Receipts | | | | | | |
| Sale proceeds on asset disposals | 4,240,264 | 0 | 0 | (2,304,337) | 1,935,928 | (1,935,928) |
| Unattached capital receipts | 458,665 | 0 | 0 | (458,665) | 0 | 0 |
| Use of UCR to finance new expenditure | 0 | 0 | 0 | 2,461,141 | 2,461,141 | (2,461,141) |
| Use of UCR to contribute to cost of disposal [4% maximum] | (18,814) | 0 | 0 | 18,814 | 0 | 0 |
| Movement in mortgages | 8,021 | 0 | 0 | 0 | 8,021 | (8,021) |
| Transfer from deferred capital receipts upon receipt of cash | 0 | 0 | 0 | (322,499) | (322,499) | 322,499 |
| Adjustments primarily involving the pensions reserve | | | | | | |
| Reversal of items relating to retirement benefits credited to Ci&E | (3,573,000) | 0 | 0 | 0 | (3,573,000) | 3,573,000 |
| Employer's pensions contributions and payments to pensioners in year | 2,586,000 | 0 | 0 | 0 | 2,586,000 | (2,586,000) |
| Adjustments primarily involving the Collection Fund Adjustment Account | | | | | | |
| Differences between Ci&E and statutory requirements | (321,600) | 0 | 0 | 0 | (321,600) | 321,600 |
| Total adjustments: | (1,660,067) | 211,651 | 95,614 | (402,978) | (1,755,779) | 1,755,779 |

Adjustments between accounting basis and funding basis under regulations 2014/15

| 2014/15 Adjustments between accounting basis and funding under regulations | Usable Reserves | | | | Unusable Reserves |
|---|---------------------------|-------------------------|-------------------------------|-------------------------------|-------------------|
| | General Fund Balance £ | Earmarked Reserves £ | Capital Grants Unapplied £ | Capital Receipts Reserve £ | |
| Adjustments primarily involving the Capital Adjustment Account: | | | | | |
| Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement | | | | | |
| Charges for depreciation and amortisation | (1,268,888) | 0 | 0 | 0 | 1,268,888 |
| Revaluation losses on PPE | (260,220) | 0 | 0 | 0 | 260,220 |
| Movements in the market value of Investment Properties | 160,300 | 0 | 0 | 0 | (160,300) |
| Revenue expenditure funded from capital under statute | (914,860) | 0 | 0 | 150,790 | 764,070 |
| Writing-out Revaluation Reserve balance on disposal of fixed assets | (290,599) | 0 | 0 | 0 | 290,599 |
| Writing-out the asset NBV on disposal of fixed assets | (409,665) | 0 | 0 | 0 | 409,665 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement | | | | | |
| Capital expenditure charged against the General Fund | 250,000 | 0 | 0 | 0 | (250,000) |
| Historic Cost Depreciation Adjustment | 0 | 0 | 0 | 0 | 0 |
| Adjustments primarily involving the Capital Grants Unapplied Account | | | | | |
| Grants credited from the CI&E statement | | | | | |
| Application of grants to CAA | 609,488 | 0 | 51,580 | 0 | (661,067) |
| Adjustments primarily involving Usable Capital Receipts | | | | | |
| Sale proceeds on asset disposals | 2,192,500 | 0 | 0 | (2,150,000) | (42,500) |
| Unattached capital receipts | 697,258 | 0 | 0 | (697,258) | 0 |
| Use of UCR to finance new expenditure | 0 | 0 | 0 | 336,860 | (336,860) |
| Use of UCR to contribute to cost of disposal [4% maximum] | (12,500) | 0 | 0 | 12,500 | 0 |
| Transfer from deferred capital receipts upon receipt of cash | 0 | 0 | 0 | (730,952) | 730,952 |
| Adjustments primarily involving the pensions reserve | | | | | |
| Reversal of items relating to retirement benefits credited to CI&E | | | | | |
| Employer's pensions contributions and payments to pensioners in year | (3,128,000) | 0 | 0 | 0 | 3,128,000 |
| | 2,296,000 | 0 | 0 | 0 | (2,296,000) |
| Adjustments primarily involving the Collection Fund Adjustment Account | | | | | |
| Differences between CI&E and statutory requirements | | | | | |
| | 144,409 | 0 | 0 | 0 | (144,409) |
| Adjustments primarily involving the Accumulated Absences Account | | | | | |
| Amount by which officer remuneration in the CI&E on an accruals basis is different to the amounts chargeable under statutory requirements | | | | | |
| | 18,849 | 0 | 0 | 0 | (18,849) |
| Total adjustments: | 84,071 | 0 | 51,580 | (3,078,060) | 2,942,410 |

8. Transfers to and from earmarked reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves. Earmarked reserves are used to provide financing for future specific expenditure or projects. Movements in earmarked reserves during the year were as follows:

2015/16

| Earmarked reserves | Opening Balance | Transfers | Expenditure | Income | Closing balance |
|--------------------------|-----------------|-----------|-------------|-------------|-----------------|
| Council Priorities | (2,182,443) | 72,905 | 441,244 | (515,000) | (2,183,294) |
| Other earmarked reserves | (2,619,248) | (72,905) | 586,564 | (1,346,083) | (3,451,672) |
| | (4,801,691) | 0 | 1,027,808 | (1,861,083) | (5,634,966) |

2014/15

| Earmarked reserves | Opening Balance | Transfers | Expenditure | Income | Closing balance |
|--------------------------|-----------------|-----------|-------------|-------------|-----------------|
| Council Priorities | (2,481,089) | (142,208) | 482,255 | (41,401) | (2,182,443) |
| Other earmarked reserves | (1,715,044) | 142,208 | 306,277 | (1,352,689) | (2,619,248) |
| | (4,196,133) | 0 | 788,532 | (1,394,090) | (4,801,691) |

9. Other operating expenditure

| Other Operating Expenditure | 2014/15 £ | 2015/16 £ |
|---|--------------|--------------|
| (Gain) / loss on disposal of fixed assets | (1,479,736) | (354,065) |
| Unattached capital receipts | (697,258) | (458,665) |
| Town and Parish Council support grant | 121,718 | 102,688 |
| Town and Parish Council precepts | 2,190,329 | 2,289,785 |
| Total | 135,053 | 1,579,743 |

10. Financing and investment income and expenditure

| Financing and investment income and expenditure | 2014/15 £ | 2015/16 £ |
|---|--------------|--------------|
| Interest payable and similar charges | 0 | 77 |
| Interest receivable and similar income | (125,026) | (517,567) |
| Investment property - income and expenditure and changes in asset fair values | (297,575) | (505,421) |
| Net interest on the net defined benefit liability | 1,516,000 | 1,388,000 |
| Total | 1,093,399 | 365,089 |

11. Taxation and non-specific grant income

The Council's sources of funding for the year were as follows:

| Taxation and non-specific grant income | 2014/15 £ | 2015/16 £ |
|---|--------------|--------------|
| Council tax income | (7,183,879) | (7,166,081) |
| National non-domestic rates redistribution (NNDR) | (1,644,935) | (1,806,438) |
| National non-domestic rates safety-net receipt | 251,587 | 269,023 |
| National non-domestic rates (surplus)/deficit | 650,874 | 286,213 |
| Revenue Support Grant (RSG) | (2,003,593) | (1,510,388) |
| Section 31 Grant | (837,332) | (1,085,105) |
| Other non-ringfenced government grants | (2,054,714) | (2,638,206) |
| Capital grants and contributions | 0 | (99,096) |
| Total | (12,821,992) | (13,750,078) |

12. Property, Plant and Equipment

| 2015/16 | Land & Buildings | Vehicles, Plant & Equipment | Community Assets | Surplus Assets | PP&E under construction | Total |
|--|-------------------|-----------------------------|------------------|------------------|-------------------------|-------------------|
| Asset Cost or Valuation | | | | | | |
| Fixed Asset Values as at 31 st March 2015 | 45,241,868 | 2,839,659 | 11,380 | 1,529,350 | 133,357 | 49,755,615 |
| Additions | 1,881,036 | 706,642 | 0 | 0 | 0 | 2,587,678 |
| Revaluation increases / (decreases) | 4,814,231 | 0 | 0 | 3,859,500 | 0 | 8,673,731 |
| Derecognition - disposals | 0 | (1,183,644) | 0 | (50,000) | 0 | (1,233,644) |
| Transfers and reclassifications | 133,357 | 0 | 0 | (413,000) | (133,357) | (413,000) |
| 31st March 2016 | 52,070,493 | 2,362,657 | 11,380 | 4,925,850 | 0 | 59,370,380 |

| | | | | | | |
|--|------------------|--------------------|----------|----------|----------|--------------------|
| Depreciation | | | | | | |
| Accumulated Depreciation 31 st March 2015 | (624,530) | (1,920,175) | 0 | (6,944) | 0 | (2,551,648) |
| Depreciation charge for year | (1,090,728) | (299,828) | 0 | (13,797) | 0 | (1,404,353) |
| Depreciation written out on revaluation | 1,145,859 | 0 | 0 | 20,741 | 0 | 1,166,600 |
| Derecognition - disposals | 0 | 1,129,144 | 0 | 0 | 0 | 1,129,144 |
| Transfers and reclassifications | 0 | 0 | 0 | 0 | 0 | 0 |
| 31st March 2016 | (569,399) | (1,090,859) | 0 | 0 | 0 | (1,660,257) |

Net book Value of Assets at:

| | | | | | | |
|-----------------------------------|-------------------|------------------|---------------|------------------|----------------|-------------------|
| 1st April 2015 | 44,617,338 | 919,485 | 11,380 | 1,522,406 | 133,357 | 47,203,966 |
| 31st March 2016 | 51,501,094 | 1,271,798 | 11,380 | 4,925,850 | 0 | 57,710,122 |

| 2014/15 | * Land & Buildings | * Vehicles, Plant & Equipment | Community Assets | * Surplus Assets | PP&E under construction | Total |
|--|--------------------|-------------------------------|------------------|------------------|-------------------------|-------------------|
| Asset Cost or Valuation | | | | | | |
| Fixed Asset Values as at 31 st March 2014 | 30,797,602 | 2,930,888 | 0 | 1,404,340 | 0 | 35,132,830 |
| Additions | 0 | 308,925 | 0 | 0 | 133,357 | 442,283 |
| Revaluation increases / (decreases) | 14,825,266 | 209,498 | (53,820) | 3,953,065 | 0 | 18,934,009 |
| Derecognition - disposals | (381,000) | (609,652) | 0 | 0 | 0 | (990,652) |
| Transfers and reclassifications | 0 | 0 | 65,200 | (3,828,055) | 0 | (3,762,855) |
| 31st March 2015 | 45,241,868 | 2,839,659 | 11,380 | 1,529,350 | 133,357 | 49,755,615 |

| Depreciation | | | | | | |
|--|------------------|--------------------|----------|----------------|----------|--------------------|
| Accumulated Depreciation 31 st March 2014 | (514,432) | (2,180,534) | 0 | (8,336) | 0 | (2,703,302) |
| Depreciation charge for year | (770,090) | (306,793) | 0 | (5,904) | 0 | (1,082,787) |
| Depreciation written out on revaluation | 641,256 | 0 | 0 | 7,296 | 0 | 648,552 |
| Derecognition - disposals | 18,736 | 567,152 | 0 | 0 | 0 | 585,888 |
| Transfers and reclassifications | 0 | 0 | 0 | 0 | 0 | 0 |
| 31st March 2015 | (624,530) | (1,920,175) | 0 | (6,944) | 0 | (2,551,648) |

Net book Value of Assets at:

| | | | | | | |
|-----------------------------------|-------------------|----------------|---------------|------------------|----------------|-------------------|
| 1st April 2014 | 30,283,170 | 750,354 | 0 | 1,396,004 | 0 | 32,429,528 |
| 31st March 2015 | 44,617,338 | 919,484 | 11,380 | 1,522,406 | 133,357 | 47,203,966 |

- * The 2014/15 balances have been restated, with movements between the 'Land & Buildings', 'Vehicles, Plant & Equipment' and 'Surplus Assets' groups. The total PPE figure remains unchanged.

Asset valuation, amortisation and depreciation

Service areas are charged depreciation to represent the real cost of holding and using non-current assets. The value of an asset (less any residual value) will be written-down on a straight-line basis over the useful economic life of the asset. The following useful lives have been used in the calculation of depreciation and amortisation:

- Operational buildings: 40 years; less any residual land value
(*except Car Parks depreciable value - depreciated over 20-years).
- Non-operation buildings (surplus assets): 40 years; less any residual land value.
- Freehold land is not depreciated.
- Vehicles, plant, furniture and equipment: 4 years
- Intangible ICT licences/software: 4 years

* The 40-year life applied to Operational Buildings excludes the car park asset class. Land values for car parks are not depreciated. The remaining value of equipment and parking surface is depreciated over a 20-year period, rather than the 40-year period for other operational assets. This better represents the expected life of a car park.

The gross costs of an asset is treated as the asset purchase price (or cost of construction) until the asset is formally revalued.

Capital Commitments

At the balance sheet date the Council was partway through the procurement process for a number of new Environmental Services vehicles. Orders for vehicles totalling £900,000 had been placed, although no payment had been made or expenditure represented in these accounts.

Effects of changes in estimates

The Council has not made any changes in its accounting estimates in either the life or depreciation methods of assets during the year.

Revaluations

From 2009/10 until 2013/14 the Council's valuations of land and buildings were carried out by Jones Lang LaSalle (formally known as King Sturge LLP).

Since 2013/14 asset valuations and impairment reviews have been undertaken by Mr. D. Thurlow BSc (Hons) MRICS, of West Oxfordshire District Council. Valuations have been carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors, and with regard to the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting.

Assets are valued as part of a rolling programme of revaluations. All assets are valued at least every 5-years with annual valuations for all assets classified as investment properties.

With the introduction and application of IFRS 13 in 2015/16, the Council's surplus assets have been reviewed and measured at fair value based upon 'highest and best use'. This valuation basis has replaced the fair value 'existing use' basis applied in previous years. IFRS13 has been applied prospectively and therefore no impact upon the 2014/15 asset valuations. IFRS 13 requires no change to the valuation basis for operational Property, Plant and Equipment (PPE).

As part of his work the valuer was given full access to the Council's assets, property records and previous valuation data.

In estimating asset values it has been assumed that:

- The capacity of utility services [electricity, gas, water, mains drainage] are adequate for the future use of the properties
- All assets have planning consent for their existing uses
- Tenancies are not subject to any unusual or onerous restrictions
- No contamination exists in relation to property assets [land and buildings] sufficient enough to affect value.

13. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

| Investments Properties | 2014/15 £ | 2015/16 £ |
|--|---------------------|---------------------|
| Rental income from investment property | (566,430) | (639,744) |
| Net (gains)/losses from fair value adjustments in asset values | (160,300) | (213,745) |
| Direct operating expenses arising from investment property | 429,156 | 348,068 |
| Total | (297,574) | (505,421) |

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The 2015/16 Investment Property valuations were undertaken by Mr. D. Thurlow BSc (Hons) MRICS, of West Oxfordshire District Council, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (as outlined in Note 12 above). Under the CIPFA Code Investment Properties are classified as 'level 2' within the fair-value hierarchy.

All changes in fair-value of investment properties are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The following table summarises the movement in the fair value of investment properties over the year:

| | 2014/15 £ | 2015/16 £ |
|--|------------------|------------------|
| Opening balance – 1 st April | 5,185,499 | 5,050,299 |
| <u>Additions</u> | | |
| Purchases or construction | 0 | 0 |
| <u>Disposals</u> | | |
| Disposals of Investment Property | (295,500) | 0 |
| <u>Other adjustments</u> | | |
| Assets reclassified to/(from) Investment Property | 0 | 0 |
| Revaluations (downwards)/upwards [changes in market value] | 160,300 | 213,745 |
| Closing balance – 31 st March | 5,050,299 | 5,264,044 |

14. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased software only, as the Authority has no internally generated software.

All software is given a finite life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to all software assets used by the Authority are 4 years.

Movement in Intangible Fixed Assets

| Intangible Assets | 2014/15 | 2015/16 |
|--|----------------|----------------|
| Balance at start of the year – 1 st April | | |
| - Gross carrying amounts | 868,170 | 877,342 |
| - Accumulated amortisation | (374,303) | (514,489) |
| Net carrying amount at start of year – 1st April | 493,867 | 362,853 |
| | | |
| Movements in the year: | | |
| Purchases and additions | 41,575 | 145,871 |
| Amortisation for the period | (172,589) | (154,468) |
| Asset derecognition – change in gross value | (32,403) | (220,888) |
| Asset derecognition – change in accumulated depreciation | 32,403 | 220,888 |
| Net carrying amount at end of year | 362,853 | 354,256 |
| | | |
| Comprising: | | |
| - Gross carrying amounts | 877,342 | 802,325 |
| - Accumulated amortisation | (514,489) | (448,069) |
| | 362,853 | 354,256 |

Intangible assets represent the Authority's purchase of software and software licences. The Income and Expenditure Account is charged with the purchase cost of this software on a straight-line basis, over the life of the asset (4 years).

When software is fully depreciated and deemed to be no longer providing benefit to the Authority the software cost and accumulated depreciation balances are derecognised and removed from the balance sheet.

15. Investments

Investments are categorised as either 'long term' or 'short-term', depending upon the point at which the investment is due to mature. Those investments which are due to mature within 12 months of the balance sheet date are classified as short-term investments; those due to mature at a date of more than 12 months from the balance sheet are treated as long-term investments.

The Council's investments at the balance sheet have been allocated as follows:

| | 31 st March 2015 £ | 31 st March 2016 £ |
|-----------------------------|-------------------------------------|-------------------------------------|
| <u>Long-term</u> | | |
| Long-term investments | 0 | 502,422 |
| | 0 | 502,422 |
| <u>Short-term</u> | | |
| Short-term investments | 13,975,011 | 20,551,954 |
| Accrued investment interest | 79,823 | 74,318 |
| | 14,054,834 | 20,626,272 |

Short-term investments relate to balances deposited for periods of less than one year (or those investments due to mature and therefore repayable to the Council within the coming 12-months). At 31st March the Council had a further £1,816,011 (£7,111,797 in 2014/15) of investments in bank 'call accounts' and other instant access investment types. These balances have been included as 'cash equivalents' on the balance sheet due to the highly liquid nature of the investments.

16. Inventories [stock]

| | 31 st March 2015 £ | 31 st March 2016 £ |
|--|-------------------------------------|-------------------------------------|
| Opening balance | 12,908 | 29,081 |
| Movement in the year – increase/(decrease) | 16,173 | (4,745) |
| Closing balance | 29,081 | 24,336 |

17. Construction contracts and assets under construction

The Council has no assets classified as 'assets under construction'.

18. Debtors

| Debtors | 31st March 2015 £ (restated)* | 31st March 2016 £ |
|---|---|----------------------------------|
| Government Departments | 493,751 | 471,778 |
| Other local authorities | 1,001,466 | 1,269,217 |
| Collection Fund debtors (CDC share) | 347,646 | 298,463 |
| Housing benefit recovery | 835,783 | 834,379 |
| Sundry Debtors outstanding | 1,500,541 | 3,211,091 |
| Finance leases – principal outstanding | * 309,130 | 266,415 |
| Other debtors | 5,482 | 27,005 |
| Bromford Housing Association RTB receipts | 644,414 | 409,784 |
| Prepayments | 103,914 | 75,011 |
| | 5,242,128 | 6,863,143 |
| Less bad debt provisions: | | |
| Council tax payers (CDC share) | (47,888) | (51,937) |
| Housing benefit recovery | (668,627) | (834,379) |
| Sundry Debtors | (577,298) | (591,807) |
| | 3,948,315 | 5,385,020 |

| Long-term Debtors | 31st March 2015 £ (restated)* | 31st March 2016 £ |
|--|---|----------------------------------|
| | | |
| Starter Home initiative loans | 160,800 | 138,120 |
| Council mortgages & Housing Act Advances | 23,479 | 31,500 |
| Charities | 87,551 | 87,551 |
| Housing Improvement Loans | 79,719 | 69,446 |
| Housing Strategy Loans | 11,692 | 11,692 |
| Finance leases – principal outstanding | * 1,213,543 | 1,001,627 |
| Local Authority Mortgage Scheme | 1,000,000 | 1,000,000 |
| Employee car loans # | 28,368 | 48,501 |
| Loan to 'Friends of the Cotswolds' | 340,798 | 327,430 |
| | 2,945,950 | 2,715,867 |

The total balance of Car loans debtors is being shown in long-term debtors. The element of loans due for repayment with 12-months has not been shown as current debtors. The figures in question are not material to the accuracy of the accounts.

* The 2014/15 split between long and short term debtors has been restated. Short-term debtors have increased by £309,130 with long term debtors decreasing by the same amount. This adjustment has not affected the net worth of the Council. The revision reflects the split of payments receivable at the 31st March 2015.

19. Cash and Cash Equivalents

At 31st March, the Council held the following cash and cash equivalent balances:

| Cash and cash-equivalents | 31 st March 2015 £ | 31 st March 2016 £ |
|---|-------------------------------------|-------------------------------------|
| Cash and bank current accounts | 16,896 | 646,356 |
| Short-term liquid investments (money market funds, call accounts, and other highly-liquid investments that can be easily converted to cash if required) | 7,111,797 | 1,816,012 |
| | 7,128,693 | 2,462,368 |

20. Assets held for sale

| Assets Held for Sale | Current | |
|---|-----------------------|-----------------------|
| | 31 March 2015 £ | 31 March 2016 £ |
| Balance at 1 st April | 486,487 | 4,235,829 |
| Assets classified as held for sale during year: | | |
| - Property, Plant & Equipment | 3,762,855 | 413,000 |
| Additions/enhancements | 0 | 201,500 |
| Depreciation charge for year | (13,513) | (13,514) |
| Revaluation of assets [upwards/(downwards)] | 0 | 73,900 |
| Depreciation written-out upon revaluation | 0 | 40,540 |
| Disposals during year [sales] | 0 | (3,762,855) |
| Balance outstanding at end of year | 4,235,829 | 1,188,400 |

21. Creditors and receipts in advance

| | 31 st March 2015 £ | 31 st March 2016 £ |
|---------------------------------|-------------------------------------|-------------------------------------|
| Creditors | | |
| Sundry Creditors | 1,387,154 | 780,004 |
| Other local authorities | 306,635 | 586,893 |
| Balances on the collection fund | 990,876 | 1,401,514 |
| Government departments | 884,911 | 874,110 |
| Section 106 balances | 733,207 | 1,083,144 |
| Total | 4,302,783 | 4,725,665 |

| | 31 st March 2015 £ | 31 st March 2016 £ |
|---|-------------------------------------|-------------------------------------|
| <u>Receipts in advance</u> | | |
| Council tax payers | 170,266 | 165,459 |
| Other income received in advance | 671,991 | 715,475 |
| Total | 842,257 | 880,934 |
| | | |
| Total of creditors and receipts in advance | 5,145,040 | 5,606,599 |

22. Provisions

| | Opening provision 1 st April £ | Additional / new provisions made £ | Use of provision in year £ | Provisions returned to revenue £ | Closing Provision 31 st March £ |
|-------------------------------|--|--|-------------------------------------|---|---|
| Property Searches Litigation | 99,323 | 34,356 | (97,377) | 0 | 36,302 |
| Exchange Rate Fluctuations | 150,000 | 0 | 0 | (150,000) | 0 |
| Business Rates (NNDR) Appeals | 831,101 | 444,076 | (239,436) | 0 | 1,035,741 |
| Exit Packages | 0 | 32,482 | 0 | 0 | 32,482 |
| MMI Scheme | 0 | 10,204 | 0 | 0 | 10,204 |
| | 1,080,424 | 521,118 | (336,813) | (150,000) | 1,114,729 |

Property Searches Litigation

In 2013/14 the Council was named (along with all other English local authorities) in a litigation case regarding the charging of property searches. The Council has established a provision for its likely repayment of search fees.

Exchange rate fluctuations

Provision was made for possible exchange rate losses resulting from adverse currency movements in respect of the Council's former investment with Glitnir bank which is held in Icelandic Krona. This provision has now been reversed and an equivalent amount set aside in an earmarked reserve.

Business Rates (NNDR) appeals

Provision in relation to outstanding appeals against property valuations lodged with the Valuation Office.

Exit Packages

Provision for the cost of termination benefits payable to employees as a result of restructuring during the year.

MMI Scheme

Provision to finance the liabilities arising from the run-off of known claims made against Municipal Mutual Insurance (MMI), the Council's former insurers.

23. Usable reserves

Movements in the Authority's usable reserves, and a description of the purpose of each of the usable reserves, are presented in the Movement in Reserves Statement and Note 7 to the accounts.

24. Unusable reserves

| Summary of Unusable Reserves | 31 st March 2015 £ | 31 st March 2016 £ |
|--|-------------------------------------|-------------------------------------|
| Revaluation Reserve | 27,302,440 | 33,181,991 |
| Capital Adjustment Account | 30,804,082 | 32,555,453 |
| Pension Reserve | (43,569,000) | (35,704,000) |
| Deferred Capital Receipts Reserve | 1,966,958 | 3,588,408 |
| Collection Fund Adjustment Account | (443,612) | (765,212) |
| Accumulated Absences Account | (108,179) | (108,179) |
| Available for sale financial instruments reserve | 44,696 | 46,730 |
| Total Unusable Reserves | 15,997,385 | 32,795,191 |

24a. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

| Revaluation Reserve | 31 st March 2015 £ | 31 st March 2016 £ |
|--|-------------------------------------|-------------------------------------|
| Opening balance - 1 st April | 7,948,176 | 27,302,440 |
| Upward revaluation of assets | 20,065,401 | 9,953,165 |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (222,620) | (253,614) |
| Balances written out on disposals | (290,599) | (3,562,855) |
| Historic cost depreciation adjustment | (197,917) | (257,145) |
| Balance at 31st March | 27,302,440 | 33,181,991 |

24b. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The Account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007 [the date at which the Revaluation Reserve was created to hold such gains].

| | 31st March 2015 £ | 31st March 2016 £ |
|--|---|---|
| Opening balance 1 st April | 31,900,780 | 30,804,082 |
| Revenue expenditure funded from capital under statute [REFCUS] | (914,860) | (1,094,954) |
| Grants applied in the year to fund REFCUS | 661,067 | 912,501 |
| Depreciation | (1,268,888) | (1,572,336) |
| Movements upon revaluation of non-current assets and IP | (99,920) | 123,565 |
| Reversal of revaluation losses charged to CI&E in prior years | 0 | 345,400 |
| Revenue financing of capital expenditure | 250,000 | 461,651 |
| Non-current assets written-out on disposal | (409,665) | (304,500) |
| Historic cost depreciation adjustment | 197,917 | 257,145 |
| Grants applied to fund capital expenditure | 0 | 161,758 |
| Capital expenditure on additions | 487,650 | 2,461,141 |
| Balance as at 31st March | 30,804,082 | 32,555,453 |

24c. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account is designed to absorb the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council has no investments requiring adjusting through the Financial Instruments Adjustment Account.

24d. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

Statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or pays any pensions for which it is directly responsible. The negative balance on the Pensions Reserve represents a shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| Pensions Reserve | 31st March 2015 £ | 31st March 2016 £ |
|--|---|---|
| Opening balance – 1 st April | (35,608,000) | (43,569,000) |
| Actuarial gains or (losses) on pensions assets & liabilities | (7,129,000) | 8,852,000 |
| Reversal of charges relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement | (3,128,000) | (3,573,000) |
| Employer's pension contributions & retirement benefits payable direct to pensioners | 2,296,000 | 2,586,000 |
| Balance at 31 st March | (43,569,000) | (35,704,000) |

24e. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

| | Note | 2014/15 £ | 2015/16 £ |
|--|-------------|----------------------|----------------------|
| Mortgages on sales of Council houses | | 23,479 | 31,500 |
| Loans issued – CHYP | 1 | 80,008 | 80,008 |
| Principal amounts on finance leases | | 1,522,673 | 1,268,042 |
| Other deferred receipts | | 340,798 | 2,208,858 |
| Balance on reserve at 31 st March | | 1,966,958 | 3,588,408 |

Note:

- 1 This interest-free loan was approved by Housing Committee on 5th July 2001 and is for a 25-year period.

24f. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

| Collection Fund Adjustment Account | 2014/15 £ | 2015/16 £ |
|---|----------------------|----------------------|
| Balance at 1 st April | (588,020) | (443,612) |
| Movement in year | 144,408 | (321,600) |
| Balance at 31 st March | (443,612) | (765,212) |

24g. Accumulated Absences Adjustment Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year [the cost of the annual leave entitlement still owed by the Council to its employees at 31st March]. The negative figure represents a liability of the Council.

The process of calculating the liability is a time consuming exercise. Each year the 'value' of untaken leave only fluctuates by a small amount. Based upon experience, the Council has chosen to 'freeze' the value of untaken leave at its 31st March 2015 balance as this is materially correct and represents a reliable estimate of the potential cost to the Council.

| Accumulated Absence Account | 2014/15 £ | 2015/16 £ |
|------------------------------------|----------------------|----------------------|
| Balance at 1 st April | (127,028) | (108,179) |
| Net movement in the year | 18,849 | 0 |
| Balance at 31 st March | (108,179) | (108,179) |

24h. Available for sale financial instruments reserve

The available for sale financial instruments reserve contains the gains made by the Council arising from changes in the value of its investments that have quoted marked prices or otherwise do not have fixed or determined payments. The balance is reduced when investments with accumulated gains are either revalued downwards and the gains are lost, or the investments are disposed of and the gains are realised.

| Available for sale financial instruments reserve | 2014/15 £ | 2015/16 £ |
|---|----------------------|----------------------|
| Balance at 1 st April | 33,784 | 44,696 |
| Net increase/(decrease) in unrealised gain | 10,912 | 2,034 |
| Balance at 31 st March | 44,696 | 46,730 |

25. Cash flow statement – operating activities

Cash flows for operating activities include the following:

| Cash Flow Statement – Operating Activities | 31st March 2015 £000 | 31st March 2016 £000 |
|---|--|--|
| Interest received | (305) | (293) |

26. Cash flow statement – investing activities

| Cash Flow Statement – Investing Activities | 31st March 2015 £000 | 31st March 2016 £000 |
|--|--|--|
| Purchase of property, plant and equipment and other capital investment | 332 | 2,986 |
| Purchase of short-term & long term investments | 20,300 | 38,335 |
| Proceeds from the sale of property, plant & equipment, investment property & intangible assets | (2,590) | (3,105) |
| Proceeds from short-term & long-term investments | (18,836) | (31,350) |
| Other receipts from investing activities | (466) | (1,258) |
| Net cash flows from investing activities | (1,259) | 5,608 |

27. Cash flow statement – financing activities

| Cash Flow Statement – Financing Activities | 31st March 2015 £000 | 31st March 2016 £000 |
|---|--|--|
| Cash receipts of short-term borrowing | 0 | (1,000) |
| Repayments of short and long-term borrowings | 0 | 1,000 |
| Net cash flows from financing activities | 0 | 0 |

28. Amounts reported for resource allocation decisions (Segmental Reporting)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SERCOP). However, decisions about resource allocation are taken by the Authority's Council and Cabinet on the basis of budget reports analysed across service areas. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- Services are grouped together by directorate, and internal reporting structures, rather than by service area as prescribed by SERCOP
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year

The income and expenditure of the Council's directorates for the year, as recorded in budget reports used by Cabinet, Council and Senior Management is as follows:

| 2015/2016 | Corporate Management £ | Planning & Communities £ | Environmental Services £ | Corporate Resources £ | Other £ | TOTAL £ |
|--------------------------------|---------------------------|-----------------------------|-----------------------------|--------------------------|-----------------|---------------------|
| Fees, charges and other income | (95,786) | (1,911,868) | (4,920,070) | (4,541,251) | (8,044) | (11,477,019) |
| Government grants | (235,522) | (406,405) | (237,442) | (21,139,466) | 0 | (22,018,835) |
| Total Income | (331,308) | (2,318,273) | (5,157,512) | (25,680,717) | (8,044) | (33,495,854) |
| Employee expenses | 2,263,752 | 2,184,258 | 1,787,712 | 4,610,419 | (80,781) | 10,765,360 |
| Other direct expenses | 886,968 | 2,055,341 | 7,632,255 | 22,991,116 | (306) | 33,565,374 |
| Indirect expenses | 709,314 | 1,295,984 | 1,254,149 | 1,527,400 | 49,446 | 4,836,293 |
| -less Recharges | (445,401) | (51,624) | (869,165) | (3,470,103) | 0 | (4,836,293) |
| Total Expenditure | 3,414,633 | 5,483,959 | 9,804,951 | 25,658,832 | (31,641) | 44,330,734 |
| Net Cost of Services | 3,083,325 | 3,165,686 | 4,647,439 | (21,885) | (39,685) | 10,834,880 |

| 2014/2015 | Corporate Management £ | Planning & Communities £ | Environmental Services £ | Corporate Resources £ | Other £ | TOTAL £ |
|--------------------------------|---------------------------|-----------------------------|-----------------------------|--------------------------|----------------|---------------------|
| Fees, charges and other income | (242,330) | (1,982,608) | (5,122,794) | (2,595,779) | (8,715) | (9,952,227) |
| Government grants | 0 | 0 | 0 | (20,419,035) | 0 | (20,419,035) |
| Total Income | (242,330) | (1,982,608) | (5,122,794) | (23,014,814) | (8,715) | (30,371,262) |
| Employee expenses | 858,397 | 2,161,341 | 1,736,118 | 2,394,335 | 0 | 7,150,190 |
| Other direct expenses | 916,232 | 1,158,870 | 6,596,102 | 23,018,316 | 25,955 | 31,715,474 |
| Indirect expenses | 1,998,101 | 2,224,892 | 1,616,080 | 1,834,570 | 0 | 7,673,643 |
| -less Recharges | (594,768) | (75,709) | (957,306) | (3,712,662) | 0 | (5,340,445) |
| Total Expenditure | 3,177,961 | 5,469,394 | 8,990,994 | 23,534,558 | 25,955 | 41,198,862 |
| Net Cost of Services | 2,935,631 | 3,486,786 | 3,868,200 | 519,744 | 17,240 | 10,827,601 |

As part of the Council's move toward a structure suitable for the Council's 2020 Vision there have been restructuring of service areas and movements in reporting directorates between 2014/15 and 2015/16. Unfortunately this reorganisation makes comparison difficult when comparing reporting segments between years.

Reconciliation of directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation aims to show how the figures displayed in the analysis of directorate income and expenditure relates to the amounts included in the Comprehensive Income & Expenditure Statement.

| | 2014/15 £ | 2015/16 £ |
|--|-------------------|-------------------|
| Net expenditure in directorate management reports | 10,827,601 | 10,834,880 |
| Amounts not in directorate analysis above | (137,257) | 109,137 |
| Amounts reported to management which are not included in the CI&E cost of services | 141,661 | 660,285 |
| Cost of services in the CI&E statement | 10,832,005 | 11,604,302 |

Reconciliation to subjective analysis

This reconciliation aims to show how the figures presented in the analysis of directorate income and expenditure relates to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income & Expenditure statement.

| 2015/2016 | Directorate Analysis | Amounts not in Directorate Analysis | Amounts not in Net Cost of Services | Net Cost of Services | Corporate Amounts | TOTAL £ |
|---|----------------------|-------------------------------------|-------------------------------------|----------------------|---------------------|---------------------|
| Fees, charges and other income | (11,477,019) | (1,197,792) | 1,004,086 | (11,670,725) | 0 | (11,670,725) |
| Government grants | (22,018,835) | (86,185) | 5,000 | (22,100,020) | (5,233,699) | (27,333,719) |
| Net gain on disposal of NCA | 0 | 0 | 0 | 0 | (354,065) | (354,065) |
| Unattached capital receipts | 0 | 0 | 0 | 0 | (458,665) | (458,665) |
| Interest & investment income | 0 | 0 | 0 | 0 | (517,567) | (517,567) |
| Investment property | 0 | 0 | 0 | 0 | (505,421) | (505,421) |
| Capital Grants (non-service) | 0 | 0 | 0 | 0 | (99,096) | (99,096) |
| Income from NNDR | 0 | 0 | 0 | 0 | (1,251,202) | (1,251,202) |
| Income from Council Tax | 0 | 0 | 0 | 0 | (7,166,081) | (7,166,081) |
| Total Income | (33,495,854) | (1,283,977) | 1,009,086 | (33,770,745) | (15,585,796) | (49,356,541) |
| Employee expenses | 10,765,360 | 60,250 | 0 | 10,825,610 | 0 | 10,825,610 |
| Other service expense | 32,338,439 | 1,332,864 | (348,801) | 33,322,402 | 0 | 33,322,402 |
| Depreciation, amortisation & impairment | 1,226,935 | 0 | 0 | 1,226,935 | 0 | 1,226,935 |
| Precepts and levies | 0 | 0 | 0 | 0 | 2,392,473 | 2,392,473 |
| Interest payments & related costs | 0 | 0 | 0 | 0 | 1,388,077 | 1,388,077 |
| Total Expenditure | 44,330,734 | 1,393,114 | (348,801) | 45,375,048 | 3,780,550 | 49,155,597 |
| (Surplus) / Deficit on provision of services | 10,834,880 | 109,137 | 660,285 | 11,604,303 | (11,805,246) | (200,944) |

| 2014/2015 | Directorate Analysis | Amounts not in Directorate Analysis | Amounts not in Net Cost of Services | Net Cost of Services | Corporate Amounts | TOTAL £ |
|---|----------------------|-------------------------------------|-------------------------------------|----------------------|---------------------|---------------------|
| Fees, charges and other income | (10,112,527) | 0 | 0 | (10,112,527) | 0 | (10,112,527) |
| Government grants | (20,419,035) | 305,372 | 0 | (20,113,663) | (6,288,987) | (26,402,650) |
| Net gain on disposal of NCA | 0 | 0 | 0 | 0 | (1,479,736) | (1,479,736) |
| Interest & investment income | 0 | 0 | 391,872 | 391,872 | (422,600) | (30,728) |
| Investment property | 160,300 | 0 | (160,300) | 0 | (697,258) | (697,258) |
| Income from Council Tax | 0 | 0 | 0 | 0 | (7,183,879) | (7,183,879) |
| Total Income | (30,371,262) | 305,372 | 231,572 | (29,834,318) | (16,072,460) | (45,906,778) |
| Employee expenses | 7,150,190 | (702,849) | 0 | 6,447,341 | 1,516,000 | 7,963,341 |
| Other service expense | 33,040,005 | 0 | (121,718) | 32,918,287 | 0 | 32,918,287 |
| Depreciation, amortisation & impairment | 1,008,668 | 260,220 | 0 | 1,268,888 | 0 | 1,268,888 |
| Precepts and levies | 0 | 0 | 0 | 0 | 2,312,047 | 2,312,047 |
| Interest payments & related costs | 0 | 0 | 31,807 | 31,807 | 0 | 31,807 |
| NNDR deficit | 0 | 0 | 0 | 0 | 650,874 | 650,874 |
| Total Expenditure | 41,198,863 | (442,629) | (89,911) | 40,666,323 | 4,478,921 | 45,145,244 |
| (Surplus) / Deficit on provision of services | 10,827,601 | (137,257) | 141,661 | 10,832,005 | (11,593,539) | 761,534 |

29. Acquired, discontinued and transferred operations

No significant operations have been acquired, discontinued or transferred during the year.

30. Trading operations

The Council does not operate any trading operations that require disclosure within the financial statements. Transactions relating to the Building Control function are included in the Comprehensive Income and Expenditure Account as part of the 'planning services' line.

31. Agency Services

Council Tax and NNDR

The Code requires the collection of Council Tax to be accounted for on an agency basis. The collection of Council Tax is in substance an agency agreement as the cash collected by the Council as billing authority from Council Tax payers belongs proportionately to the billing authority and the major preceptors. The accounts include creditor balances for the money owed by the Council [as billing authority] to Gloucestershire County Council and Gloucestershire Police and Crime Commissioner as the cash paid to each authority in the year is different to amounts collected.

Business Rates income is collected on behalf of central government. However, 50% is paid over to central government and 50% is retained locally. Of the remaining 50% local share, the Council retains 40% and 10% is paid across to Gloucestershire County Council

Details of the amounts of Council Tax and Business Rates collected are disclosed within the Collection Fund statement and associated notes. The Council operates no other schemes on an agency basis.

32. Material items of income and expense

All material items of income and expenditure have been suitably disclosed in the Statement of Accounts. For information on asset purchases and disposal please see note 12 to the accounts.

33. Long-term liabilities

The Council's long-term liabilities are made up as follows:

| | 31st March 2015 £ | 31st March 2016 £ |
|-----------------------------|---|---|
| Deficit on the pension fund | 43,569,000 | 35,704,000 |

34. Members Allowances

| | 2014/15 £ | 2015/16 £ |
|------------------|----------------------|----------------------|
| Fixed allowances | 248,469 | 206,805 |
| Expenses | 14,404 | 13,134 |
| Total | 262,873 | 219,939 |

35. Officer Remuneration

The number of employees whose remuneration (excluding employers' contributions in respect of National Insurance Contributions and Superannuation Contributions) exceeded £50,000 during the year is listed in the table below. This table includes all officers (including Senior Officers) employed by the Council.

| Salary banding | 2014/15 Officers | 2015/16 Officers |
|--------------------|---------------------|---------------------|
| £50,000 to £54,999 | 2 | 3 |
| £55,000 to £59,999 | 3 | 3 |
| £60,000 to £64,999 | 2 | 2 |
| £65,000 to £69,999 | 1 | 3 |
| £70,000 to £74,999 | 1 | 1 |
| £75,000 to £79,999 | 0 | 1 |
| £80,000 to £84,999 | 1 | 1 |
| £85,000 to £89,999 | 0 | 0 |
| £90,000 to £94,999 | 1 | 0 |
| £95,000 to £99,000 | 0 | 1 |

The Council is currently sharing a number of senior officers with West Oxfordshire District Council. Officers employed by West Oxfordshire District Council are not included in the above figures.

Senior Employees

The Council is required to disclose information on the remuneration of its 'senior employees'.

The Council's senior employees are those represented on the Council's Corporate Team and those Officers with a statutory responsibility.

| Chief Executive (& Head of Paid Service) ¹ | 2014/15 £ | 2015/16 £ |
|---|--------------|--------------|
| Salary and allowances | 117,200 | 121,340 |
| Pension contributions made by the Council in respect of the Officer | 16,920 | 17,512 |
| Other benefits not covered above | 5,633 | 6,417 |

| Strategic Director – Corporate Resources ¹ | 2014/15 £ | 2015/16 £ |
|---|--------------|--------------|
| Salary and allowances | 90,947 | 99,492 |
| Pension contributions made by the Council in respect of the Officer | 12,328 | 13,371 |
| Other benefits not covered above | 123 | 242 |

| Strategic Director – Planning ² | 2014/15 £ | 2015/16 £ |
|---|--------------|--------------|
| Salary and allowances | 0 | 86,337 |
| Pension contributions made by the Council in respect of the Officer | 0 | 10,224 |
| Strategic Director – Environment ² | 2014/15 £ | 2015/16 £ |

| | | |
|---|--------|--------|
| Salary and allowances | 91,842 | 98,742 |
| Pension contributions made by the Council in respect of the Officer | 12,678 | 13,152 |

| | | |
|--|--------------|--------------|
| Head of Legal & Property Services ² (Monitoring Officer) | 2014/15 £ | 2015/16 £ |
| Salary and allowances | 62,549 | 66,126 |
| Pension contributions made by the Council in respect of the Officer | 8,818 | 9,389 |
| Other benefits not covered above | 4,860 | 6,208 |

| | | |
|---|--------------|--------------|
| Strategic Director – Community Services ⁴ | 2014/15 £ | 2015/16 £ |
| Salary and allowances | 81,008 | 1,509 |
| Pension contributions made by the Council in respect of the Officer | 10,819 | 153 |
| Other benefits not covered above | 230 | 0 |
| Compensation for loss of employment | 0 | 42,759 |

| | | |
|---|--------------|--------------|
| Head of GO Shared Services ³ (Chief Finance Officer) | 2014/15 £ | 2015/16 £ |
| Salary and allowances | 69,349 | 74,729 |
| Pension contributions made by the Council in respect of the Officer | 9,847 | 10,612 |

Notes:

1. The Council's Chief Executive and Strategic Director (Corporate Resources) are employees of West Oxfordshire District Council, seconded for 50% of their time to Cotswold District Council. The figures shown above represent the full salary, allowances and pension costs incurred by West Oxfordshire District Council as the employing authority.
2. The Council's Strategic Director (Planning)*, Strategic Director (Environment) and Head of Legal & Property Services are employees of Cotswold District Council, seconded for 50% of their time to West Oxfordshire District Council. The figures shown above represent the full salary, allowances and pension costs incurred by Cotswold District Council as the employing authority.

*This is a new post with effect from 1 June 2015; the annualised salary for the post is £77,329.

3. As required under S151 of the Local Government Act 1972, the Council employs a Chief Financial Officer. These duties are undertaken by the Head of GO Shared Services and are deemed to be 50% of the role. The remaining 50% is combined with all other costs of GO Shared Services and shared with partner authorities (see Note 39 - Related Parties). The figures shown above represent the full salary, allowances and pensions costs incurred by Cotswold District Council as the employing authority.
4. The post holder was made redundant on 5 April 2015 in connection with organisational restructuring; the post has been deleted from the Council's establishment.

On a monthly basis the cost of any shared officers is re-charged between Cotswold District Council and West Oxfordshire District Council, between the employing authority and the authority buying the service.

Exit Packages

The number and cost of exit packages [redundancies & early retirements] that the Council has agreed, accrued and provided for and charged to the Comprehensive Income and Expenditure Statement is as follows. Packages are grouped into bands of £20,000 up to £100,000 and bands of £50,000 thereafter.

| | Exit packages – 2014/15 | | Exit packages – 2015/16 | |
|---------------------|-------------------------|---------------|-------------------------|----------------|
| | Number | Cost in £ | Number | Cost in £ |
| £0 – £20,000 | 5 | 33,692 | 7 | 63,688 |
| £150,001 – £200,000 | 0 | 0 | 1 | 155,940 |
| Total | 5 | 33,692 | 8 | 219,628 |

36. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections.

The Council's appointed auditor is Grant Thornton.

| | 2014/15 £ | 2015/16 £ |
|--|---------------|---------------|
| External audit services carried out by the appointed auditor | 59,838 | 44,879 |
| Certification of grant claims and returns | 5,870 | 4,950 |
| Total | 65,708 | 49,829 |

In addition to the statutory audit fees listed above, GO Shared Services subscribed to the Grant Thornton 'VAT and employment tax support service'. This service provides Tax and VAT support and advice to those organisations within the GO Shared Services. The cost of the service was £2,500 of which £417 was the Cotswold District Council share. This service is not connected to Grant Thornton's statutory work as the Council's auditor.

37. Financial InstrumentsCategories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

| Categories of Financial Instruments | Long Term | | Current | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31 March 2015 £ | 31 March 2016 £ | 31 March 2015 £ | 31 March 2016 £ |
| Investments | | | | |
| Loans and receivables [cash equivalents] | 0 | 0 | 7,111,797 | 1,816,012 |
| Loans and receivables [investments] | 0 | 0 | 11,563,437 | 18,040,819 |
| Available-for-sale financial assets | 0 | 0 | 2,044,696 | 2,050,525 |
| Total investments | 0 | 0 | 20,719,930 | 21,907,356 |
| Cash | | | | |
| Loans and receivables [cash] | 0 | 0 | 16,896 | 646,356 |
| Total cash | 0 | 0 | 16,896 | 646,356 |
| Debtors | | | | |
| Loans and receivables | 3,255,080 | 2,982,282 | 2,558,258 | 4,400,301 |
| Total Debtors | 3,255,080 | 2,982,282 | 2,558,258 | 4,400,301 |
| Other Long Term Liabilities | | | | |
| Finance lease liabilities | 0 | 0 | 0 | 0 |
| Total Long Term Liabilities | 0 | 0 | 0 | 0 |
| Creditors | | | | |
| Financial liabilities at amortised cost | 0 | 0 | (2,353,897) | (2,524,974) |
| Non-financial instrument creditor balances | 0 | 0 | (2,532,199) | (3,081,624) |
| Total of Creditors on the balance sheet | 0 | 0 | (4,886,096) | (5,606,598) |

Items of income, expense, gains or losses

At 31st March the Council has three investments which were accounted for as available for sale financial assets. At the balance sheet date the assets showed a net unrealised gain of £46,730, based upon the balance sheet date valuation (£44,696 at 31st March 2015). The movement in the year (of £2,034) is reported as an 'unrealised gain' in the *Other Income & Expenditure* section of the Comprehensive Income & Expenditure Account.

Fair Values of Assets and Liabilities

Financial liabilities, financial assets (represented by loans and receivables) and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining terms of the instruments.

As the majority of the assets and liabilities are instruments which will mature in the coming 12-months, carrying amount is assumed to be approximate to fair value. The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Fair values loans and receivables

Available for sale assets are carried on the balance sheet at their fair value. These values are based upon public price quotations where there is an active market for the instrument.

At the balance sheet date the Council had six investments which were classified as available for sale assets.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Soft Loans

Soft loans are loans made at below the market rate of interest. Loans are made to community groups or for reasons which support the policies and priorities of the Council. The classes of loans the Council has made (at below the market rates of interest) and the balances of the loan at the balance sheet date are as follows:

| Type of Loan | 31 st March 2015 £ | 31 st March 2016 £ |
|---|-------------------------------------|-------------------------------------|
| Housing Improvement Loans [0% interest] | 79,719 | 69,446 |
| CHYP Housing Loan [0% interest] | 80,008 | 80,008 |
| Other loans [BoE base rate + 1%] | 11,691 | 11,691 |
| | 171,418 | 161,145 |

The Council is currently debt-free and does not have to borrow to finance its activities. Therefore, the notional cost of granting these loans equates to the investment interest which the Council would have made if the balance had been available to invest as part of its other treasury management investing activity.

The average interest from Council treasury investments has fallen to below 1%. The amount of interest forgone has therefore not been posted to the Comprehensive Income & Expenditure Account (as per the 'Code') as the amount is not material.

Grant Income

The following significant grants and contributions were credited to the Comprehensive Income and Expenditure Statement during the year:

| Grant | 2014/15 £ | 2015/16 £ |
|---|-------------------|-------------------|
| <u>Revenue Grants credited to Taxation and Non-Specific Grant Income:</u> | | |
| Revenue Support Grant (RSG) | 2,003,593 | 1,510,388 |
| Burdens Grants | 52,710 | 76,215 |
| Council Tax freeze grant | 52,173 | 53,209 |
| New homes bonus grant | 1,949,831 | 2,570,418 |
| Section 31 NDR Compensation Grant & Tariff | 837,332 | 1,085,105 |
| Total | 4,895,693 | 5,295,335 |
| <u>Capital Grants credited to the Comprehensive Income & Expenditure Statement</u> | | |
| Disabled Facilities Grant | 422,396 | 476,776 |
| Environment Agency/Gloucestershire County Council capital grants and contributions [re. Flooding and land drainage schemes] | 187,092 | 222,885 |
| Section 106 income credited to the CI&ES | 277,911 | 148,927 |
| Other grants | 0 | 94,711 |
| Total | 887,399 | 943,299 |
| <u>Significant revenue grants credited within the cost of services</u> | | |
| Housing benefit subsidy grant | 20,018,994 | 19,914,729 |
| Benefit admin grant | 389,451 | 316,643 |
| New burdens grant | 10,590 | 0 |
| Total | 20,419,035 | 20,231,372 |

The Authority has received a number of grants and contributions and donations that have yet to be recognised as income, as they have conditions attached to them that will require the grant to be returned, should the conditions not be fulfilled. The balances at 31st March are as follows:

| Grant | 31 st March 2015 £ | 31 st March 2016 £ |
|---|-------------------------------------|-------------------------------------|
| <u>Capital Grants held as receipts in advance:</u> | | |
| Environment agency grant [for specific Land drainage works] | 48,425 | 48,425 |
| Other grant receipts in advance | 248,667 | 113,882 |
| | 297,092 | 162,307 |

38. Related Parties

The Authority is required to disclose material transactions with related parties – i.e. bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides a significant element of the Council's funding in the form of grants and prescribes the terms of many transactions that the Authority has with other parties (e.g. council tax bills and housing benefits). Details of any significant grants received in the year are listed under note 38 'Grant Income'.

Members of the Council

Members of the council have direct control over the council's financial and operating policies. The total of Members' allowances paid in 2015/16 is disclosed in Note 34 to these accounts.

Upon their election to serve the authority all Members of the Council are required to complete a declaration of Members' interests form. The form requires any conflicting or relevant outside interests to be declared. If at any point a Council decision is required which impacts upon an individual or an organisation which they have an interest in, the Member is required to leave the Council chamber for the duration of the debate and abstain from the decision making process [voting]. The Register of Members' Interest is open to public inspection at the Council's Trinity Road offices during office hours.

In addition to being District Council Members, as at 31st March 2016 five of the Council's Members are also Members of Gloucestershire County Council (four as at 31st March 2015). This number includes the Leader of Cotswold District Council, Cllr. Stowe.

Officers

By virtue of the Officer Code of Conduct, employees of the Council are required to declare any relationship with individuals, organisations or companies that might prejudice, or could be viewed as influencing, their professional judgement. Senior officers and officers within positions of influence within the Council are required to complete a standard "Register of Officers' Interests" Declaration Form. The declaration requests details on any interests officers may have within the District and any external bodies to which they belong which may transact with the Council. Signed declarations are held even where no conflicts of interest have been reported.

Completed forms are held by the Monitoring Officer, as part of a Register of Officers' Declarations of Interest. There were no declarations that required further disclosure in this statement of accounts.

West Oxfordshire District Council

Cotswold District Council shares a number of senior officers with West Oxfordshire Council under a joint working relationship. Although the officers in these senior positions have influence over operational activities, decisions on overall Council policy and the strategic direction of the Authority remains with the Cabinet and Council. The shared posts as at 31st March are as follows:

| | |
|--|---|
| Employed by: Cotswold District Council | Employed by: West Oxfordshire District Council |
| Strategic Director (Environment) | Chief Executive Officer |
| Strategic Director (Planning) | Strategic Director (Resources) |
| Head of GO Shared Services & Audit Cotswolds | Head of Business Improvement & Change |
| Head of Legal & Property Services | Head of Revenues & Benefits |
| Head of Environmental Services | Head of Leisure & Community Services |
| | Head of Public Protection & Regulation Services |

In addition to the senior positions listed above, a number of operational staff are shared in a bid to boost efficiency and reduce costs. Each shared officer has one 'parent' Council who employs them (and deals with all employment issues). The employing Council then charges the cost of the employee to the corresponding Council for any work done.

GO Shared Services (GOSS)

GO Shared Services is a shared-service partnership providing finance, procurement, HR & payroll services to Cotswold District Council, West Oxfordshire District Council, Cheltenham Borough Council and Forest of Dean District Council. In addition to the four partners, GOSS also provides services to three clients, Cheltenham Borough Homes Ltd, the Cheltenham Trust and Ubico Ltd (see further information below).

All GOSS staff are employees of Cotswold District Council. Each partner and client pays the Council for its share of the services consumed. While providing advisory and transactional services to Cotswold District Council, these services do not interfere with, or affect the strategic direction of the Council. Decisions on policy and the strategic priorities are still set by the Cotswold Cabinet and Council

Ubico Limited

Ubico Ltd. was established in 2011/12 by Cheltenham Borough Council and Cotswold District Council to deliver a range of integrated environmental services including household and commercial refuse collection, recycling, street cleansing and grounds maintenance. It commenced operations on 1 April 2012.

During 2015/16 the shareholding of Ubico Ltd expanded, with four additional partner councils becoming shareholders during the year; Tewkesbury Borough Council, West Oxfordshire District Council, Forest of Dean District Council and Stroud District Council. Following the expansion, all partners have an equal 1/6th shareholding in the Company.

The company provides services to the shareholder councils on a not-for-profit basis and therefore qualifies for the teckal exemption (named after the EU case that established the principle). As a teckal company, Ubico Ltd must ensure that the percentage of work undertaken outside of the shareholder contracts is less than 20% of its total activity.

While the Council has a 1/6th shareholding in Ubico Ltd, and a place on the Board of Ubico Ltd, the Council is not deemed have significant influence over the company. The separate operating practices, management structure and majority-voting on the Ubico board do not constitute any means of joint-control over the company. The Council's interest is therefore classed as an investment in Ubico.

The Council's Strategic Director (Environment), Mr. R. Young, holds the position of non-executive Director on the board of Ubico Ltd.

At 31st March the following balances remained outstanding between the Council and Ubico Ltd:

| Transactions outstanding at 31st March: | 31st March 2015 £ | 31st March 2016 £ |
|---|---|---|
| Amounts owed to the Council by Ubico [Debtors] | 0 | 21,618 |
| Amounts owed by the Council to Ubico [Creditors] | (224,829) | (212,343) |
| Net debtor/(creditor) at year end: | (224,829) | (190,725) |

Other Public Bodies

As a council tax billing authority the Council collects precepts on behalf of Gloucestershire County Council, Gloucestershire Police and Crime Commissioner and the Town and Parish Council's within the district. Precepts for the County Council and Police Authority are shown within the Collection Fund – Town and Parish precepts are shown in the Comprehensive Income & Expenditure Statement.

The Council provides retirement benefits to its employees. The Local Government Pension Scheme is administered by Gloucestershire County Council (see Note 47).

39. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

| | 2014/15 £ | 2015/16 £ |
|---|----------------------|----------------------|
| Capital Investment | | |
| Property, Plant & Equipment | 308,923 | 2,587,678 |
| Assets under construction | 133,359 | 0 |
| Investment Properties | 0 | 0 |
| Intangible Assets | 41,575 | 145,871 |
| Assets held for sale | 0 | 201,500 |
| Loans advanced (funded by capital resources) | 0 | 0 |
| Revenue Expenditure Funded from Capital under Statute | 914,860 | 1,094,954 |
| | 1,398,718 | 4,030,003 |
| Sources of Finance | | |
| Capital receipts | 487,650 | 2,673,981 |
| Disabled facilities and decent homes grant funding | 473,301 | 476,776 |
| Other grants and external contributions | 187,767 | 417,595 |
| Earmarked reserves | 0 | 211,651 |
| Direct revenue contributions | 250,000 | 250,000 |
| Total financing of fixed assets | 1,398,718 | 4,030,003 |
| Capital Financing Requirement | 2014/15 £ | 2015/16 £ |
| Opening Capital Financing Requirement – 1 st April | 0 | 0 |
| Movement in year | 0 | 0 |
| Closing Capital Finance Requirement – 31 st March | 0 | 0 |

40. LeasesThe Council as a lessee [obtaining assets under a leasing arrangement]**Finance Leases**

The Council has no assets acquired under finance lease arrangements.

Operating Leases

The Authority has entered into a number of operating leases. The minimum lease payments payable on these operating leases in future years are as follows:

| | 31 st March 2015 £ | 31 st March 2016 £ |
|---|----------------------------------|----------------------------------|
| Not later than one year | 83,313 | 68,889 |
| Later than one year & not later than five years | 136,216 | 39,929 |
| Later than five years | 32,400 | 32,084 |
| Total | 251,929 | 140,902 |

Expenditure charged to the Cost of Services during the year was as follows:

| | 2014/15 £ | 2015/16 £ |
|----------------|--------------|--------------|
| Lease payments | 53,768 | 88,025 |

Authority as Lessor [leasing assets out]**Finance Leases**

The Authority has three properties which it accounts for as finance leases and a number of Waste Collection and Recycling vehicles. The three properties are commercial properties [shops/offices] located in the centre of Cirencester and have been leased out for periods of 99, 125 and 125 years respectively. Although the properties will return to the Council at the end of the lease, the balance of 'risks and rewards' of ownership, the length of the lease, and the sum of rentals receivable require the properties to be accounted for as Finance Leases. In addition to the property assets the Council leases a number of Waste Collection and recycling vehicles to Ubico Ltd.

The minimum lease payments comprise settlement of the long-term debtor for the interest in the asset and finance income that will be earned by the Authority for the period while the debt remains outstanding.

| | 31 st March 2015 £ | 31 st March 2016 £ |
|---|----------------------------------|----------------------------------|
| Present value of principal payments outstanding on non-current assets | 1,884,249 | 1,268,029 |
| Unearned finance income | 2,966,877 | 2,892,365 |
| Unguaranteed residual value of property/assets | 0 | 0 |
| Gross investment in the lease | 4,851,126 | 4,160,394 |

The gross investment in the lease and the minimum lease payments will be received over the following periods:

| | Gross investment in the lease | | Minimum lease payments (excl. int) | |
|---|----------------------------------|----------------------------------|------------------------------------|----------------------------------|
| | 31 st March 2015 £ | 31 st March 2016 £ | 31 st March 2015 £ | 31 st March 2016 £ |
| Not later than one year | 422,522 | 318,385 | 309,130 | 266,415 |
| Later than one year and not later than five years | 1,159,735 | 729,009 | 741,516 | 559,674 |
| Later than five years | 3,268,869 | 3,113,000 | 472,013 | 441,940 |
| | 4,851,126 | 4,160,394 | 1,522,659 | 1,268,029 |

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 the Council received £86,350 in contingent rents (£86,350 2014/15).

The Council has not set-aside an allowance for uncollectable debts in relation to its finance leases. Any outstanding debts would be accounted for within the Sundry Debtors bad-debt provision.

Operating Leases

The Authority leases out property under operating leases to generate revenue on its investment properties and surplus assets that are suitable for rental.

The future minimum lease payments receivable under non-cancellable leases in future years are:

| | 31 March 2015 £ | 31 March 2016 £ |
|---|--------------------|--------------------|
| Not later than one year | 408,001 | 519,424 |
| Later than one year & not later than five years | 1,294,116 | 1,661,845 |
| Later than five years | 1,365,068 | 1,038,104 |
| Total | 3,067,185 | 3,219,373 |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the balance sheet date.

41. Private Finance Initiatives and Similar Contracts

The Council has no PFI or contracts with similar obligations.

42. Impairment Losses

Details of any impairment losses accounted for in the year are detailed under Note 12 on Property, Plant and Equipment. No impairment reversals were credited to the Comprehensive Income & Expenditure Account during the year.

43. Capitalisation of borrowing costs

The Council currently has no requirement to borrow, therefore had no borrowing costs qualifying for capitalisation.

44. Termination Benefits

At the 31st March the Council was part-way through a service redesign within its Public Protection service. A sum of £32,482 was set-aside in a provision for the cost of redundancies in respect of the restructure.

At the balance sheet date there were no additional plans in place for officer early retirements or the terminations of contracts. For details of exit packages paid during the year please refer to Note 35 on Officer Remuneration.

45. Pension Schemes accounted for as defined contribution

The Council does not participate in any defined contribution pension schemes. Full details of the Council's pension fund involvement is disclosed under note 47 to the accounts (below).

46. Defined benefit pension scheme

The information in these retirement benefit notes are taken from the Actuary's report on the Pension Fund, produced by Hymans Robertson LLP. Although technical in nature, the Council is statutorily obliged to include the information in the notes to the accounts.

Participation in pension schemes

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

Cotswold District Council is a member of the Gloucestershire County Council Pension Fund, for which Gloucestershire County Council is the administering authority.

The scheme is a defined benefit statutory scheme that is administered in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). It is contracted out of the State Second Pension.

Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge the Council makes to council tax is based upon the actual cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement (MiRS).

The following transactions have been charged to the Comprehensive Income & Expenditure account and General Fund Balance during the year:

| Comprehensive Income and Expenditure Statement | 2014/15 £000 | 2015/16 £000 |
|--|-------------------------|-------------------------|
| <u>Cost of Services:</u> | | |
| Service cost comprising: | | |
| Current service cost | 1,607 | 2,083 |
| Past service costs | 5 | 102 |
| <u>Financing and Investment Income and Expenditure:</u> | | |
| Net Interest Expense | 1,516 | 1,388 |
| Net Post-Employment Benefits charged to the Surplus or Deficit on the provision of services | <hr/> 3,128 | <hr/> 3,573 |
| Other Post-Employment benefits charged to the CIES | | |
| <u>Re-measurement of the net defined benefit liability, comprising:</u> | | |
| Return on plan assets (excluding the amount included in the net interest expense) | (5,196) | 1,773 |
| Actuarial gains and losses arising on changes in financial assumptions | 13,085 | (9,194) |
| Other experience | (760) | (1,431) |
| | <hr/> 7,129 | <hr/> (8,852) |
| Total Post-Employment benefits charged to the CIES | <hr/> 10,257 | <hr/> (5,279) |

| Movement in Reserves Statement (MiRS) | 2014/15 £000 | 2015/16 £000 |
|--|-------------------------|-------------------------|
| Reversal of net changes made to the Surplus or deficit on the Provision of Services for Post-Employment benefits in accordance with the Code | (3,128) | (3,573) |
| Actual amount charges against the General Fund Balance for pensions in the year: | | |
| Employers contributions payable to the scheme | 2,296 | 2,586 |

Assets and liabilities in relation to retirement benefits

| Pension Assets and Liabilities recognised in the Balance Sheet | 2014/15 £000 | 2015/16 £000 |
|---|-------------------------|-------------------------|
| Present value of the defined benefit obligation [funded] | (98,020) | (90,935) |
| Present value of unfunded obligations | (2,886) | (2,623) |
| Fair Value of plan assets | 57,337 | 57,854 |
| Net liability arising from defined benefit obligation | (43,569) | (35,704) |

| Reconciliation of the fair value of the scheme assets: | 2014/15 | 2015/16 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Opening balance – 1st April | 49,896 | 57,337 |
| Interest Income | 2,146 | 1,842 |
| Remeasurement gain/(loss): | | |
| Return on plan assets, excluding amounts in net interest | 5,196 | (1,773) |
| Contributions by the employer | 2,166 | 2,455 |
| Contributions in respect of unfunded benefits | 130 | 131 |
| Contributions by members | 462 | 474 |
| Benefits paid | (2,529) | (2,481) |
| Unfunded benefits paid | (130) | (131) |
| Closing balance – 31st March | 57,337 | 57,854 |

| Reconciliation of the present value of scheme liabilities [defined benefit obligation]: | 2014/15 | 2015/16 |
|--|------------------|-----------------|
| | £000 | £'000 |
| Opening balance – 1st April | (85,504) | (100,906) |
| Current service cost | (1,607) | (2,083) |
| Interest cost on defined benefit obligation | (3,662) | (3,230) |
| Contributions from scheme participants | (462) | (474) |
| Past service (cost) / gains, including curtailments | (5) | (102) |
| Remeasurement (losses) / gains: | | |
| Changes in financial assumptions | (13,085) | 9,194 |
| Other experience | 760 | 1,431 |
| Benefits paid | 2,529 | 2,481 |
| Unfunded benefits paid | 130 | 131 |
| Closing balance – 31st March | (100,906) | (93,558) |

The Local Government Pension Scheme assets comprised:

| Asset category | Period Ended 31 March 2016 | | | |
|--|---|---|-----------------|----------------------------|
| | Quoted prices in active markets £(000) | Quoted prices not in active markets £(000) | Total £(000) | Percentage of Total Assets |
| Equity Securities: | | | | |
| Consumer | 3,560.7 | - | 3,560.7 | 6% |
| Manufacturing | 1,743.9 | - | 1,743.9 | 3% |
| Energy and Utilities | 1,048.9 | - | 1,048.9 | 2% |
| Financial Institutions | 2,796.1 | - | 2,796.1 | 5% |
| Health and Care | 454.2 | - | 454.2 | 1% |
| Information Technology | 313.3 | - | 313.3 | 1% |
| Other | 1,200.4 | - | 1,200.4 | 2% |
| Debt Securities: | | | | |
| Corporate Bonds (investment grade) | 2,982.6 | - | 2,982.6 | 5% |
| Corporate Bonds (non-investment grade) | 224.7 | - | 224.7 | 0% |
| UK Government | 5,286.5 | - | 5,286.5 | 9% |
| Other | 796.4 | - | 796.4 | 1% |
| Private Equity: | | | | |
| All | - | 169.9 | 169.9 | 0% |
| Real Estate: | | | | |
| UK Property | 3,155.6 | 1136.7 | 4,292.3 | 7% |
| Overseas Property | - | 296.5 | 296.5 | 1% |
| Investment Funds and Unit Trusts: | | | | |
| Equities | 1,932.2 | 24,736.8 | 26,669.0 | 46% |
| Bonds | 2,531.8 | 148.5 | 2,680.3 | 5% |
| Other | - | 2,708.7 | 2,708.7 | 5% |
| Derivatives: | | | | |
| Other | (5.2) | - | (5.2) | 0% |
| Cash and Cash Equivalents: | | | | |
| All | 634.8 | | 634.8 | 1% |
| Totals | 28,657 | 29,197 | 57,854 | 100% |

The Local Government Pension Scheme assets (14/15) comprised:

| | Period Ended 31 March 2015 | | | | Period Ended 31 March 2014 | | | |
|--|---|---|-----------------|----------------------------|---|---|-----------------|----------------------------|
| | Quoted prices in active markets £(000) | Quoted prices not in active markets £(000) | Total £(000) | Percentage of Total Assets | Quoted prices in active markets £(000) | Quoted prices not in active markets £(000) | Total £(000) | Percentage of Total Assets |
| Equity Securities: | | | | | | | | |
| Consumer | 3,076.9 | - | 3,076.9 | 5% | 2,863.3 | - | 2,863.3 | 6% |
| Manufacturing | 1,367.9 | - | 1,367.9 | 2% | 1,198.2 | - | 1,198.2 | 2% |
| Energy and Utilities | 1,454.3 | - | 1,454.3 | 3% | 1,642.3 | - | 1,642.3 | 3% |
| Financial Institutions | 2,722.0 | - | 2,722.0 | 5% | 2,491.6 | - | 2,491.6 | 5% |
| Health and Care | 545.3 | - | 545.3 | 1% | 557.6 | - | 557.6 | 1% |
| Information Technology | - | - | - | - | 77.9 | - | 77.9 | 0% |
| Other | 1,374.6 | - | 1,374.6 | 2% | 1,850.8 | - | 1,850.8 | 4% |
| Debt Securities: | | | | | | | | |
| Corporate Bonds (investment grade) | 2,910.9 | - | 2,910.9 | 5% | 2,387.9 | - | 2,387.9 | 5% |
| Corporate Bonds (non-investment grade) | 219.3 | - | 219.3 | 0% | 159.2 | - | 159.2 | 0% |
| UK Government | 5,397.2 | - | 5,397.2 | 9% | 4,477.5 | - | 4,477.5 | 9% |
| Other | 939.0 | - | 939.0 | 2% | 362.2 | - | 362.2 | 1% |
| Private Equity: | | | | | | | | |
| All | - | 171.1 | 171.1 | 0% | - | 167.1 | 167.1 | 0% |
| Real Estate: | | | | | | | | |
| UK Property | 2,843.5 | 984.3 | 3,827.8 | 7% | 2,262.1 | 520.0 | 2,782.1 | 6% |
| Overseas Property | - | 294.9 | 294.9 | 1% | - | 173.5 | 173.5 | 0% |
| Investment Funds and Unit Trusts: | | | | | | | | |
| Equities | 1,893.3 | 25,017.0 | 26,910.3 | 47% | 1,602.3 | 21,733.2 | 23,335.5 | 47% |
| Bonds | 2,485.7 | 152.2 | 2,637.9 | 5% | 2,151.6 | 50.3 | 2,201.8 | 4% |
| Other | - | 2,623.9 | 2,623.9 | 5% | - | 2,316.1 | 2,316.1 | 5% |
| Derivatives: | | | | | | | | |
| Foreign Exchange | - | - | - | - | 8.8 | - | 8.8 | 0% |
| Other | (3.5) | - | (3.5) | 0% | (2.5) | - | (2.5) | 0% |
| Cash and Cash Equivalents: | | | | | | | | |
| All | 867.2 | - | 867.2 | 2% | 844.9 | - | 844.9 | 2% |
| Totals | 28,094 | 29,243 | 57,337 | 100% | 24,935 | 24,960 | 49,896 | 100% |

Basis for estimating assets and liabilities

An estimate of the pensions that will be payable in future years is dependant on a number of assumptions about mortality rates, salary levels, etc. The scheme's actuary [Hymans Robertson LLP] has used the following principal assumptions:

Mortality assumptions:

Life expectancy is based upon the Fund's Vita Curves analysis which was carried out for the formal funding valuation as at 31st March 2016. Improvements have been applied that are in line with the CMI 2010 assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25%. Based upon these assumptions, the average future life expectancies at age 65 are summarised as follows:

| Mortality assumptions: | Males | Females |
|--|------------|------------|
| • Current pensioners | 22.5 years | 24.6 years |
| • Future pensioners [those aged 45 at March 2013] | 24.4 years | 27.0 years |

Financial assumptions:

| Assumptions: | 2014/15 | 2015/16 |
|--------------------------------|---------|---------|
| • Rate of inflation (CPI) | 2.4% | 2.4% |
| • Rate of increase in pensions | 2.4% | 2.2% |
| • Rate of increase in salaries | 3.8% | 3.7% |
| • Discount rate | 3.2% | 3.5% |

Included in the assumptions is an allowance for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

The pension scheme assets consist of the following categories, by proportion of the total assets held:

| Type of investment, at: | 31 st March 15 | 31 st March 16 |
|-------------------------|---------------------------|---------------------------|
| • Equity investments | 74% | 75% |
| • Bonds | 17% | 16% |
| • Property assets | 7% | 8% |
| • Cash | 2% | 1% |

Sensitivity analysis – Pension Fund

IAS19 requires the disclosure of the sensitivity of results where particular methods and assumptions have been used. In accounting for the Pension Fund, the actuary applies a number of assumptions in measuring the scheme liabilities. Sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

| Effect of change in assumption – re. 31 st March 2016: | Approx. increase in liability (%) | Approx. increase in liability (£) |
|--|---|---|
| 0.5% decrease in Real Discount Rate | 10% | 9,723,000 |
| 1 year increase in member life expectancy | 3% | 2,807,000 |
| 0.5% increase in the Salary Increase Rate | 3% | 2,691,000 |
| 0.5% increase in the Pension Increase Rate | 7% | 6,907,000 |

Scheme History

| | 2011/12 £000 | 2012/13 £000 | 2013/14 £000 | 2014/15 £000 | 2015/16 £000 |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Fair value of employer assets | 39,525 | 45,472 | 49,896 | 57,337 | 57,854 |
| Present value of liabilities | (65,313) | (75,971) | (85,504) | (100,906) | (93,558) |
| Surplus / (deficit) | (25,788) | (30,499) | (35,609) | (43,569) | (35,704) |

The liabilities show the underlying commitment the authority has in the long term to pay retirement benefits. The net liability is recorded on the balance sheet of the authority, reducing the net worth of the Council.

The estimated employer's contributions for the year to 31st March 2017 will be approximately £2,536,000.

47. Contingent liabilities

There are no material contingent liabilities to disclose at the balance sheet date.

48. Contingent assets**Right to buy clawback**

Under the agreement for the transfer of the Council's housing stock to Fosseway Housing Association in 1997 [now Bromford Housing], the Council is entitled to a share of the proceeds of the housing stock sold under 'Right to Buy' legislation. The amount of the receipt depends upon the number of properties sold during the financial year, and as a result can vary significantly from year to year. As a result of the level of uncertainty of timings and amounts of possible receipts, no figure has been included in the Council's accounts for any future sales.

49. Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks. The Council does not require debt financing and currently does not have any external borrowing. As such, the key risks are in relation to its financial assets. These are as follows:

- Credit risk – the possibility that other parties may fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

Overall procedures for managing risk

The Council's overall risk management procedures focus upon the unpredictability of financial markets and implementing procedures to minimise these risks. Procedures for risk management are set-out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and investment guidance issued through the Act. These procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA code of Practice for Treasury Management Services
- By approving annually in advance prudential indicators for the following three years limiting:
 - Limits on the Council's overall debt [external borrowing]
 - The Council's maturity structure of its borrowing [currently £0]
 - The Council's upper limit for exposure to fixed and variable rate investments
 - The maximum exposure to investments maturing beyond a year
- By annually approving a Treasury Management Investment Strategy for the forthcoming year, setting out criteria for investments and specifying the minimum requirements for all counterparties

Prudential indicators and the treasury management annual investment strategy are reported to, and approved by, full Council prior to the start of the financial year. Actual performance is reported at half and full-year intervals to full Council.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Treasury Management Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit rating criteria. The strategy also imposes upper limits on the amounts that can be invested with each financial institution. Full details of the minimum credit ratings can be found in the appendix to the Treasury Management annual investment strategy, which can be viewed via the Council's web-site (www.cotswold.gov.uk).

The ratings of the financial institutions holding Council investments (and investments classified as 'cash equivalents') at the balance sheet date is as follows:

| Rating | Investment balance £000 |
|--|-------------------------------|
| <u>Fixed duration deals</u> | |
| Banks – Fitch rating F1 | 11,000 |
| Building Societies – Fitch rating F1 | 6,985 |
| Glitnir escrow account – original balance (not rated) | 535 |
| <u>Call accounts and other 'cash-equivalent' investments:</u> | |
| Fitch rating F2 | 90 |
| Fitch rating AAmmf | 1,720 |
| <u>Pooled funds</u> | |
| Non-rating agency rated pooled fund [separately approved by the Council's treasury management advisors] | 2,551 |
| | 22,881 |

At the balance sheet date, the Council's investments and investments classified as 'cash equivalents' for financial reporting purposes were distributed as follows:

| | Investment values in £000 - Maturing within: | | | |
|---|--|------------|-------------|----------|
| | 0-3 months | 3-6 months | 6-12 months | 1 year + |
| <u>Internally managed funds:</u> | | | | |
| Call accounts | 1,810 | | | |
| UK banks | 4,000 | 5,000 | | |
| Foreign Banks | | | 2,000 | |
| UK building societies | 5,985 | 1,000 | | |
| UK local authorities | | | | |
| <u>Externally managed funds:</u> | | | | |
| Pooled funds | | | | 2,551 |
| Glitnir escrow account # | | | 535 | |
| | 11,795 | 6,000 | 2,535 | 2,551 |

Within the above 6-12 month figure is the remaining balance due to the Council from its investment with the Icelandic bank Glitnir. The balance of approximately £535,000 [at 31.3.16 exchange rates], is currently held in an Escrow account in Iceland. Based upon LAAP 82 (update 7) the Council has opted to classify the balance as a short-term investment, although the precise timing of its return remains uncertain.

Liquidity Risk

The Council manages its cash flow to ensure cash is available when it is needed. In the event of an unexpected cash requirement, the Council has the ability to borrow from the money markets to cover any short-term requirement.

The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its financial commitments under financial instruments.

Market risk – interest rate risk

The Council is exposed to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing periods. For example, a rise in variable and fixed interest rates would have the following effects:

- Investments at variable rates – the interest income credited to the Income and Expenditure account will rise
- Investments at fixed rates – the fair value of the assets will fall

The Council has a number of strategies for managing interest rate risk. The Council's Medium Term Financial Strategy (MTFS) includes provision for expected movements in interest rates. Prior to the start of each year, a maximum limit is set upon the fixed and variable interest rate exposures. The in-house treasury management team will monitor market and forecast interest rates within the year and adjust exposures accordingly. For instance, during periods of falling interest rates, and where economic conditions make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns.

Changes in interest payable and interest receivable on investments will be posted to the Comprehensive Income and Expenditure account and affects the balance on the General Fund.

If interest rates had been 0.5% higher during the year (and all other factors remain unchanged), the effect upon the Comprehensive Income & Expenditure Account would have been as follows:

| | 2015/16 £ |
|---|----------------------------|
| Increase in interest payable on borrowing | 0 |
| Increase in interest received from investments | (147,012) |
| Impact on the Surplus / Deficit on the Provision of Services* | (147,012) |

* Extra income, shown as a negative balance above (-), would represent extra income and will increase the surplus or reduce the deficit on the provision of services, and ultimately increase the General Fund Balance.

Should interest rates have been 0.5% lower, the entries in the table above would be reversed.

Foreign Exchange Risk

The Authority has one financial asset denominated in Icelandic Krona. The investment is held in an escrow account in Iceland. Movements in exchange rates will impact on the value of the investment. At the balance sheet date (or the date the investment matures) the investment will be valued, based upon the current exchange rate. Any change in investment value will be debited or credited to the 'financing and investing income & expenditure' section of the Comprehensive Income & Expenditure Account and shown as an exchange rate gain/loss.

In 2015/16 the Council accounted for a gain of £88,226 on its investment (loss of £35,866 in 2014/15), due to favourable changes in exchange rates. At the balance sheet date the escrow account was valued at 94,775,241 ISK, which converts to £531,669 using the 31st March 2016 exchange rate of 178.26ISK to the pound.

50. Heritage Assets

Nature and scale of heritage assets held by the authority

The Council owns and operates the Corinium Museum in Cirencester. The museum and museum store combined hold approximately 1-million artefacts including objects of archaeology, social history, photographs and prints relating to Cirencester and the surrounding area and has one of most extensive Romano-British collections in the Country.

Acquisition, preservation, management and disposal

The museum collection is either on public display or held in the museum store. The collection has been catalogued and is searchable via the Council's website. If the item is not currently on display arrangements can be made to visit the museum store or have the artefact transported to the museum in Cirencester for viewing.

The Council is committed to preserving and displaying its museum collection. This view is emphasised in the Corinium Museum Acquisitions and Disposals Plan [2008], which states that: *'the museum will not undertake disposal motivated principally by financial reasons,'* and continues on, that in the case of disposal: *'Once a decision to dispose of an item has been made, priority will be given to retaining the item within the public domain, unless it is to be destroyed. It will therefore be offered first, by exchange, gift or sale to Accredited Museums likely to be interested in its acquisitions.'* For a full copy of the Museum acquisitions and disposals policy please visit the Leisure and Culture section of the Council's website (www.cotswold.gov.uk) and look under the section marked 'policies'.

Assets not included on the Council's balance sheet

While many of the artefacts in the collection meet the classification of Heritage Assets, any benefit to the user of the accounts of obtaining a (highly subjective) valuation of the assets has not been deemed worth the cost. The Council has taken the view that any figure recorded on the balance sheet would never be realised and therefore any balance could be misleading and overstate the Council's net worth.

Other non-museum-related heritage assets

Within the boundaries of the council's Trinity Road offices is the 'Cirencester lock-up'. The building was once used as prison cells for Cirencester. The Council's valuers have assigned the building a value of £0.

Movement in heritage assets

The only heritage asset recently acquired and for which a consideration was paid is a collection of coins, purchased in 2007 and disclosed on the balance sheet at the purchase price of £17,000.

There have been no acquisitions or disposals of assets since this time and therefore the carrying value of the assets is unchanged.

The Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

| 2014/15 £ | | Note | 15/16 £ |
|---------------------------|--|------|---------------------------|
| <u>INCOME</u> | | | |
| 55,808,256 | Council Tax | C1 | 56,676,390 |
| 29,333,585 | Non-Domestic Rates | C2 | 30,074,316 |
| 50,452 | Transitional Protection Payments - non-domestic rates | | 222,426 |
| 1,822,489 | Contributions towards previous year's deficit - non-domestic rates | | (119,575) |
| <u>87,014,782</u> | Total Income | | <u>86,853,557</u> |
| <u>EXPENDITURE</u> | | | |
| Precepts and Demands: | | | |
| 40,246,593 | Gloucestershire County Council | | 40,621,670 |
| 7,666,598 | Gloucestershire Police and Crime Commissioner | | 7,738,046 |
| 7,100,746 | Cotswold District Council | | 6,998,249 |
| Business rates: | | | |
| 14,512,529 | Shares to County Council and the Authority | | 14,922,144 |
| 14,512,532 | Payment of central share to government | | 14,922,143 |
| 180,018 | Charge payable to General Fund for Costs of Collection | | 178,723 |
| 67,176 | Other transfers to General Fund per regulations - Renewable Energy schemes | | 92,687 |
| | Interest on refunds | | 14,080 |
| | Impairment of debts/appeals for Council Tax | | |
| 97,707 | Write Offs | | 42,514 |
| 39,957 | Increase / (decrease) in Provision | | 32,530 |
| | Impairment of debts/appeals for non-domestic rates | | |
| 506,468 | Write Offs | | 679,852 |
| 1,232,497 | Increase in Provision | | 202,648 |
| 640,400 | Contributions towards previous year's surplus - council tax | | 711,200 |
| <u>86,803,221</u> | Total Expenditure | | <u>87,156,486</u> |
| 211,561 | Surplus / (Deficit) for the Year | | (302,929) |
| (1,055,487) | Fund Balance at 1st April | | (843,926) |
| <u>(843,926)</u> | Fund Balance at 31st March | C3 | <u>(1,146,855)</u> |

Notes to the Collection Fund**Note C1 The Collection Fund**

The Council is required to maintain a separate Collection Fund Account to record transactions relating to council tax.

Collection fund income is as follows:

| | 2014/15 £ | 2015/16 £ |
|--|--------------|--------------|
| Council Tax due from taxpayers | 59,848,237 | 60,506,409 |
| Council Tax benefits and transitional relief | (4,039,981) | (3,830,019) |
| | 55,808,256 | 56,676,390 |

Council tax was introduced on 1st April 1993, and is a property based tax. The District Valuer valued all domestic property in the area and placed them into one of nine bands. A factor is then applied to each band so that the tax base can be expressed as a "Band D" equivalent (see below).

| Band | Estimated number of properties in each band (adjusted for discounts) | Ratio | Band "D" Equivalents 2015/16 |
|--------------|---|-------|------------------------------------|
| A- | 5.50 | 5/9 | 3.06 |
| A | 2,830.75 | 6/9 | 1,883.17 |
| B | 4,206.25 | 7/9 | 3,267.53 |
| C | 9,107.75 | 8/9 | 8,081.78 |
| D | 6,537.25 | 1 | 3,772.24 |
| E | 5,209.25 | 11/9 | 6,356.86 |
| F | 3,982.00 | 13/9 | 5,745.78 |
| G | 3,869.75 | 15/9 | 6,436.58 |
| H | 607.25 | 18/9 | 1,212.50 |
| | Contributions in lieu (South Cerney Barracks) | | 118.50 |
| | | | 36,878.00 |
| <u>less:</u> | Adjustments for collection rates and for anticipated changes during the year for successful appeals against valuation bandings, demolitions, reliefs and exemptions, plus adjustments for new properties. | | 372.50 |
| | (This amounts to 1% of the tax base) | | |
| | Council Tax Base for 2015/16 | | 37,250.50 |

Note C2 Income from Business Rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area. The total income collected for the year, less reliefs and discounts is as follows:

| | 2014/15 £ | 2015/16 £ |
|--|--------------|--------------|
| Non-domestic rateable value | 36,421,518 | 37,660,609 |
| Less: allowances and other adjustments | (7,087,933) | (7,586,293) |
| | 29,333,585 | 30,074,316 |

The rateable value is based upon the following two multipliers:

- Higher multiplier for 2015/16 49.3p (48.2p 14/15)
- Lower multiplier [small business rating multiplier] for 2015/16 48.0p (47.1p 14/15)

Total non-domestic rateable value at 31st March 2016 was £76,819,726 (£75,657,748 at 31st March 2015)

Note C3 Precepts and Demands

The following Precepts were paid during the financial year:

| | 2014/15 £ | 2015/16 £ |
|---|--------------|--------------|
| Gloucestershire County Council | 40,246,593 | 40,621,670 |
| Gloucestershire County Council - Fund Surplus | 468,814 | 520,298 |
| Gloucestershire Police and Crime Commissioner | 7,666,598 | 7,738,046 |
| Gloucestershire Police and Crime Commissioner - Surplus | 87,564 | 99,112 |
| District Council Precept | 4,909,927 | 4,708,464 |
| District Council – Collection Fund Surplus | 84,022 | 91,790 |
| Parish Precepts | 2,190,329 | 2,289,785 |
| | 55,653,847 | 56,069,165 |

The parish precepts are distributed to parishes through the Council's General Fund.

Note C4 Provision for Uncollectable Amounts

Provision has been made within the accounts for uncollectable debts. At the 31st March the provision on the Collection Fund were as follows:

| | 2014/15 £ | 2015/16 £ |
|------------------------------------|--------------|--------------|
| Council Tax | 297,184 | 410,845 |
| National Non-Domestic Rates (NNDR) | 2,474,554 | 2,800,303 |
| Total provision | 2,771,738 | 3,211,148 |

The movement on the Council Tax Provisions Account can be analysed as follows:

| | 2014/15 £ | 2015/16 £ |
|----------------------------------|----------------|----------------|
| Opening balance on the provision | 257,227 | 297,184 |
| Write-offs during the year | (97,707) | (42,514) |
| Additional provision required | 137,664 | 156,175 |
| Total provision | 297,184 | 410,845 |

The movement on the Non Domestic Rate Provisions Account is as follows:

| | 2014/15 £ | 2015/16 £ |
|---|------------------|------------------|
| Opening balance on the provision | 1,242,057 | 2,597,655 |
| Adjustment to the 01.4.14 opening provision balance | 123,101 | - |
| Write-offs during the year | (506,468) | (679,852) |
| Additional provision required | 1,738,965 | 882,500 |
| Total provision | 2,597,655 | 2,800,303 |

The NNDR provision does not include an element for unlodged rating appeals. While it is likely that the Council will be affected by appeals that are yet to be lodged, it is difficult to predict with any accuracy the value of appeals or likely success rate. The value of any such appeals is unlikely to be material to the accuracy of the NNDR balances.

Note C5 Collection Fund Surplus

The table below shows the apportionment for the balance on the Collection Fund as at 31st March.

| Council Tax | 1st April 2015 | Increase / (decrease) in year | 31st March 2016 |
|---|--------------------------------------|--|---------------------------------------|
| | £ | £ | £ |
| Gloucestershire County Council | 449,012 | 382,543 | 831,555 |
| Gloucestershire Police & Crime Commissioner | 84,827 | 73,597 | 158,424 |
| Cotswold District Council | 67,197 | 76,041 | 143,238 |
| Surplus / (deficit) | 601,036 | 532,181 | 1,133,217 |
| Non-domestic rates | | | |
| Central Government (50%) | (722,483) | (417,557) | (1,140,040) |
| Gloucestershire County Council (10%) | (144,494) | (83,508) | (228,002) |
| Cotswold District Council (40%) | (577,985) | (334,045) | (912,030) |
| Surplus / (deficit) | (1,444,962) | (835,110) | (2,280,072) |
| Collection Fund Balance | (843,926) | (302,929) | (1,146,855) |

Statement of Responsibilities for the Statement of Accounts**The Authority's responsibilities**

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Chief Finance Officer's responsibility

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this statement of accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Local Authority Code.

The Chief Finance Officer has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts presented here gives a true and fair view of the financial position of the authority at the accounting date and of its income and expenditure for the year ended 31st March 2016.

Signed:

Date:

Jenny Poole

Chief Finance Officer

In accordance with regulation 10(3) Accounts and Audit Regulations 2003, the statement of accounts is approved by the Chairman of the Audit Committee, on behalf of Cotswold District Council.

Signed:

Date:

Cllr. Len Wilkins

Chairman of Cotswold District Council Audit Committee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COTSWOLD DISTRICT COUNCIL

Opinion on the financial statements

We have audited the financial statements of Cotswold District Council (the "Authority") for the year ended 31 March 2015 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounting statements

In our opinion the accounting statements:

- present a true and fair view of the financial position of Cotswold District Council as at 31 March 2015 and of its expenditure and income for the year then ended and;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the information published together with the audited financial statements in the Narrative Report and Annual Governance Statement is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources**Respective responsibilities of the Authority and the auditor**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) 5 of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through economic, efficient and effective use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects the Authority had put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Auditor and Comptroller General in November 2015, we are satisfied that in all significant respects, Cotswold District Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

John Golding

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House, 55-61 Victoria Street, Bristol, BS1 6FT

September 2016

ANNUAL GOVERNANCE STATEMENT 2015/2016

1. SCOPE OF RESPONSIBILITY

Cotswold District Council is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards;
- Public money is safeguarded and properly accounted for
- Public money is used economically, efficiently and effectively; and
- There is a sound system of governance, incorporating the system of internal control

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and including arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of national best practice as set out in the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (Amendment) (England) Regulations 2011 and, from 1 April 2015, the Accounts and Audit Regulations 2015 in relation to the publication of a statement on annual governance.

In addition to this, CIPFA issued its *Statement on the Role of the Chief Finance Officer in Local Government (2010)*. The Annual Governance Statement (AGS) reflects compliance of this statement for reporting purposes. The Council's Chief Finance Officer is the Statutory Section 151 Officer (S151 Officer).

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled including activities through which the Council accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and cost effective services.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to:

- Identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;
- Evaluate the likelihood of those risks occurring;
- Assess the impact should those risks occur; and
- Manage the risks efficiently, effectively and economically

3. THE GOVERNANCE ENVIRONMENT

The key elements of the Council's governance arrangements are outlined in the Local Code of Corporate Governance. The governance framework includes arrangements for:

- Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users
- Reviewing the Council's vision and its implications for the Council's governance arrangements
- Measuring the quality of services for users, ensuring that they are delivered in accordance with the Council's objectives and ensuring that they represent the best use of resources
- Defining and documenting the roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the Council and partnership arrangements
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- Reviewing and updating standing orders, standing financial instructions, scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks
- Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained
- Ensuring effective management of change and transformation
- Ensuring the Council's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)* and, where they do not, explain why and how they deliver the same impact
- Ensuring the Council's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Audit (2010)* and, where they do not, explain why and how they deliver the same impact
- Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function
- Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function
- Undertaking the core functions of an Audit Committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- Whistleblowing and for receiving and investigating complaints from the public
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by the appropriate training
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
- Incorporating good governance arrangements in respect of partnerships, including shared services and other joint working and reflecting these in the Council's overall governance arrangements.

The main areas of the Council's governance framework, and key evidence of delivery, are set out below, under the headings of the six CIPFA/SOLACE principles of governance:

1. Focusing on the purpose of the Council and on outcomes for the community, and creating and implementing a vision for the local area

Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users

The Council's Corporate Strategy and Corporate Plan (2012-2015) was adopted for the financial year 2015/2016 and outlines the Council's Aim 'to be recognised as the most efficient Council in the country', the Council's Priorities and the Top Tasks to achieve those priorities. The Council's Aim and Priorities are determined by Members through Cabinet and Council, following consultation with the public. A revised Corporate Strategy and Corporate Plan (2016-2019) was drafted during 2015/2016 and will be submitted for approval during 2016/2017.

The Council also publishes an annual report, the 'Review of the Year' which sets out the Priorities and outlines achievements against them as well as other actions and details of the Council's finances and performance. The Corporate Strategy and Review of the Year are published on the Council's website.

The Council has prepared a new Local Plan for the District. This will align with the National Planning Policy Framework and set out a long term plan for managing development up to 2031. Local Plans are important documents because they guide future planning decisions about what is built and where, including new homes and businesses. The Local Plan provides a spatial expression of the Council's Vision. The Council consulted on the Local Plan during 2015, including Development Strategy, spatial portrait, vision, strategic objectives and strategic policies as well as proposed site allocations for employment and housing. The Local Plan will be submitted for examination in the 2016/17 financial year.

Reviewing the Council's vision and its implications for the Council's governance arrangements

The Corporate Strategy and Plan are fundamentally reviewed every 4 years, linked to the election cycle, and updated annually having regard to new information (e.g. 2011 Census). The Top Tasks for the forthcoming year are also refreshed.

Translating the vision into objectives for the Council and its partnerships

The Aim and Priorities in the Corporate Strategy are supported by a series of Top Tasks i.e. the most important key actions needed to meet the Priorities. Underpinning the Priorities and Top Tasks are Service Delivery Plans (SDPs) for each service. The SDPs contain, amongst other things, the key tasks and the performance indicators for each Council service.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources and value for money

The Council's Aim 'to be recognised as the most efficient Council in the country' is being measured using a basket of indicators based on cost, outputs and outcomes. Progress on the Council's efficiency measures is reported to the Overview and Scrutiny Committee and Cabinet on a quarterly basis for review and challenge.

2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the Council and partnership arrangements

During 2015/2016 the Chief Executive was appointed to the role of Managing Director of the 2020 Partnership and consequently temporary arrangements were made to allocate some of his previous duties to other officers – notably the Strategic Directors. The Strategic Director responsible for Resources temporarily took on the role of Acting Head of Paid Service enabling the Chief Executive to be released to deliver Partnership responsibilities. The Head of Paid Service is a statutory role and the duties in this regard are set out in the Council's Constitution and the officer's detailed job specification. This role is a shared arrangement with West Oxfordshire DC under a formal secondment agreement. The respective roles of Leader and Head of Paid Service are set out in the Council's Constitution, underpinned by the more general requirements of the Member/Officer Protocol. An appraisal process, across the two Councils, is in place.

The Council has a Protocol which sets out the roles and responsibilities of Members and officers and gives guidance in relation to planning work.

3. Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The roles and responsibilities of Members generally and all office holders are set out in the Council's Constitution, along with the way in which the various elements of the Council interact and complement each other. The Constitution is supported and underpinned by separate Codes of Conduct for Members and Officers, and a joint Member/Officer Protocol, which set out guidelines as to behaviour and practical issues.

A comprehensive induction programme provides further assistance to Members and Officers as to their roles and responsibilities. The Constitution is also reviewed regularly reflecting legislative changes, guidance and best practice.

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Reviewing the effectiveness of the Council's decision-making framework, including delegation arrangements, decision-making in partnerships and robustness of data quality

The Constitution contains a comprehensive description of the allocation of functions and responsibilities across the Member and Officer structures. The relevant sections are kept under regular review to ensure that they accurately reflect legislative and local requirements, guidance and best practice.

The Council has a Data Quality Policy. At year end, officers are requested to verify the outturns of their performance indicators and to provide supporting evidence. Internal audit reviews performance management arrangements, including the outturns for a number of performance indicators annually.

Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

The Council has a Risk Management Policy and risks are identified and managed both corporately and at service level, as part of the Performance Management process. The Risk Management Group meets quarterly and reviews the Corporate risk register. Decisions are made regarding risk scores, removing obsolete risks and adding new risks to the register. Audit Committee has oversight of the Risk Management Policy and processes.

Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained. Including; the "CIPFA code of practice on managing the risk of fraud and corruption"

The Council has a Counter Fraud and Anti-Corruption Policy. All new employees and Members are briefed on this policy during their induction. Refresher training is provided to Heads of Service, Managers and Members as required.

guidance is issued to all staff and Managers. This Policy was updated and presented to Audit Committee in January 2016 and updates on activity are presented to the Audit and General Purposes Committee quarterly. A business case for the establishment of a multi-Council shared Counter Fraud unit is being developed supported by funding from the Department of Communities and Local Government following the transfer of benefit fraud investigation to the Department of Work and Pensions.

Ensuring effective management of change and transformation

The Council has incorporated all its change management and transformation activities within the 2020 Programme which has a full time establishment to deliver the significant programme set out. It has adopted appropriate Programme Management tools and techniques to facilitate delivery against the programme targets.

Ensuring the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact

The governance requirements in the CIPFA Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to other members (of that team). The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the Council's Annual Governance Report, together with how these deliver the same impact.

Although the Chief Finance Officer does not report directly to the Chief Executive at Cotswold, she reports to the shared Strategic Director of Corporate Resources (also a qualified accountant with Chief Finance Officer responsibilities for West Oxfordshire District Council). Having access to a second individual with CFO skills and knowledge strengthens the Leadership Team at Cotswold. The Cotswold Chief Finance Officer has direct access to the Chief Executive as necessary. She also attends meetings of the Joint Corporate Management Team and Joint Heads of Service Team where she is able to fulfil her Chief Finance Officer role.

Ensuring the Council's assurance arrangements conform with the governance requirements of the CIPFA Statement on the role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact

The Head of Audit Cotswolds fulfils the role of Head of Internal Audit for Cotswold DC. Through the Partnership Section 101 Agreement, and the Job Description for the position, it is evidenced that the CIPFA role is delivered in full. A statement of the 5 Principles within the CIPFA role has been completed by the Head of Audit Cotswolds demonstrating compliance with this requirement.

Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function

The Shared Head of Legal and Property Services is designated as the Monitoring Officer (with the Head of Democratic Services as Deputy). Duties in this regard are set out in the Council's Constitution and the officers' detailed job specifications. These Officers, supported by others within Democratic Services and Legal Services, ensure that the Council's decision-making processes comply with legislative and Constitutional requirements.

Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function

As set out above, the Shared Strategic Director (Resources) has been designated as the Head of Paid Service initially on acting terms and subsequently permanently. The duties in this regard are set out in the Council's Constitution and the officer's detailed job specification. This role is a shared arrangement with West Oxfordshire DC under a formal secondment agreement.

Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities

The Audit Committee was established during the 2015/16 municipal year; although prior to this there was an Audit and Scrutiny Committee. Its functions are set out in the Constitution.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

All reports contain a section on legal implications, including comments relating to ultra vires where relevant. The Council's Contract Procedure Rules also include information relating to letting contracts under European Regulations.

Whistle Blowing and receiving and investigating complaints from the public

The Council has published a Whistle Blowing policy. The Council also has an Counter Fraud and Anti-Corruption strategy. All new employees and members are briefed on this policy during their induction. Refresher training is provided to Heads of Service, Managers and Members as required. This includes requirements within procurement strategy / procurement rules requiring contracting organisations to ensure that employees are made aware of the Council's Whistle Blowing Policy. The Whistle Blowing Policy is communicated to all existing contractors and ensuring they make their employees aware of how to access the Council's policy.

The Council's complaints process includes a centrally managed recording system to log all complaints. This system enables reports to be generated including statistical data on numbers and types of complaint.

5. Developing the capacity and capability of Members and Officers to be effective

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

The induction programme provided for Members immediately after each District Council election, together with the on-going programme, aims to provide Members with the skills needed to perform their roles. Members are encouraged to identify individual and specific training and development needs. Members are also required to undertake training before performing some specific roles, such as planning and licensing. Officers are appraised annually and the process identifies any skills or training gaps. The Corporate Training Programme is developed from the identified training gaps.

6. Engaging with local people and other stakeholders to ensure robust public accountability

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The Council Plan sets out the aspirations for the District and is refreshed annually with a full refresh every three or four years. Appropriate consultation with stakeholders such as Towns and Parishes and the public is carried out to support the public refresh.

One of the priorities of the Council is to 'work with local communities to help them to help themselves' activities detailed in the Council Plan work towards that goal, whilst engaging local people, communities and stakeholders.

Enhancing the accountability for service delivery and effectiveness of other public service providers

All tasks and performance indicators are attributed to individual Heads of Service and Portfolio Holders to ensure direct accountability. Service Delivery Plans identify key tasks and three year targets for performance indicators.

Local government is accountable in a number of ways. Elected local Council members are democratically accountable to their local area and this gives a clear leadership role in building sustainable communities. All members must account to their communities the decisions they have taken and the rationale behind those decisions.

All authorities are subject to external review through the external audit of their financial statements. They are required to publish their financial statements and are encouraged to prepare an annual report. Many are subject to national standards and targets. Their budgets are effectively subject to significant influence and overview by government, which has powers to intervene. Members and Officers are subject to codes of conduct. Additionally, if someone believes that maladministration may have occurred, the aggrieved person may lodge a formal complaint with the Council. If that person is not content with any response, then the matter can be pursued through the Local Government Ombudsman.

Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Council's overall governance arrangements

The Council's Partnership Framework and Toolkit which sets out the roles and responsibilities of those representing the Council on partnerships and gives guidance in relation to the

management and governance of partnerships. The Council also maintains details of known Partnerships, which are reviewed from time to time. Furthermore, there is a shared working strategy to guide the operations of the various shared service/officer arrangements.

4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers, the annual opinion from the Head of Audit Cotswolds and comments made by the external auditors and other review agencies and inspectorates.

The Council's process for maintaining and reviewing the effectiveness of the governance framework has included the following:

Heads of Service completing annual assurance statements at the end of the financial year. These governance declarations provide appropriate management assurance that key elements of the system of internal control are in place and are working effectively and help to identify areas for improvement.

Corporate Team (including the S151 Officer and the Monitoring Officer) reviewing the Corporate Risk Register on a quarterly basis and Service Risk Registers being maintained by each Manager / Head of Service.

The Head of Audit Cotswolds providing the Audit Committee, as the Committee charged with governance, with an Annual Opinion on the control environment of the Council, which includes its governance arrangements.

Investigation of, and decisions on, allegations of failure to comply with Members Code of Conduct are considered and determined by an Independent Person(s).

Induction process for newly elected members.

The S151 Officer ensuring training and awareness sessions are carried out for the Audit Committee periodically.

The External Auditors (Grant Thornton) presenting progress reports to Audit Committee.

The External Auditor's Annual Audit Letter and follow-up of management responses to issues raised in the Letter or other reports – overseen by the Audit Committee.

Quarterly performance reports, including the Corporate Risk Register and budget position, being presented to Overview and Scrutiny Committee and Cabinet, demonstrating performance management against agreed service plans, performance indicators and budgets.

The Audit Committee reviewing the Annual Governance Statement.

The Audit Committee reviewing the Annual Statement of Accounts, the Treasury Management Strategy and reports from both Internal Audit (Audit Cotswolds) and External Audit (Grant Thornton), including quarterly progress reports.

Full Council approving the annual budget, reviewing and approving the Treasury Management Strategy, following recommendations from Cabinet.

Audit Cotswolds monitoring the quality and effectiveness of systems of internal control. Audit Cotswolds audit reports including an opinion that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports including recommendations for improvement are detailed in an action plan agreed with the relevant Service Manager / Head of Service.

The Annual Internal Audit Opinion for 2015/2016, in respect of the areas reviewed during the year, was 'Satisfactory'.

The Council's Financial Rules and Contract Rules being kept under review and revised periodically.

Other explicit review / assurance mechanisms, such as the annual report from the Local Government Ombudsman and reports from Audit Cotswolds or Grant Thornton.

5. SIGNIFICANT GOVERNANCE ISSUES DURING 2015/2016

In preparing this statement and reviewing the effectiveness of our governance arrangements we have identified areas where we need to focus attention and improvement work over the next financial year. These areas of work are planned to strengthen the control framework and are set out in the table below.

| No. | Key Area of Focus | Planned Actions |
|-----|---|---|
| 1 | 2020 Vision Partnership – delivery of shared services | Ensure robust arrangements are in place to enable the Council to have assurance over the quality of shared services provided and the level of savings achieved. |

One "No assurance" audit report and four "Limited" assurance audit reports were issued during the year, these being:

1. Flood Works – weaknesses identified during testing included non-compliance with Contract Rules, Financial Rules and Legislation in respect of the tendering and awarding of contracts.
2. Social Media – weaknesses identified during testing included non-compliance with the Social Media Guidance Document, lack of documented business cases for social media accounts and an inconsistent approach to 'liking' and 'following' of other social media accounts.
3. Contract Management – weaknesses identified during testing included non-compliance with Contract Rules, including non-usage of purchase orders through ABW (also non-compliance with Financial Rules), contracts not being published on the contracts register.
4. Risk Management – Income Streams – weaknesses identified during testing included the non-compliance of financial rules, in respect of reconciliations by the service areas reviewed, inconsistencies in charging, and inefficiencies in working practices.
5. GOSS Health and Safety (Personal Security) – weaknesses identified during testing included out of date policies and procedures, lack of fire drills being undertaken, out of date first aider information and lack of first aid boxes within the building, lack of lone working procedures in service areas.

Findings, recommendations and actions have been agreed with Management, follow-up reviews have been planned for 2016/17 to ensure actions for recommendations are being implemented.

6. APPROVAL OF LEADER AND HEAD OF PAID SERVICE

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Signed on behalf of Cotswold District Council:

Lynden Stowe
Leader of the Council

Date:

Frank Wilson
Head of Paid Service

Date:

Glossary

A

Accounting Period

The period of time covered by the accounts, normally a period of 12 months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accounting Statements

The Council's Core Financial Statements and Supplementary Financial Statements.

Accruals

Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which no payment has yet been made or received at the Balance Sheet date.

Actuarial Gains and Losses (Pension Schemes)

Changes in the net pensions liability that arise because events have not matched assumptions at the last actuarial valuation or because actuarial assumptions have changed.

Amortisation

A term used to refer to the charging of the value of a transaction or asset (usually related to intangible assets or deferred charges) to the Income and Expenditure Account over a period of time, reflecting the value to the authority; similar to the depreciation charge for non-current assets.

Appointed Auditors

The Audit Commission Act 1998 (Amended) includes a statutory requirement that a local authority's annual Statement of Accounts be subject to external review by a duly appointed external auditor. For 2014/15 the responsibility for the appointment of said external auditor has been devolved to Grant Thornton UK LLP.

Approved Institutions

Funds that are not immediately required may be invested but only with third parties meeting the credit rating criteria approved annually as part of the Council's Treasury Management Policies and Practices.

Asset

An item having value in monetary terms. See also Current Assets, Non-Current Assets and Financial Asset.

Audit of Accounts

An independent examination of the Council's financial affairs.

B

Billing Authority

A local authority responsible for collecting Council Tax and National Non-Domestic Rates.

Budget

The forecast of net revenue and capital expenditure over an accounting period.

C**Capital Expenditure**

Expenditure for the acquisition, provision or improvement of non-current assets, which will be of long-term value to the Council, providing services beyond the current accounting period.

Capital Programme

The capital schemes the Council intends to carry out over a specified time period.

Capital Receipts

Money received from the disposal of non-current assets or the repayment of grants and loans, which is available for financing future capital expenditure.

Collection Fund

A statutory fund maintained by a billing authority, which is used to record local taxes and Non-Domestic Rates collected by the authority, along with payments to precepting authorities, the national pool of Non-Domestic Rates and the billing authority's General Fund.

Community Assets

Assets which the Authority intends to hold in perpetuity, that have no determinable finite useful life and that may have restrictions on their disposal, e.g. parks, historical buildings. See also Non-Current Assets.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Contingency

Money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

Contingent Asset

A possible asset that arises from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent Liability

A contingent liability is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount cannot be measured with sufficient liability.

Council Tax

The main source of local taxation for local authorities. Council Tax is levied on households within its area by the billing authority and the proceeds are paid into the Collection Fund for distribution to precepting authorities and the Authority's General Fund.

Creditors

Amounts owed by the Authority for works completed, goods received or services rendered before the end of the accounting period but for which payments have not been made.

Current Assets

Assets which can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts which will become due or could be called upon during the next accounting period.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities as a result of employee service earned in the current period.

Curtailment (Pensions)

An event that reduces the expected years of future service of present employees, or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

D**Debtors**

Amounts due to the Authority for works completed, goods received or services rendered before the end of the accounting period but for which payments have not been received.

Depreciation

The estimated benefit of an asset consumed during the accounting period, owing to age, wear and tear, deterioration or obsolescence.

Direct Revenue Financing (DRF)

Resources provided from an authority's revenue budget to finance the cost of capital projects.

E**Equity**

The Authority's value of total assets less total liabilities.

Equity Instrument

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Events After the Reporting Period

Those (non-adjusting) events, both favourable and unfavourable, of such materiality that their disclosure is required for the fair presentation of the Statement of Accounts, which occur between the Balance Sheet date and the date on which the Accounts are signed by the responsible financial officer.

Exceptional Items

Events or transactions that fall within the ordinary activities of the Authority and need to be disclosed separately due to their size to give fair presentation of the accounts.

External Audit

The independent examination of the activities and accounts of local authorities in order to give an opinion as to whether the Statement of Accounts have been prepared in accordance with legislative requirements and proper practices, and to ensure the authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

F**Fair Value (FV)**

The price an asset could be exchanged for in an arm's length transaction less any grant.

F**Fees and Charges**

Income raised by charging users of services for facilities, e.g. leisure centres, trade refuse, etc.

Finance Leases

A lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Accounting guidance requires that it should be presumed that such transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all (normally 90% or more) of the fair value of the leased asset. The present value is calculated using the interest rate implicit in the lease.

Financial Asset

A right to future economic benefits controlled by the Authority that is represented by:

- cash
- an equity instrument of another entity
- a contractual right to receive cash (or another financial asset) from another entity
- a contractual right to exchange financial assets/liabilities with another entity under conditions that are potentially favourable to the Authority.

Financial Instruments

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Liability

An obligation to transfer economic benefits controlled by the Authority that is represented by:

- a contractual obligation to deliver cash (or another financial asset) to another entity
- a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the Authority.

G**General Fund (GF)**

The main revenue fund of a billing authority, used to meet day-to-day spending.

Government Grants

Grants made by the Government towards either revenue or capital expenditure to support the cost of providing the Authority's services. These grants may be specifically towards the cost of particular schemes or to support the revenue spend of the Authority.

Gross Expenditure

The total cost of providing the Authority's services before taking into account income from government grants and fees and charges for services.

Growth

Any increase in spending from one year to another which enables the Authority to pay for more services rather than to meet higher costs.

H**Housing Benefit (Rent Allowance)**

An allowance to persons on low (or no) income to meet, in whole or part, their rent. Benefit is allowed or paid by local authorities but central government refunds part of the cost of the benefit provided and of the running costs of the service to local authorities.

I**Impairment**

A reduction in the value of a fixed asset, below its carrying amount on the Balance Sheet.

Income

Amounts that the Authority receives or expects to receive from any source, including fees and charges, sales and grants.

Infrastructure Assets

Non-current assets belonging to the Authority which do not necessarily have a resale value e.g. highways, and for which a useful life span cannot be readily determined.

Intangible Assets

Non-financial assets which do not have physical substance but are identified and controlled by the Authority through legal rights e.g. IT Software.

Interest Receivable

The money earned from the investment of surplus cash.

Inventories

Items of raw materials and stores an authority has procured to use on a continuing basis and which it has not yet used.

Investment Property

Land and Buildings non-current assets held only for investment potential.

J**Joint Arrangement**

An arrangement under which the participants engage in joint activities but do not create a legal entity because it would not carry on a trade or business of its own.

L**Liability**

A liability is where the Authority owes payment to an individual or another organisation. See also Contingent Liability, Current Liabilities and Financial Liability

Local Council Tax Support Scheme

Assistance provided by billing authorities to adults on low incomes to help pay their Council Tax bill. The cost is borne by the Council.

Long-Term Assets

Non-current and other assets which can be expected to be of use or benefit the Authority in providing its service for more than one accounting period.

Long-Term Liabilities

Amounts which will become due or could be called upon beyond the next accounting period.

M**Materiality**

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements to a reader.

M**Minimum Revenue Provision (MRP)**

The minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for repayment of debt as required by the Local Government Act 2003.

N**National Non-Domestic Rates (NNDR)**

A levy on businesses, based on a national rate in the pound set by the Government, multiplied by the rateable value of the premises they occupy.

Net Book Value (NBV)

The amount at which non-current assets are included in the balance sheet.

Net Debt

The Authority's total borrowings less cash investments.

Net Expenditure

Gross expenditure less specific service income.

Net Interest on the Net Defined Benefit Liability (Pensions)

The net interest expense - the change during the period in the net benefit liability that arises from the passage of time.

Non-Current Assets

Property, plant and equipment and other assets that bring longer term benefit or service potential to the Authority.

Non-Operational Assets

Assets held by the Authority but not directly occupied, used or consumed in the direct delivery of services, e.g. assets in the course of construction and surplus land.

O**Operating Leases**

A lease other than a Finance Lease (see above). The future obligations relating to operating leases are disclosed to provide the reader with an estimate of the outstanding un-discharged obligations in relation to such leases.

Operational Assets

Non-current assets held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has a statutory or discretionary responsibility.

Outturn

Actual income and expenditure in a financial year (accounting period).

P**Past Service Costs (Pensions)**

The increase in the present value of the defined benefit scheme liabilities, related to employee service in prior periods, arising as a result of, or improvement to, retirement benefits.

P**Pension Fund**

An employees' pension fund maintained by an authority, or group of authorities, in order to make pension payments on the retirement of its participants; it is financed from contributions from the employing authority, the employee and investment income.

Precept

A levy made by one statutory body (Precepting Authority) on another to meet the net cost of its services.

Precepting Authorities

Those authorities that are not Billing Authorities; i.e. do not collect the Council Tax and National Non-Domestic Rates. Police authorities are 'major' precepting authorities and town and parish councils are 'local' precepting authorities.

Prior Period Adjustments

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provisions

Amounts set aside for the purposes of providing for any liability or loss which is likely or certain to be incurred but is uncertain as to the amount or the date on which it will arise, e.g. bad debts.

Prudence

The concept that income should only be anticipated to the extent that it will be received, as cash or other assets, with reasonable certainty and full and proper allowance should be made for all known and foreseeable losses and liabilities.

Prudential Code

The CIPFA Prudential Code for Capital Finance in Local Authorities – the guidance applicable from April 2004 for the greater freedom for authorities to borrow to fund capital investment (under the Local Government Act 2003). This Code requires the Authority to set and monitor a suite of Prudential Indicators, including its Affordable Borrowing Limit, and establish its policy for using the new freedoms.

R**Rateable Value**

The annual assumed rental value of a hereditament that is used for NNDR purposes.

Revenue Expenditure Funded by Capital Under Statue (REFCUS)

Expenditure of a capital nature but for which there is no tangible asset, e.g. renovation grants.

R**Related Parties**

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Examples of related parties to an authority include Central Government, Local Authorities and other bodies precepting or levying demands on the Council Tax, its Members, its Chief Officers and its Pension Fund.

For individuals identified as related parties, it is also presumed that members of the close family, or the same household, or any partnerships, companies in which the individual or a member of their close family, or the same household has a controlling interest, are deemed to be related parties.

Related Party Transactions

The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. The materiality of related party transactions is judged not only in terms of their significance to the Authority, but also in relation to its related party.

Reserves

Amounts set aside in the accounts for the purpose of meeting general, future expenditure. Reserves may also be used to smooth the cost of certain activities over a number of years. A distinction is drawn between reserves and provisions (see above), which are set up to meet known liabilities.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Return on Plan Assets (Pensions)

Changes during the period in the net benefit liability that arises from the passage of time excluding amounts included in Net Interest on the Net Defined Benefit Liability.

Revenue Expenditure

Spending on day-to-day items including employees' pay, premises and transport costs and supplies and services.

Revenue Support Grant

A general grant paid by the Government to Council's contributing towards the costs of their services.

S**Specific Grants**

The term used to describe all government grants, including supplementary and special grants, to local authorities other than Revenue Support Grant and capital grants.

T**Total Cost**

The actual cost of services reflecting all of the direct, indirect and overhead costs that have been incurred in providing the service, even where the expenditure is not under the control of the service's chief officer.

W**Work In Progress**

The cost of work carried out on an uncompleted project at the Balance Sheet date, which should be accounted for within the accounting period.