



**COTSWOLD
DISTRICT COUNCIL**

AUDIT COMMITTEE AGENDA

Thursday 25th July 2019, 10.00 a.m.

Council Chamber, Trinity Road, Cirencester

NOTES

(i) Questions Arising on the Agenda

If any Member has any questions regarding either (a) an update/progress report on a specific item contained in the Minutes of the previous Meeting or (b) a report contained within the Agenda, he/she is requested to give advance notice of such question to the Director/Officer originating the report or to an Officer of the Democratic Services Section so that a full response can be made available either prior to, or at, the Meeting. If no such advance notification is given, a full response to any question cannot be guaranteed at the Meeting.

With specific regard to the Minutes of previous Meetings, Members' attention is drawn to Council Procedure Rule 17.1 which provides that, once the Minutes have been signed, Members may ask questions to ascertain what progress has been made on a particular matter referred to in the Minutes, but may not make any other statement or generate discussion on the Minutes.

(ii) Mobile Phones/Pagers

All mobile phones/pagers should be **SWITCHED OFF OR SET TO SILENT MODE BEFORE** the start of the Meeting.

(iii) Recording of Proceedings

The public proceedings of Council, Cabinet, and Committee Meetings may be recorded, which includes filming as well as audio-recording. Photography is also permitted.

As a matter of courtesy, if you intend to record any part of the proceedings please let the Committee Administrator know before the start of the Meeting.

Recording/filming should not be disruptive or distracting to the good order and conduct of the Meeting. To assist with this, an area of the Meeting venue will be designated from which proceedings can be recorded/filmed, and 'roaming' around the venue while recording is not permitted. The Chair will exclude anyone whose behaviour is disruptive.

Recording/filming should only be of Members and Council Officers, and not any members of the public (unless they are formally addressing the Meeting or unless specific permission has been given by those individuals).

For further information, please read the Notices displayed inside and outside the Meeting venue and/or speak with the Committee Administrator.

(iv) Committee Administrator

If any Member has any general questions about the Meeting or the associated agenda papers, or is unable to attend, he/she is asked to contact Ben Amor on 01285 623236 who will be the Committee Administrator responsible for the Meeting.

Distribution:

All Members of the Audit Committee
(Councillors Patrick Coleman, Roly Hughes, Nick Maunder, Richard Morgan,
Ray Theodoulou)

All other Councillors for information

Nigel Adams
Head of Paid Service

17th July 2019

AUDIT COMMITTEE : 25th JULY 2019

AGENDA

- (1) **Apologies**
- (2) **Substitute Members** - To note details of any substitution arrangements in place for the Meeting.

Note:

The procedures in respect of substitution arrangements are principally set out in Council Procedure Rule 29. Particular attention is drawn to the fact that Democratic Services must be notified of any intended substitution **by 5.00 p.m. on the working day prior to the day of the Meeting**. Please note that neither a Member of the Cabinet, nor the Chair of the Council, may substitute.
- (3) **Declarations of Interest** - To receive any declarations of interest from Members under:-
 - (i) the Code of Conduct for Members; and/or
 - (ii) Section 106 of the Local Government Finance Act 1992 (any Councillor who has Council Tax payments remaining unpaid for at least two months must declare an interest and not participate in any matter affecting the level of Council tax or arrangements for administering the Council Tax).
- (4) **Minutes** – To confirm:-
 - (i) Minutes of the Meeting of the Committee held on 14th May 2019 (attached).
 - (ii) Minutes of the Meeting of the Committee held on 16th April 2019 (attached).
- (5) **Chair's Announcements** (if any)
- (6) **Public Questions** - Council Procedure Rule 10 - Not more than fifteen minutes allowed for written questions to be put by Local Government electors within the Cotswold District on any matter in relation to which the Council has any power or duties or which affects the district, and which falls within the Terms of Reference of the Committee.
- (7) **Member Questions** - Council Procedure Rule 11 - Not more than fifteen minutes allowed for written questions to be put by Members on any matter in relation to which the Council has any power or duties or which affects the district, and which falls within the Terms of Reference of the Committee.

Items for Consideration and Decision

- (8) **UBICO Limited – Governance Overview and Business Plan – Update**
(Chief Finance Officer)
(Page 1)

To provide an update on Governance and the process to review the Ubico Business Plan 2020/21.

Officer Recommendation

That the update report from Ubico Limited be noted.

Officer Ref: Jenny Poole, (01285) 623313

- (9) **Cyber Security Update**
(ICT Audit & Compliance Manager / Data Protection Officer)
(Page 12)

To provide Cyber Security progress over a 35 month period.

Officer Recommendation

That the report be noted.

Officer Ref: Tony Oladejo (01993) 861194

- (10) **External Audit Report**
(Chief Finance Officer)
(Page 17)

To provide an update from Grant Thornton, the Council's external auditors.

Officer Recommendation

That the Committee note the content of the report.

Officer Ref: Jenny Poole (01285) 623313

- (11) **Internal Audit Opinion Report**
(Chief Finance Officer)
(Page 29)

To present a summary of the work undertaken by Internal Audit during 2018/19 and to give an overall opinion on levels of assurance resulting from this work.

Officer Recommendation

That the Committee considers the report and comments as necessary.

Officer Ref: Jenny Poole (01285) 623313

(12) **Corporate Risk Register Updates**
(Head of Paid Service)
(Page 70)

To update the Committee on the changes to the Council's corporate risk register at the end of Q4.

Officer Recommendation

That the Committee notes the updates to the Council's corporate risk register.

Officer Ref: Nigel Adams (01285 623202)

(13) **Annual Treasury Management Review 2018/19**
(Chief Finance Officer)
(Page 86)

For Members to receive and discuss the report and to provide full Council with comments for consideration.

Officer Recommendation

- (a) *For Members to receive and discuss the Annual Treasury Management Review for 2018/19;*
- (b) *for Members to agree any comments to be passed to full Council when considering this item.*

Officer Ref: Jenny Poole (01285 623313)

(14) **Statement of Accounts 2018/19**
(Chief Finance Officer)
(Page 96)

This report presents to the Committee the draft Statement of Accounts for 2018/19 to consider and approve for publication.

Officer Recommendations

- (a) *That the Committee note the Accounting Policies that have been applied in producing the Statement of Accounts (pages 56 to 67 of Appendix A).*
- (b) *The draft unaudited Statement of Accounts 2018/19 be approved (as attached at Appendix A)*
- (c) *That the key balances and messages from the Statement of Accounts 2018/19 be noted.*

Officer Ref: Jenny Poole (01285 623313)

Other Matters

(15) **Date of Next Meeting** – To discuss the possible date of 26th September 2019 for an additional meeting of Committee.

(16) **Other Business** - Such other business which, in the opinion of the Chair, is urgent.

(END)

COTSWOLD DISTRICT COUNCIL

AUDIT COMMITTEE

14TH MAY 2019

Present:

Councillors -

Patrick Coleman
Roly Hughes
Nick Maunder

Richard Morgan
Ray Theodoulou

AUD.1 SUBSTITUTION ARRANGEMENTS

No substitution arrangements had been put in place for this Meeting.

AUD.2 ELECTION OF CHAIRMAN

The Head of Democratic Services reported/invited nominations.

Councillor Patrick Coleman had been Proposed by Councillor Nick Maunder and Seconded by Councillor Roly Hughes.

In the absence of any other nominations, it was

RESOLVED that Councillor Patrick Coleman be elected Chairman of the Committee for the 2019/20 Council Year.

Note:

Councillor Coleman then took the Chair.

AUD.3 OTHER BUSINESS

There was no other business that was urgent.

The Meeting commenced at 1.50 p.m. and closed at 1.52 p.m.

Chairman

(END)

COTSWOLD DISTRICT COUNCIL

AUDIT COMMITTEE

16th APRIL 2019

Present:

Councillor LR Wilkins - Chairman

Councillors -

T Cheung
A Doherty

RW Dutton
R Theodoulou

AUD.42 SUBSTITUTION ARRANGEMENTS

No substitute arrangements had been put in place.

AUD.43 DECLARATIONS OF INTEREST

There were no declarations of interest under the Code of Conduct for Members or Section 106 of the Local Government Finance Act 1992.

There were no declarations of interest under the Code of Conduct for Officers.

AUD.44 MINUTES

RESOLVED that, subject to the deletion of the words ‘third party company employees’ and its substitution by the word ‘consultants’ in the third line of Minute No. AUD.36(v), the Minutes of the Meeting of the Committee held on 29th January 2019, be approved as a correct record.

Record of Voting - for 5, against 0, abstention 0, absent 0.

AUD.45 CHAIRMAN’S ANNOUNCEMENTS

The Chairman thanked Members for their contributions to the work of the Committee, as this was the final meeting before the local elections on 2nd May 2019.

AUD.46 PUBLIC QUESTIONS

No public questions had been received.

AUD.47 MEMBER QUESTIONS

A question had been submitted by Councillor Dutton.

Question:-

'Given the amount that the Council has now invested in 'pooled funds', with the corresponding exposure to market risk, should there not be a formal bi-annual meeting chaired by the responsible Cabinet Member to review the portfolio and, if appropriate, to change the 'Investment Brief' given to the Council's advisers in the light of the then current market conditions; investment performance; and any change in the Council's appetite for risk? At the present time the view can be taken that there is a disproportionate emphasis on obtaining running yield when the emphasis should be more on maximising total return, commensurate with risk (i.e. running yield plus/minus capital gain/loss realised or unrealised). It is also noted that some of the funds are disproportionately invested in overseas fixed interest securities which some may not consider appropriate destinations for UK local authority funds'?

Answer by Councillor Wilkins:-

The Terms of Reference of the Audit Committee includes responsibility for oversight of the Council's Treasury Management Strategy and implementation of that Strategy. The Audit Committee comments upon the draft Treasury Management Strategy for the forthcoming year before it is approved by full Council in February each year. In addition, the Audit Committee receives a mid-year and a year-end Treasury Management performance report which includes details of pooled funds held during the financial year.

With regard to the current portfolio of pooled investment funds, the Council's treasury advisors, Arlingclose, attended a meeting with the Audit Committee in January 2018 where the diversification of £10 million for cash investments into pooled funds was approved. The Committee was consulted on the range of pooled funds selected for subsequent investment. The pooled fund investments are long-term investments which aim to achieve a sustainable revenue return for the Council whilst maintaining capital value over the longer term (accepting that the value of investments can go down as well as up over the short term).

The use of the Audit Committee to oversee Treasury Management investments provides access to a range of experience and views which is not possible with the suggested bi-annual meeting with the Cabinet Member.

Supplementary question from Councillor Dutton:-

In light of the response, it was disappointing that there was no update on the agenda for the meeting today. Information on the market value of funds can be ascertained on a daily basis. He suggested that once the new council is in place, closer monitoring should take place and a biannual meeting with the Cabinet Member, Chairman of Audit Committee and Chief Finance Officer could take place to monitor the funds.

Answer from Chief Finance Officer:-

Formal reports are presented to Audit Committee and Full Council relating to funds and Strategy, at relevant times during the year when details are available. Papers for this meeting need to be dispatched one week after the end of the

financial year; it was not possible to present Members with the information at this meeting. Arlingclose advise the Council on investments and Officers always consult with Members.

AUD.48 GRANT THORNTON REPORTS

Ms M Burge, Engagement Manager of Grant Thornton, was present for this item.

Committee received updates on progress on the external auditor's work programme, fees for 2019/20 audit work.

Officers explained that interim visits relating to the financial statements audit, had recently finished and discussions with Officers had taken place, there were no issues to bring to the attention of Committee at this stage, although Members should be aware of the pension liability for Officers transferred into Publica. Work is continuing on monitoring contract arrangements with Publica.

During the course of debate the following points were made:

- (i) It was explained that the effectiveness of the Audit Committee is assessed on criteria from CIPFA's good practice for Audit Committees. The Council's internal auditors, SWAP, carry out this work. The Head of Paid Service will report to Full Council on the work carried out by Overview and Scrutiny and Audit Committees.
- (ii) Concern was expressed relating to governance and transparency arrangements with UBICO, which it was considered could be improved. Council Officers meet with senior Officers of UBICO in order to monitor the contract. Members considered that there are opportunities for the delivery of services across the county and West Oxfordshire, as other councils had joined the partnership and organisation of rounds could be wider than just the Cotswolds. As this is a cost sharing company the costs incurred are passed onto the Councils, the risk of this should be reported to Committee. The Chief Finance Officer explained that concern over the governance arrangements with UBICO could be included in the Annual Governance Statement under 'Significant Governance Issues during 2018/19'.
- (iii) Negotiations on the lease with UBICO for the new fleet of vehicles is in progress.
- (iv) Chief Finance Officers across Gloucestershire are in contact in relation to the Local Government Pension scheme. Actuaries evaluate the scheme to ensure sustainability. The pension scheme is closed for new employees of Publica. The Council's pension fund evaluation is pooled to include former Cotswold District Council employees that transferred to Publica in November 2017 and the Council's retained Officers.

RESOLVED that the report and comments made be noted.

Record of Voting - for 5, against 0, abstentions 0, absent 0.

AUD.49 GRANT THORNTON ASSURANCE

Ms M Burge, Engagement Manager of Grant Thornton, was present for this item.

The Committee were invited to discuss the response to a letter from the Council's external auditors (Grant Thornton) regarding how the Committee gains assurance on matters such as fraud, breaches of internal control and compliance with laws and regulations.

Ms Burge explained that the letter provides assurances around the management processes of the Council.

During debate the following points were made:-

- (i) Risk assessments carried out in relation to cyber fraud by South West Audit Partnership (SWAP) on behalf of the Council and Publica would be fed back to Grant Thornton. The Counter Fraud unit works on behalf of the Councils in the partnership and would investigate issues when necessary. Concern was expressed in relation to insurance for cyber fraud, it was explained that provision is made for this but would not necessarily cover losses such as blackmailing.
- (ii) There were some concerns relating to conflict of interest between Publica and the Council. Officers explained that Publica colleagues deliver the services to partner Councils and both work together to deliver, any issues would be reported back to Members when necessary.

RESOLVED that the response to the letter from Grant Thornton is signed by the Chair of Committee.

Record of Voting - for 5, against 0, abstentions 0, absent 0.

AUD.50 CORPORATE RISK REGISTER UPDATES

The Committee received an update on the changes to the Council's corporate risk register at the end of December 2018.

During debate concerns were raised in relation to:-

- (i) contractors not meeting their obligations under the contract and Members requested that a risk be added in relation to UBICO and the cost and performance of delivering the service. Officers explained that they regularly met with UBICO management team working with them to improve the service, taking customer feedback into account. Members are able to set the specifications on which they consider the waste contract should be delivered and UBICO would answer to the Council if the service was not delivered satisfactorily.
- (ii) The risk of statutory Officers being absent when decisions needed to be taken. Officers explained that there are deputies who would be able to take decisions when necessary.

RESOLVED that:-

- (a) updates to the Council's corporate risk register be noted;
- (b) a risk is added to the register in relation to management and performance of UBICO.

Record of Voting – for 5, against 0, abstentions 0, absent 0.

AUD.51 COUNTER FRAUD UNIT REPORT

Committee received a report which provided assurance over the counter fraud activities of the Council.

The Counter Fraud Manager confirmed that the report provided an update in relation to work conducted within the last six months. The work plan for 2019/2020 is focussed on bribery and corruption and the team will also be working with Procurement. Work with Internal Audit relating to gifts and hospitality will be finalised this year. Fraud Awareness Sessions were underway for new staff and additional training for all enforcement staff in criminal investigative practices had been completed.

During debate the following points were raised:-

- (i) Policy revision and drafting was still underway in relation to directed surveillance, the acquisition of communications data and the use of social media as an intelligence tool.
- (ii) The Counter Fraud Unit investigate alleged offences for social housing providers under the Prevention of Social Housing Fraud Act 2013. The prosecutor under the Act must be a Local Authority which may prosecute for dwellings not within its area. Members were concerned in relation to the risk to the Council when prosecuting outside of the district and returning housing stock to Housing Associations nationally, which did not necessarily mean that tenants in the Cotswolds would benefit.

Members requested that Officers undertake a period of pilot work and report back to Committee in six months with more detail together with the financial implications to the Council.

RESOLVED that:-

- (a) the report and comments made be noted;**
- (b) the proposal for the Council to provide legal support and carry out advocacy services for prosecutions under the Prevention of Social Housing Fraud Act 2013 to Counter Fraud Unit clients, is presented to Cabinet with the above comments from Committee to aid deliberations and decision.**

Record of Voting – for 5, against 0, abstentions 0, absent 0.

AUD.52 INTERNAL AUDIT MONITORING REPORT

Members received a summary of the activity undertaken by Internal Audit since the last Committee. Officers explained that this was a standard update.

During debate Members raised the following points:-

- (i) Committee wanted assurance that the draft S106 report would be reported to this Committee and Overview and Scrutiny.
- (ii) Concern was expressed that ICT systems are not robust and fit for purpose. Committee requested that an item be added to the work

programme, a report be presented to the next meeting and a staff member from ICT be invited to talk to Committee.

- (iii) There were queries over the instructions given to Arlingclose in relation to the pooled funds. Officers explained that when buying funds Committee is always engaged in the process.
- (iv) Discussion took place on pooled cars and whether electric cars could be used. A small number of pooled vehicles are managed and insured by Publica for staff visits. Officers explained that part of the car parking project was to investigate the use of charging points and where to locate these. Officers would investigate whether pooled cars could be electric in the future, being aware that the electricity used to charge them was 'green electricity' and not coal fired. Members considered that this issue was a discussion for Cabinet.

RESOLVED that the report and comments made be noted.

Record of Voting – for 5, against 0, abstentions 0, absent 0.

AUD.53 DRAFT ANNUAL GOVERNANCE STATEMENT 2018/2019

Committee were presented with the draft Annual Governance Statement for 2018/2019 for consideration and comment.

Officers explained that this forms part of the Statement of Accounts and could include areas for improvement, the internal audit opinion and UBICO governance arrangements. The Local Code of Corporate Governance for 2018/19 does reflect current arrangements; the previous year included the introduction of Publica. A report would be presented to the next meeting of Committee on the internal audit opinion of the reasonable assurance level.

Members requested that an action point 5 in relation to UBICO governance be added to Section 5 – Significant Governance issues during 2018/19.

RESOLVED that:-

- (a) the comments received be noted;**
- (b) the Local Code of Corporate Governance is approved for 2018/19.**

Record of Voting – for 5, against 0, abstentions 0, absent 0.

AUD.54 PROPOSED 2019/20 INTERNAL AUDIT PLAN AND INTERNAL AUDIT CHARTER

Committee received the proposed Internal Audit Plan and Internal Audit Charter. Officers explained that this was an opportunity to highlight any areas Committee considered should be covered.

During debate Members highlighted the following areas:-

- (i) ICT systems and infrastructure need to be robust and fit for purpose. An ICT officer would be invited to Committee.

- (ii) UBICO business plan and the process of scrutiny. The plan should be presented to Overview and Scrutiny Committee and Cabinet. Officers explained that Audit Committee could take assurance that the plan had been scrutinised with reports back to this Committee on the material changes.
- (iii) Members wished to invite UBICO senior management team to Committee, to discuss direction of travel.
- (iv) Investment in the retail sector is too heavily weighted and concerns were raised over the scale of investment in retail properties.
- (v) Concerns were expressed on treasury management and whether the exposure is being managed adequately with internal controls in place.
- (vi) Targets for affordable housing should be reported to Overview and Scrutiny and Cabinet.

RESOLVED that the comments be noted and the proposed 2019/20 Internal Audit Annual Plan and the Internal Audit Charter be approved.

Record of Voting – for 5, against 0, abstentions 0, absent 0.

AUD.53 OTHER BUSINESS

There was no other business that was urgent.

The Meeting commenced at 10.00 a.m. and closed at 12:05 p.m.

Chairman

(END)



AUDIT COMMITTEE

25TH JULY 2019

AGENDA ITEM (8)

UBICO LIMITED - GOVERNANCE OVERVIEW AND BUSINESS PLAN - UPDATE

Accountable Member	N/A
Accountable Officer	Mrs. Jenny Poole Chief Finance Officer 01285 623313 Jenny.Poole@cotswold.gov.uk

Purpose of Report	This report provides an overview of Ubico's existing Governance and a proposal for review that aims to update and improve the process to agree the Ubico Business Plan 2020/21.
Recommendation(s)	That the update report from Ubico Limited be noted.
Reason(s) for Recommendation(s)	To keep the Committee updated on progress and to provide an opportunity to discuss emerging issues and developments.

Ward(s) Affected	None
Key Decision	No
Recommendation to Council	No

Financial Implications	None
Legal and Human Rights Implications	None
Environmental and Sustainability Implications	None
Human Resource Implications	None
Key Risks	None
Equalities Analysis	Not required.

Related Decisions	None
Background Documents	None

Appendices	Appendix 'A' - Ubico Limited - Cotswold District Council Governance Overview & Business Plan.
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Performance Management Follow Up	None.
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Options for Joint Working	None
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Background Information	
<p>1. Ubico Limited has provided an update report for the Committee to consider and a copy is attached at Appendix 'A'. The report provides an overview of Ubico's existing Governance and a proposal for review that aims to update and improve the process to agree the Ubico Business Plan 2020/21.</p>	

(END)



Agenda Item 8
Appendix A.

Ubico Limited

**Cotswold District Council
Governance Overview & Business Plan**

1. Purpose

- 1.1. This report provides an overview of Ubico's existing Governance and a proposal for review that aims to update and improve the process to agree the Ubico Business Plan 2020/21.

2. Background

- 2.1. After successfully launching Ubico with two shareholders (Cotswold DC and Cheltenham BC) and creating a proven operating model, the company expanded quickly between 2014 and 2016 adding a further five shareholders to the current total of seven equal shareholders. These are:

- Cheltenham Borough Council
- Cotswold District Council
- Forest of Dean District Council
- Gloucestershire County Council
- Stroud District Council
- Tewkesbury Borough Council
- West Oxfordshire District Council

- 2.2. Ubico is a teckal company. This allows any of the shareholding authorities to passport work to the company without going through a public procurement process. This is advantageous as it saves the time and costs of complicated and lengthy procurement processes. In addition, further benefits of being a Ubico shareholder are as follows:

- All services are delivered at cost as if it was an in house service
- Terms and conditions can be agreed that are appropriate in the market and are not bound by Local Government T&Cs

- Greater flexibility to change, re-design and amend services without having to go through costly contract negotiations with an out-sourced provider
- Service costs are ring-fenced to each shareholder (apart from a central corporate charge to pay for things like, HR, Finance, IT, and management) preventing any cross-subsidisation across service partnerships
- Any savings or surpluses within the partnership are returned back to the shareholder, however, each shareholder holds the financial risk if costs exceed those forecast, as would be the case in an in-house service
- Any commercial profits from activities for external parties are returned to shareholders on a proportional basis to size of the partnership contract

2.3. To retain Ubico's teckal exemption status the company must satisfy certain tests. These are:

- At least 80% of the company's turnover has to be with shareholding authorities
- The shareholders must control the company as if it were an in-house department of the authorities
- No private capital can be invested in the company

2.4. Ubico's shareholder agreement has a number of key provisions to ensure that shareholders exercise control of the company. These include:

- The right to appoint Non-Executive Directors (who are not elected members)
- The appointment of Executive Directors, including setting their remuneration
- Agreement of the annual Business Plan
- Agreeing Annual Accounts and the appointment of external auditors
- Agreeing partnership sums for the delivery of services and investment in the company (via local democratic processes)

2.5. Any changes to the shareholders agreement have to be agreed unanimously by all shareholders.

Board Effectiveness Review

- 2.6. In 2017, a Board Effectiveness Review was completed by an external company to provide recommendations as part of maintaining good corporate practice. The review formed part of Ubico's ongoing consolidation to ensure that process, systems and governance were appropriate for an expanded company. The effectiveness review was based on interviews with Ubico Directors and Shareholders and a review of all Board papers and governance documents. The review also included an assessment of skills of the existing Board Members.
- 2.7. Findings of the review were completed in 2018 and an action plan was implemented that focussed on making changes and improvements to:
- Board composition
 - Managing risk and audit
 - Performance and financial information
 - Reviewing induction and training of Directors
 - Meeting frequency and engagement with shareholders
- 2.8. Throughout 2018, Ubico implemented considerable internal changes to improve reporting of risks and audit reports to the Board, increased the frequency of Board meetings and re-designed management information and financial information to commissioners and shareholders.
- 2.9. In 2018, consultation and engagement was also undertaken with Shareholders to devise a new Board Structure that would fill identified skills gaps on the Board. Previously the Ubico Board had been comprised of two Executive Directors and seven Non-Executive Directors (NEDs) that were all employed by their respective shareholding council or by Publica.
- 2.10. Shareholders unanimously agreed to amend the shareholder's agreement to allow for the shared appointment of three independent NEDs one of which would act as an independent Chair of the Board. In addition, due to the size of the organisation, it was acknowledged that the company should formally amend the post of Head of Operations to be a Director of Operations. An appointment process is currently underway to recruit the independent NEDs. When this is completed the final Board composition will be as follows:

- 3 x Executive Directors
- 3 x NEDs from Local Authority Shareholders
- 3 x Independent NEDs with one post being the position of independent chair.

3. Shareholder Agreement of the 2020/21 Business Plan

3.1. At present all Shareholding Councils agree the Business Plan in a variety of ways, depending on their respective democratic processes. There are also differences in who undertakes the role of Shareholder Representative in each council. In two of Ubico shareholders, the role is undertaken by Council Chief Executive, in the remaining five this role is undertaken by an elected member. In Cotswold District Council, the Shareholder Representative is the Leader of the Council.

3.2. In some Shareholding Councils the Business Plan has been agreed directly by the Shareholder as part of their delegated authority whilst in others more engagement or scrutiny has taken place via Executive or a Scrutiny Committee. Up to now the general process for the Business Planning process has been as follows:

Timescale	Business Plan Process
September	Informal Shareholder Engagement on Business Plan Themes
December	Draft Business Plan Presented to Ubico Board for approval.
January	Final draft amends to Business Plan
February – March	Individual meetings with Shareholders to discuss the Business Plan to make any final amendments
March-April	Shareholder resolution circulated to Members for Approval.

3.3. While unanimous agreement is always sought for each Business Plan, the Plan itself can be adopted with a majority of Shareholders in agreement.

3.4. Through dialogue with shareholders regarding the process of agreeing the 2019/20 Business Plan, some shareholders expressed a willingness to improve

transparency and the opportunity for members to engage with the Business Planning process.

- 3.5. To meet this requirement Ubico is proposing an updated process for the agreement of the 2020/21 Business Plan. This proposal will have to be tailored to each shareholding authority but as an outline structure the following process could be adopted:

Timescale	2020/21 Business Plan Process
September 2019	Initial Member Engagement on Draft Business Plan Themes
November 2019	Draft Business Plan Presented to Ubico Board for approval.
December 2019 – February	Draft Business Plan opportunity for further member engagement via Cabinet or Scrutiny
February – April 2020	Shareholder resolution circulated for sign off for approval by Shareholder via delegated authority of the Shareholder or by Cabinet

4. Wider Member Engagement with Ubico

- 4.1. Ubico has for some time made its Board Papers and any other key company documents available to Shareholders Portfolio Holders and other senior officers at shareholding councils. CDC's Section 151 Officer has only recently been added to the circulation list for Board Papers since June. Going forward, Ubico will make Board Papers available to key statutory officers including the Head of Paid Service/Chief Executive, S151 Officer and Monitoring Officer at partner Councils.
- 4.2. Historically, informal shareholder meetings and the AGM had only invited shareholder representatives and Portfolio Holders and other senior officers. However, Ubico recently reviewed and expanded invitations to key corporate events and opened these to all members across the seven partnerships. In 2018, an engagement event was held following the AGM which invited all members and, more recently, Ubico held a shareholder event that was also well attended by

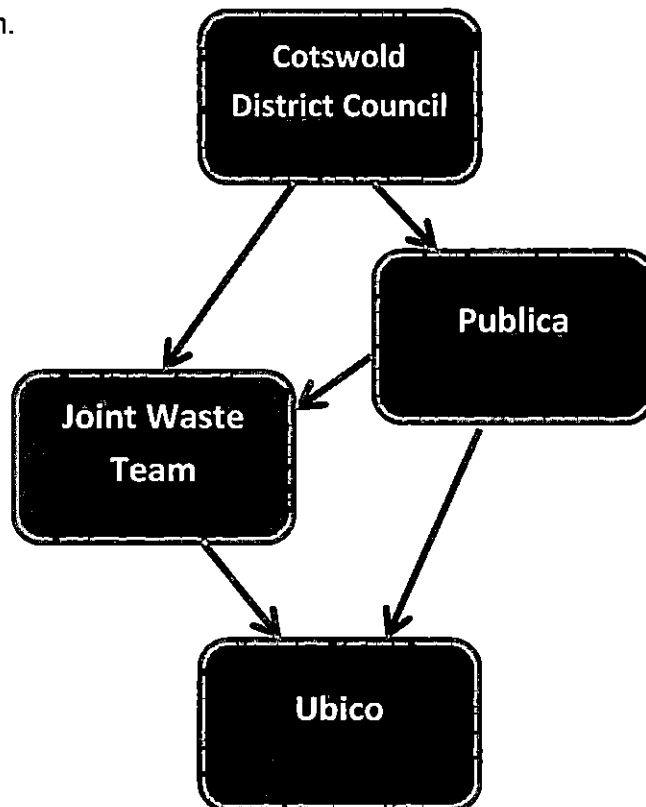
members from across all seven shareholders. Ubico will continue to offer an open invite to all members for future meetings. The Managing Director of Ubico has also attended joint meetings with Publica at CDC which have included members of the Executive, Leader of the Opposition and Chair of Scrutiny to provide an update and answer questions.

Scrutiny & Cabinet Meetings

- 4.3. Senior Ubico Officers also attend Scrutiny or Executive meetings on a regular basis. The most common request from Scrutiny Committees across the partnership is for an annual report to be presented that gives an overview of the local operational service and a wider corporate update to allow members to ask questions and engage with the company.

5. Client and Commissioner Relationship and Cotswold Service Change Project

- 5.1. Day to day client and commissioning of Ubico is provided by Publica and the Joint Waste Team.



Environment Service Partnership Boards (ESPBs)

- 5.2. Within each operational partnership Ubico offers quarterly Partnership Meetings which are attended by the relevant Portfolio Holder and Senior Officers from Ubico and partner Councils (or Publica). This gives the opportunity to review performance, financial reporting and discuss relevant strategic issues. These strategic meetings are in addition to the regular operational meetings between commissioners/clients and local operational managers that typically take place on a monthly basis.

Gloucestershire Finance Officers Meeting

- 5.3. To improve direct engagement with Finance Officers, towards the end of 2018, Ubico's Finance Director started to attend meetings with all of Gloucestershire Councils' Section 151/Finance Officers in order to discuss any relevant issues or discuss current and future risks.

Financial Reporting, Budget Setting and Investment Opportunities

- 5.4. As part of Ubico's consolidation, significant improvements have been made to Ubico's financial reporting. The Company now provides a full and detailed monthly financial report to each partnership council in full line-by-line detail if required. Finance officers also have the option to attend Ubico's budget monitoring meetings to offer complete transparency.
- 5.5. Ubico has also worked to re-design its budget setting processes in partnership with shareholding councils and this will be improved further in 2019 for the financial year 2020/21. The budget setting process will begin after the first financial Quarter in July / August 2019 and allow partners to fully engage in the budget setting process to identify risks, discuss any growth or savings and ensure that the commissioner can make informed decisions on the future of the service in time for formal Budget setting in January / February 2020.
- 5.6. Finally, any opportunities for investment in Ubico operations on an invest-to-save basis or through a commercial opportunity are presented to Board and then passed to each shareholding council for review and decision.

Cotswold District Council Waste & Recycling Project

5.7. To oversee the planned Cotswold service re-design currently scheduled for late 2019, a Project governance structure was established by the Joint Waste Team when the project was established in the Summer of 2018.

5.8. The Project Included a Project Board Chaired by the Head of the Joint Waste Team and attended by the Cabinet Member for Environment and other Senior and relevant officers. The core roles and responsibilities were defined as follows:

Role	Roleholder	Summary of Responsibilities
Project Sponsor	<i>Head of Service Joint Waste Team</i>	Overall accountability for the project.
Cabinet Member – Environment	<i>Cabinet Member Environment - CDC</i>	Represents the project at Cabinet and leads Cabinet decision-making. CDC representative on the Joint Waste Committee.
Senior User	<i>Group Manager – Council Advisory Services - Publica</i>	Ensures that the requirements of the service are clearly stated.
Project Manager – Phase I Project Co-ordinator - Phase II	<i>Contracts Manager, Collection & Street Scene - East – Joint Waste Team</i>	Day-to-day management of the project – Phase I, including management of plans, timescales, risks and issues and project documentation; liaises with project board, project team and all stakeholders as appropriate. Represents the project at CDC Board Level and Overview & Scrutiny. Manages planning and completion of Project Board meetings including liaison with project board, project team and all stakeholders as appropriate to facilitate this.
Senior Supplier	<i>Senior Operations Manager - Ubico</i>	Responsible for day-to-day operational delivery of the waste management service. Arranges for purchase orders to be raised and approved. Overall responsibility for overseeing benefit delivery and the Phase II project implementation.
Project Manager – Phase II (implementation)	<i>Business Analyst and Project Manager – Ubico</i>	Day-to-day management of the project – Phase II, including management of plans, timescales, risks and issues and project documentation; liaises with project board, project team

		and all stakeholders as appropriate.
Team Manager	<i>Operations Manager – Ubico</i>	Responsible for the management and delivery of the projects work streams under Phase II.

Report author	Gareth Edmundson, Managing Director gareth.edmundson@ubico.co.uk 012472 387700
Background information	



AUDIT COMMITTEE

25TH JULY 2019

AGENDA ITEM (9)

CYBER SECURITY UPDATE

Accountable Member	Audit Committee
Accountable Officer	Tony Oladejo ICT Audit & Compliance Manager / Data Protection Officer Tel: (01993) 861194 Email: Tony.oladejo@publicagroup.uk

Purpose of Report	The purpose of the report is to provide the Audit Committee with a Cyber Security progress over a 35 month period.
Recommendation(s)	That the report be noted.
Reason(s) for Recommendation(s)	To provide assurance to the Committee that there is Cyber security action plan in place with progress millstones and that Cyber risks are being managed and appropriate actions are being undertaken to mitigate cyber risks.
Key Decision	No
Recommendation to Council	No

Financial Implications	There is no direct financial implications
Legal and Human Rights Implications	None
Environmental and Sustainability Implications	None
Human Resource Implications	None
Key Risks	Failure to control and secure ICT systems and data against unauthorised access including Cyber-crime attack.
Equalities Analysis	Not required

Related Decisions	None
Background Documents	None
Appendices	Appendix 'A' - Extract from Publica ICT Services Risk Register

Performance Management Follow Up	None
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Background Information

1. In the Cyber Security report presented to the Audit Committee on the 24th January 2017, we concluded that the ICT infrastructure is subject to ongoing and evolving cyber-attacks which, to date have been successfully rebuffed. It was recognised that the security infrastructure must continuously evolve to combat new threats and that the detection of Cyber incidents was as important as prevention.
2. The ICT team has merged the partner Council's networks and built resilience into the infrastructure whilst also implementing changes to the network as part of its overall strategy. In total, the team provides an ICT service across 29 sites within the four Partner Councils and three Clients (Ubico, Cheltenham Borough Homes and the Cheltenham Trust) serving more than 1,500 active users.
3. In preparation for a Cyber Security incident, we follow a Prevent, Detect & Recover multi-layer strategy with assurances sought for each stage. Our multi-layer strategy aligns with the Cabinet Office's UK National Cyber Security Strategy.
4. A recently published study on Cyber-attacks against government bodies highlights the importance of having resilient and robust arrangements in place fine, finding that:-
 - Local Authorities have experienced in excess of 98 million cyber-attacks over 5 years.
 - Approximately 150 councils experienced at least one cyber security incident - that is, an actual security breach - between 2013 and 2018.
5. This report outlines specific activities undertaken during a 35 month period: 1st February 2017 to 31st December 2019. Aimed at improving the Cyber security arrangements for all the organisations that the ICT team support and shows the forward plan in the tables below. The report does not include the names or the specifics of solutions used to prevent and detect Cyber incidents for obvious reasons.

Table 1 - Progress of specific Cyber Security activities over a 35 month period

Months	Key Cyber Security Activities	Status
Feb 17 to July 17	Introduction of ICT Policies Framework – The Framework consist of a number of operational Security Policies. Our policies are split into 'User' e.g. Password policy and Internal Operational polices such as Authentication and Patching procedures.	Completed
Aug 17 to Jan 18	We have introduced scan and Isolate capabilities. This system will constantly scan our IT infrastructure looking for systems that have been compromised and upon detection will isolate the offending system until remediation can take place.	Completed
Feb 18 to July 18	Spectre & Meltdown Virus - All devices in use by the partner Councils needed multiple patches, not just of software like Windows but also device firmware, BIOS & virtualisation layers. Page 26 of 42 a great deal of the	Completed

	available resource.	
Aug 2018 to Jan 2018	<p>Roll out of Next Generation Client Protection Software - All devices across the infrastructure were updated to include Next Generation Cyber Security Tools that actively look for suspicious behaviour. E.g. malware activities inside fraudulent invoices. In the past this protection was provided by Anti-Virus solutions that matched on files rather than behaviour.</p> <p>Cyber Essentials Plus Application process begins including onsite assessment</p>	Completed
Feb 2019 To June 2019	<p>Key Milestone: Cyber Essentials Plus achieved</p> <p>Changing our internal encryption cyphers (algorithms) to the latest standards to ensure compliance, in particular Payment Card Industry (PCI DSS) banking standards.</p> <p>New ICT Engineer dedicated to Cyber Security has been recruited</p> <p>Cyber Awareness training begins for all staff and continues throughout 2019</p> <p>Internal Penetration Scan - external company works from within to scan all internal systems giving assurance as well as a list of vulnerabilities</p> <p>External Penetration Scan - external company attempts to break in externally and provide a report and list of vulnerabilities</p> <p>The Councils' LGA Cyber security funding bid was successful for its Cyber Resilience awareness programme</p> <p>PSN Code of Connection submitted to Cabinet Office's (PSN - Cyber Compliance Team).</p> <p>Liaison with PSN and Cyber Compliance team</p>	Completed
July 2019 To December 2019	<p>PSN assessment completed and certificate issued</p> <p>Completion of Cyber Awareness training</p>	In Progress

6. Our Cyber Collaborations

6.1 We will also continue to expand our Cyber collaboration with external experts, these include:

- Zephyr Regional Cyber Crime Unit

The partner Councils have formally registered with the Zephyr Regional Cyber Crime Unit (RCCU). This provides a forum to receive and share up-to-date cyber threat information and the sharing of best practice.

- National Cyber Security Centre

ICT constantly review cyber security updates and guidance from Central Government's National Cyber Security Centre (NCSC), their remit is to provide support to public and private sector on how to avoid cyber threats

- Gloucestershire Local Resilience Forum (LRF)

The LFR provides a strategic cyber plan framework to all its partners to a known Cyber-attack. The key objectives are:

- Assist with the decision making process required to support a coordinated multi agency response to a Cyber-attack.
- Help gain a clear understanding of the potential impact and ongoing implications arising from a Cyber-attack.
- Develop a working strategy for the initial response phase.
- Consider how the current resilience arrangements are best utilised.

7. Conclusion

7.1 We have an assured, secure, government-accredited network. Progress has continued to be made on both our information security and Cyber Security arrangements, which should reduce the level of risk for the partner Councils and Publica.

There is a need to ensure focus on resilience against the threats of cyber-attacks are maintained and strengthened through organisation redesign, both at Council and Publica level to continue to mitigate the risks of authorised access and information loss.

(END)

Extract from Publica ICT Services Risk Register

Risk Title	Information Security & Cyber Security
Gross Risk	12
Risk Identified	<p>Failure to control and secure ICT systems and data against unauthorised access including Cyber-crime attack</p> <p>Risk Owner: ICT Audit & Compliance Manager Date Reviewed : June 2019</p>
Potential Consequence	<p>The Risk consequences includes</p> <ul style="list-style-type: none"> • Loss of essential Council & Publica Services • Corrupt data resulting in data loss. • Corrupt machines resulting in system down time. • Loss of internet access resulting in reputational damage • Financial consequences if we were held to ransom.
Net Risk	3
Controls in place	<p>Mitigation in place includes:</p> <ul style="list-style-type: none"> • Anti-virus software. • Anti-malware software. • Anti-spam software on email system. • Firewalls. • Security controls in place and continuously reviewed. • Recruitment of new Cyber specialist • Secure copies of data kept off-site to allow restoration of systems. • Staff awareness of ICT security via e-learning. • Password configuration reviews on major applications • PSN compliance assessments • Internal & External Penetration checks • ICT Security Policy Framework reviews
Target Risk	4
Proposed Actions	<p>Proposed further actions and controls includes:</p> <p>Resilient systems to be implemented to allow delivery of ICT systems if main sites locations are compromised.</p> <p>Review to be undertaken of the NCSC 10 Steps to Cyber Security, to include:</p> <ul style="list-style-type: none"> • Risk Management Regime; • Network Security; • User education and awareness; • Malware prevention; • Removable media controls; • Secure configuration; • Managing user privileges; • Incident management; • Monitoring; • Home and mobile working • Password Policy reviews <p>Patching (updating software to ensure they have no vulnerabilities).</p> <p>Implement Cyber Essentials program.</p>



AUDIT COMMITTEE

25th JULY 2019

AGENDA ITEM (10)

EXTERNAL AUDITOR REPORT

Accountable Member	N/A
Accountable Officer	Mrs Jenny Poole Head of GO Shared Services 01285 623313 Jenny.Poole@cotswold.gov.uk

Purpose of Report	To receive an update report from Grant Thornton, the Council's external auditors.
Recommendation(s)	That the Committee note the content of the report.
Reason(s) for Recommendation(s)	To keep Members updated on progress on the external auditor's work programme.

Ward(s) Affected	None
Key Decision	No
Recommendation to Council	No

Financial Implications	None.
Legal and Human Rights Implications	None
Environmental and Sustainability Implications	None
Human Resource Implications	None
Key Risks	None
Equalities Impact Assessment	Not Required

Related Decisions	None
Background Documents	None
Appendices	Appendix A – Audit Progress Report Page 30 of 212

**Performance Management
Follow Up**

The external auditor reports to each Audit Committee with a general update report and other reports as set out in the Audit Plan each year.

Background Information

I.0 Attached at Appendix A is a general progress update report.

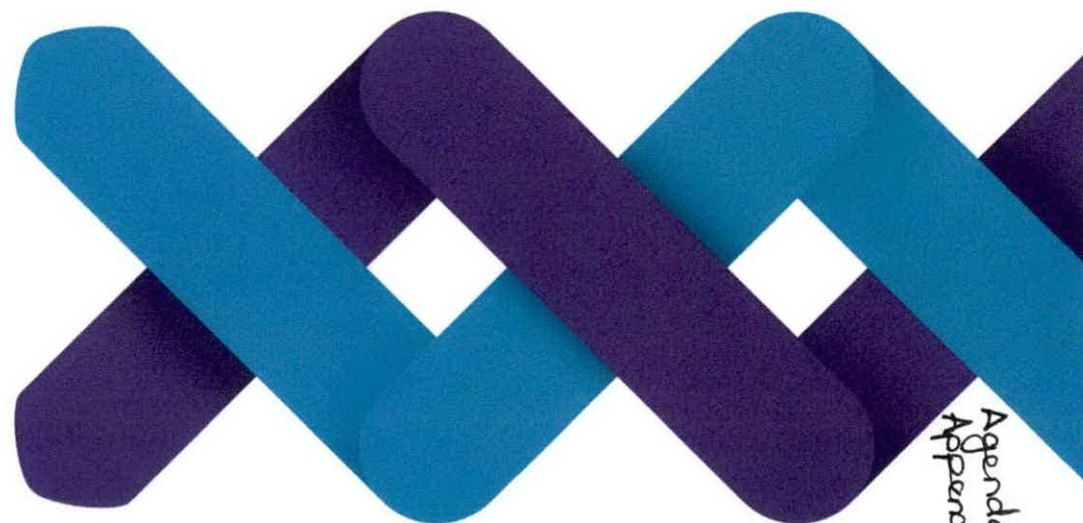
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Audit Progress Report Cotswold District Council

Year ending 31 March 2019

16 July 2019

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Introduction



Julie Masci
Engagement Lead
T 029 2034 7506
M 07730 677623
E Julie.masci@uk.gt.com



Michelle Burge
Engagement Manager
T 0117 305 7886
M 07825 028771
E michelle.burge@uk.gt.com

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk ..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

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Progress at July 2019

Financial Statements Audit

We have completed planning for the 2018/19 financial statements audit and have issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2018/19 financial statements.

We commenced our interim audit in March 2019. Our interim fieldwork includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We are reviewing documentation and progressing our discussions with management which will clarify and support management's view that the Council bears the actuarial risks in respect of the pension liability of former Council employees who TUPE transferred to Publica in November 2017, following our recommendation to officers in July 2018.

As set in more detail on page 6, the delivery of the 2018-19 audit has been delayed due to constraints in our audit resources. The statutory deadline for the publication of the Council's accounts remains unchanged at 31 July 2019. We are discussing our plan and timetable with officers to complete the audit as soon as possible after this date, with the intention of presenting our audit findings report and opinion to a special committee meeting during September.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body 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 three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach were included in our Audit Plan. We identified two significant Value for Money Risks – the Council's Medium Term Financial Strategy and the Council's arrangements for the ongoing governance and contract monitoring arrangements surrounding Publica Group (Support) Limited. We are currently carrying out our audit work on this.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion at the next Audit Committee meeting.

Other areas

Meetings

We met regularly with Finance Officers and your Chief Finance Officer, as part of our quarterly liaison meetings. We continue to discuss with finance staff emerging developments and issues, such as the McCloud pension issue, to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February 2019, which helps to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are available on our website, where we have a section dedicated to our work in the public sector. www.grantthornton.co.uk.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
<p>Fee Letter Confirming audit fee for 2018/19.</p>	April 2018	Complete
<p>Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.</p>	January 2019	Complete
<p>Audit Findings Report The Audit Findings Report will be reported to a special meeting of the Audit Committee in September.</p>	September 2019	Rescheduled
<p>Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	September 2019	Rescheduled
<p>Annual Audit Letter This letter communicates the key issues arising from our work.</p>	October 2019	Not yet due

Audit Deliverables

Financial Statements Audit

As your auditors, we work very hard to conduct our work in as timely a manner as possible, and to provide the best service that we can. As you know, we resource our audits with specialist public sector auditors, steeped in local government audit and local experience. Our auditors are passionate about their work and are committed to doing a great job for the authorities they audit.

Unfortunately, such high performing and talented people can sometimes be in short supply, and we have noticed particular recent pressures which will impact the audit of the Council. To ensure we provide the quality of work that we all expect and to avoid untenable pressures on our auditors as well as your finance team, we have come to the decision that we will be unable to complete this year's audit by the end of July 2019. We have discussed this with your Chief Finance Officer and we know that this will be a disappointment to you. We can confirm that this was not an easy decision to take and all alternatives were considered before taking this action, we can also reassure you that we are doing all we can to resolve this issue on a longer term basis.

In terms of the statutory position, the following will apply:

- The Council's responsibility under the Accounts and Audit Regulations 2015 is to publish an explanation of why the audited accounts are not available by 31 July 2019. The Regulations do not require the audit to be completed by this date.
- Provided it does this, the Council will not be in breach of its requirements under the Audit and Accountability Act 2014.
- We will report the position to PSAA citing our resource constraints as the reason for the delay, and making it clear that the firm is taking full responsibility for the deferral.

The specific wording that you use to explain the delayed opinion is a matter for the Council for determine.

Once again, please accept our apologies that we will be unable to complete the audit by the end of July 2019. We would be happy to discuss further with you and your members the work that Grant Thornton is doing to influence various sector stakeholders to improve the future of local government financial reporting and external audit, including our ongoing commitment to the active recruitment of CIPFA trainees as well as experienced hires. We remain strongly committed to the local government sector and to wider public services.

Results of Interim Audit Work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusions and recommendations
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

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	Work performed	Conclusions and recommendations
Review of information technology controls	<p>Our information systems specialist performed a follow up review of the general IT control environment and design effectiveness of the IT general controls.</p> <p>Recommendation in relation to the following areas reported in 2017/18 were followed up:</p> <ul style="list-style-type: none"> • Proactive review of logical access within Active Directory • Northgate (Revenues and Benefits system) access management procedures • Agresso (financial ledger) and Northgate password settings • Lack of adequate screensaver setting in Active Directory 	All recommendations raised in 2017/18 have been implemented and are closed.
Walkthrough testing	<p>We have completed a number of walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work in this area is ongoing and is subject to completion at the final audit stage.</p> <p>To date, our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach however we note that our work in this area is ongoing and is subject to completion at the final audit stage.</p> <p>We will report on the results of the pension liability system and the property, plant and equipment system during the final audit.</p>

	Work performed	Conclusions and recommendations
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>We will undertake detailed testing of journal entries during the final audit.</p>	<p>Our review of journal entry controls, policies and procedures has not identified any significant weaknesses.</p> <p>We will undertake testing of unusual journal entries including whether all journals have been subject to approval as part of our final audit visit.</p>
Early substantive testing	<p>We have undertaken substantive testing for months 1-10 on the following areas:</p> <ul style="list-style-type: none"> • Operating expenditure • Other income • Welfare benefits 	<p>No issues have been identified that we wish to highlight for your attention, subject to substantive testing for months 11-12 at the final audit stage.</p>



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AUDIT COMMITTEE

25th July 2019

AGENDA ITEM (11)

INTERNAL AUDIT ANNUAL OPINION 2018/19

Accountable Member	Audit Committee
Accountable Officer	Jenny Poole Chief Finance Officer 01285 623313 Jenny.Poole@cotswold.gov.uk

Purpose of Report	<p>To present a summary of the work undertaken by Internal Audit during 2018/19 and to give an overall opinion on levels of assurance resulting from this work.</p> <p>Due to the information contained in The Internal Audit Annual Opinion, it was deemed unnecessary to submit a separate quarterly monitoring report. Instead, we have produced a condensed version of the usual report which contains a summary of the work concluded since the last meeting of this Committee.</p>
Recommendation(s)	That the Committee considers the report and comments as necessary.
Reason(s) for Recommendation(s)	<p>In accordance with Public Sector Internal Audit Standards, the Head of Internal Audit is required to provide an annual opinion, based upon, and limited to, the work performed, on the overall adequacy and effectiveness of the organisation's control arrangements. This is achieved through a risk-based programme of activities, agreed with management and approved, for 2018/19, by the Audit Committee, which should provide a level of assurance across a range of Council activities. The opinion does not imply that the internal audit service has reviewed all risks and controls relating to the Council or the systems it reviews.</p>

Ward(s) Affected	Not applicable
Key Decision	No
Recommendation to Council	No

Financial Implications	As detailed within the report
Legal and Human Rights Implications	As detailed within the report
Environmental and Sustainability Implications	Not applicable

Human Resource Implications	As detailed within the report
Key Risks	As detailed within the report
Equalities Analysis	Not required

Related Decisions	None
Background Documents	Audit Reports
Appendices	Appendix 'A' - SWAP Report of Internal Audit Activity Annual Opinion Report 2018/19 Appendix 'B' – SWAP Summary of work completed since April 2019

Performance Management Follow Up	Where significant corporate issues or risks are identified as part of internal audit reviews. Follow up audits are carried out to provide assurance that management have addressed recommendations. The results of follow up audits are reported to the Audit Committee.
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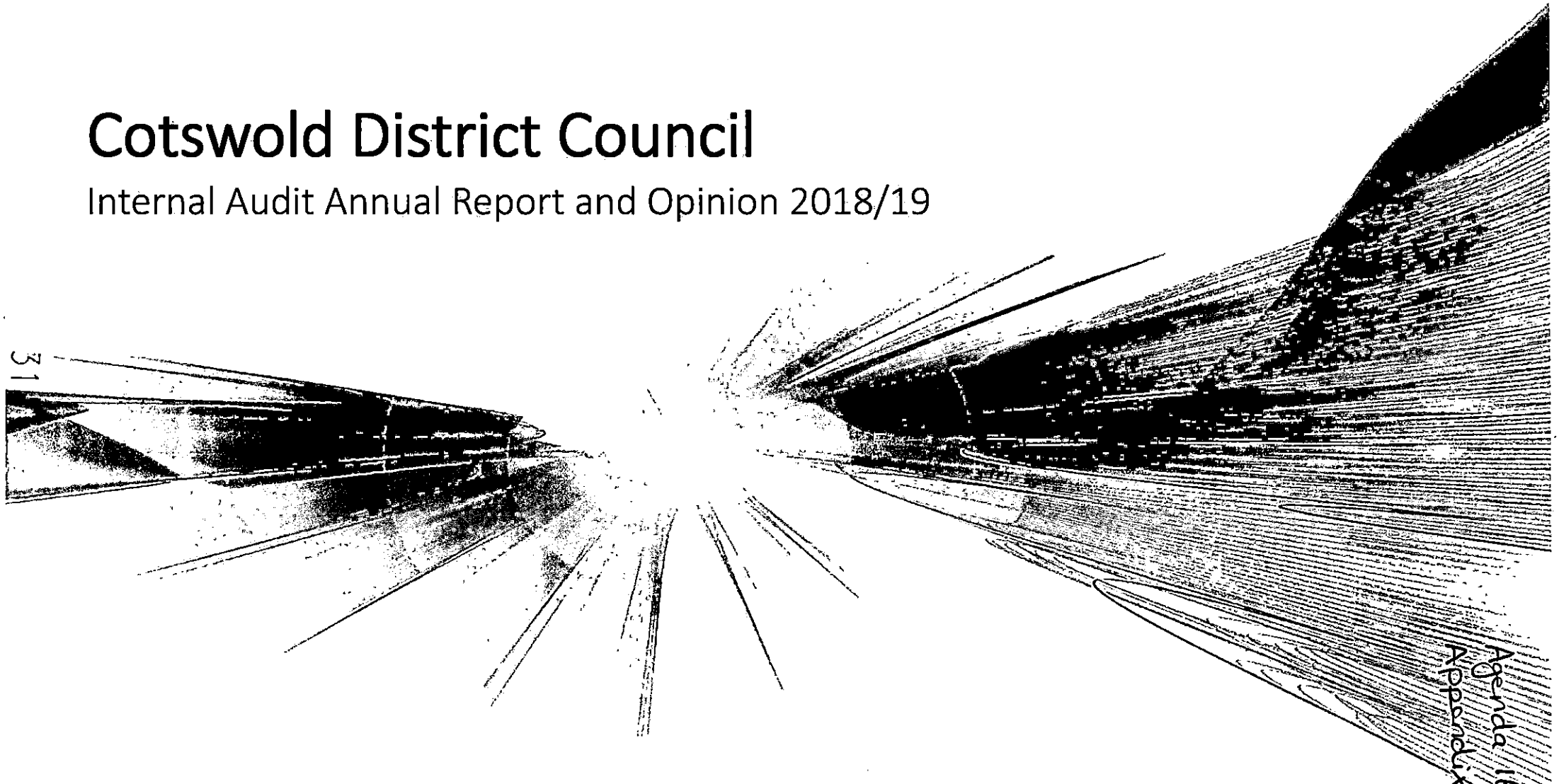
Background Information

1. The Annual Opinion Report 2018/19, Appendix 'A', provides the Head of Internal Audit's (SWAP Assistant Director) opinion, on the adequacy and effectiveness of internal control within Cotswold District Council. The opinion is based on the adequacy of control, noted from a selection of risk-based audits carried out during the year, and other advice work on control systems including the proactive work of the service as it supports the control arrangements within change projects. The results of any external inspections also inform the opinion.
2. Throughout the year the Internal Audit service have measured the degree of control assurance within the systems, or elements of systems, audited or supported by way of control advice. Overall, the opinion is that a 'Reasonable' assurance level can be given for the controls in place, within the areas where audit activity has taken place, to safeguard these systems which in turn support the delivery of the Council's overall business objectives.
3. Where operational control issues were raised, the risks associated with the control issues raised, in the audit reports, are being actively managed by Management.
4. The report outlines how the Internal Audit function has supported the Council in meeting the requirements of the Public Sector Internal Audit Standards. These state that:
"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."
"A relevant authority must conduct, each financial year, a review of the effectiveness of the system of internal control."
5. The purpose of the Head of Internal Audit's Annual Opinion is to contribute to the assurances available to the Head of Paid Service and the Council which underpin the Council's own assessment of the effectiveness of the authority's system of internal control. This opinion is one component that the Council must take into account when completing its Annual Governance Statement.

(END)

Cotswold District Council

Internal Audit Annual Report and Opinion 2018/19



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Agenda Item 11
Appendix A.

Contents

The contacts at SWAP in connection with this report are:

Ian Baker
Executive Director
Tel: 07917 628774
Ian.Baker@swapaudit.co.uk

Lucy Cater
Assistant Director
Tel: 07720 312470
Lucy.Cater@swapaudit.co.uk

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Summary

The Head of Internal Audit is required to provide an opinion to support the Annual Governance Statement.

Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- an opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
 - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
 - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
 - the effectiveness of risk management processes.
- disclose any qualifications to that opinion, together with the reasons for the qualification;
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- draw attention to any issues the Head of Internal Audit judges particularly relevant;
- compare the work undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria;
- comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.

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Summary

Three Lines of Defence

To ensure the effectiveness of an organisation's risk management framework, the Audit Committee and Senior Management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines of Defence' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- The first line of defence – functions that own and manage risk.
- The second line of defence – functions that oversee or specialise in risk management and compliance.
- The third line of defence – functions that provide independent assurance.

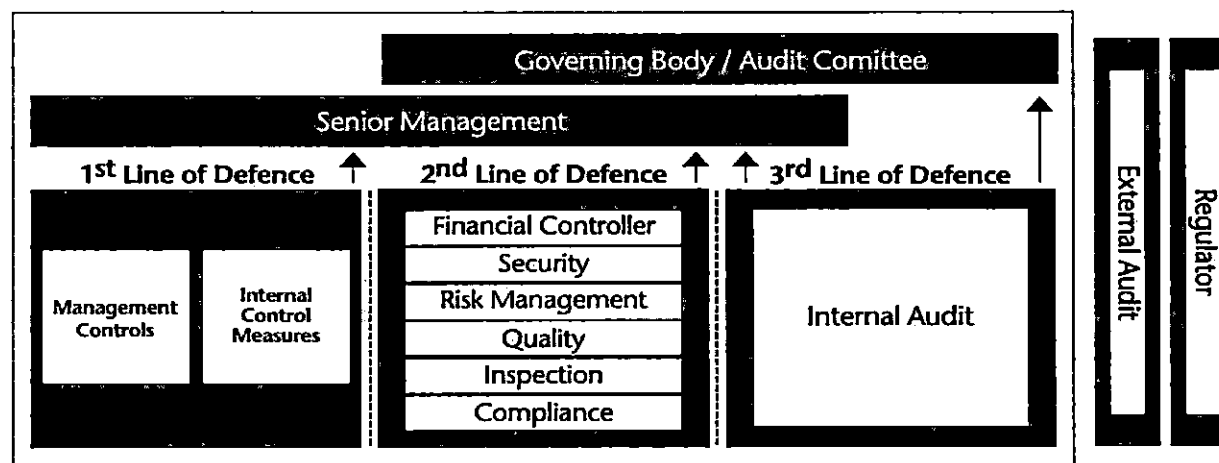
Scope

The Internal Audit service for Cotswold District Council is provided by SWAP Internal Audit Services Limited (SWAP). The team's work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Note. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the organisation's control environment by evaluating its effectiveness. Primarily the work of the service is based on the Annual Plan agreed by Senior Management and the Audit Committee. This report summarises the activity of the Internal Audit Team for the 2018/19 year against the Internal Audit Plan (approved by the Audit Committee, April 2018).

The position of Internal Audit within an organisation's governance framework is best summarised in the three lines of defence model shown below.

Three lines of Defence Model



Chartered Institute of Internal Auditors, December 2015

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Internal Audit Annual Opinion 2018/19

The Head of Internal Audit is required to provide an opinion to support the Annual Governance Statement.

Annual Opinion

I have considered the balance of 2018/19 audit work, the assurance levels provided, the profile of each audit and outcomes, together with the response from Senior Management and am able to offer 'Reasonable Assurance' in respect of the areas reviewed during the year. Generally, risks are well managed, but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives.

Internal Audit's work has been guided by the Annual Audit Plan and emerging risks identified by Senior Management; therefore, we have not reviewed all risks and assurances relating to Cotswold District Council and Publica and cannot provide absolute assurance on the internal control environment. Senior Management and Members are ultimately responsible for ensuring an effective system of internal control.

The Annual Opinion is made based on the following sources of information:

- Completed audits (during 2018/19) which evaluate risk exposures relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.
- Observations from advisory / consultancy support.
- Follow-Up of previous audit activity, including agreed actions against recommendations.
- Significant / material risk where management has not accepted the need for mitigating action.

Opinions are a balanced reflection, not a snapshot in time. Information to support this assessment is obtained from multiple engagements and sources (including advice / consultancy work and the assurance mapping records the team maintain). The results of these engagements, when viewed together, provide an understanding of the organisation's risk management processes and their effectiveness.

Over the year, the Audit Team have found that Senior Management of Cotswold District Council and Publica to be generally supportive of Internal Audit findings and responsive to recommendations made. In addition, there is a good relationship with management whereby they feel they can approach the Audit Team openly in areas where they perceive potential problems.

Audit Opinion Continued

We have completed 34 reviews for Cotswold District Council, including assurances over Publica's control framework. The completed reviews consist of assurance pieces of work, follow-ups, advice and consultancy and non-opinions.

A number of audits (8) are at draft report stage and are still in the process of being finalised. A verbal update on the progress of these reports will be provided at the meeting. These reports and assurances will be included in the 2019/20 Annual Opinion.

In agreement with Management, and previously reported to this meeting some reviews were exchanged, removed or deferred from the approved plan, as the need to respond to new and emerging risks was identified. Any new, or unplanned, audit work has been included in the annual plan and can be identified with an *.

All recommendations made are followed up by the Audit Team. The team have not raised any additional concerns over the delay / non-implementation of recommendations.

Determining whether risk management processes are effective is a judgement resulting from the internal auditor's assessment that:

- Organisational objectives support and align with the organisation's priorities.
- Significant risks are identified and assessed.
- Appropriate risk responses are selected that align risks with the organisation's risk appetite.
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management, and members to carry out their responsibilities.

It is also worth noting the 'Non-Opinion' audits during 2018/19. Given the level of change within the company, Internal Audit has a role to play in being the 'Trusted Advisor', and as such we were involved in a key area of change, namely Transformation. Although no opinion is offered with this work, details of the work and findings are shared with Senior Management and the Committee and an action plan to address areas for improvement is agreed.

During 2019/20 there will continue to be challenges and risks associated with the Publica transformation programme and its successful delivery. Acceptable risk taking will be required to deliver the transformation programme successfully and maintain Council services to an acceptable standard. SWAP Internal Audit Services

will continue to support the transformation programme to identify any risk and suggest mitigating controls as appropriate.

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Summary of Audit Work 2018/19

Our audit activity is split between:

- Governance Audits
- Key Financial Control Audits
- ICT Audits
- Operational Audits
- Follow-Up Audits
- Advice and Consultancy

Internal Audit Work Programme

The schedule, included in the report (pages 13-17), contains a list of all audits agreed for inclusion in the Annual Audit Plan 2018/19 and the final outturn for the year. In total, 45 pieces of work were commissioned. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

The 45 reviews in the 2018/19 audit plan are broken down as follows:

Type of audit	2018/19 plan
• Governance Audits	3
• Key Financial Control Audits	12
• ICT Audits	6
• Operational Audits	12
• Follow-Up Audits	6
• Advice and Consultancy	4
• Grant Certification	2
• TOTAL	45

Summary of Audit Work 2018/19

Significant Corporate Issues

Identified Significant Issues should be brought to the attention of Members.

Significant Corporate Issues

The following are the significant issues / areas identified during the course of our audit programme of work for 2018/19. Follow-Up audits have been included in the 2019/20 audit plan to ensure agreed recommendations have / are being actioned.

Review	Issues / Risk
S106 Agreements and Funds	Not all service areas were consulted as part of negotiations, lack of monitoring of S106s (financial controls, triggers), timeliness of income and payments to third parties, progress of S106s are not reported regularly

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Summary of Audit Work 2018/19

SWAP Performance - Summary of Audit Opinions

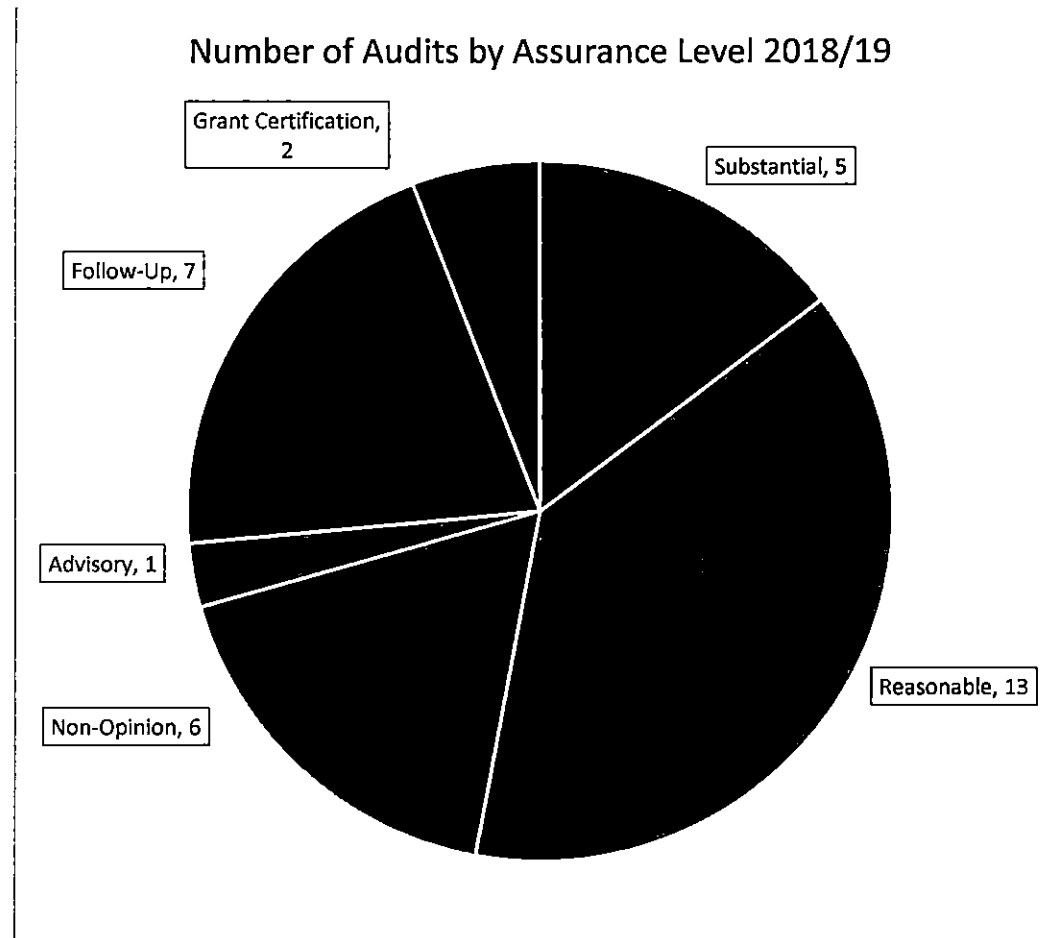
At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- Substantial
- Reasonable
- Partial
- No Assurance

We also undertake 'non-opinion' work on a consultancy basis where we have been asked to look at a specific area of potential concern.

Summary of Audit Opinion

The following chart is a summary of all the reviews finalised / completed during 2018/19.



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Summary of Audit Work 2018/19

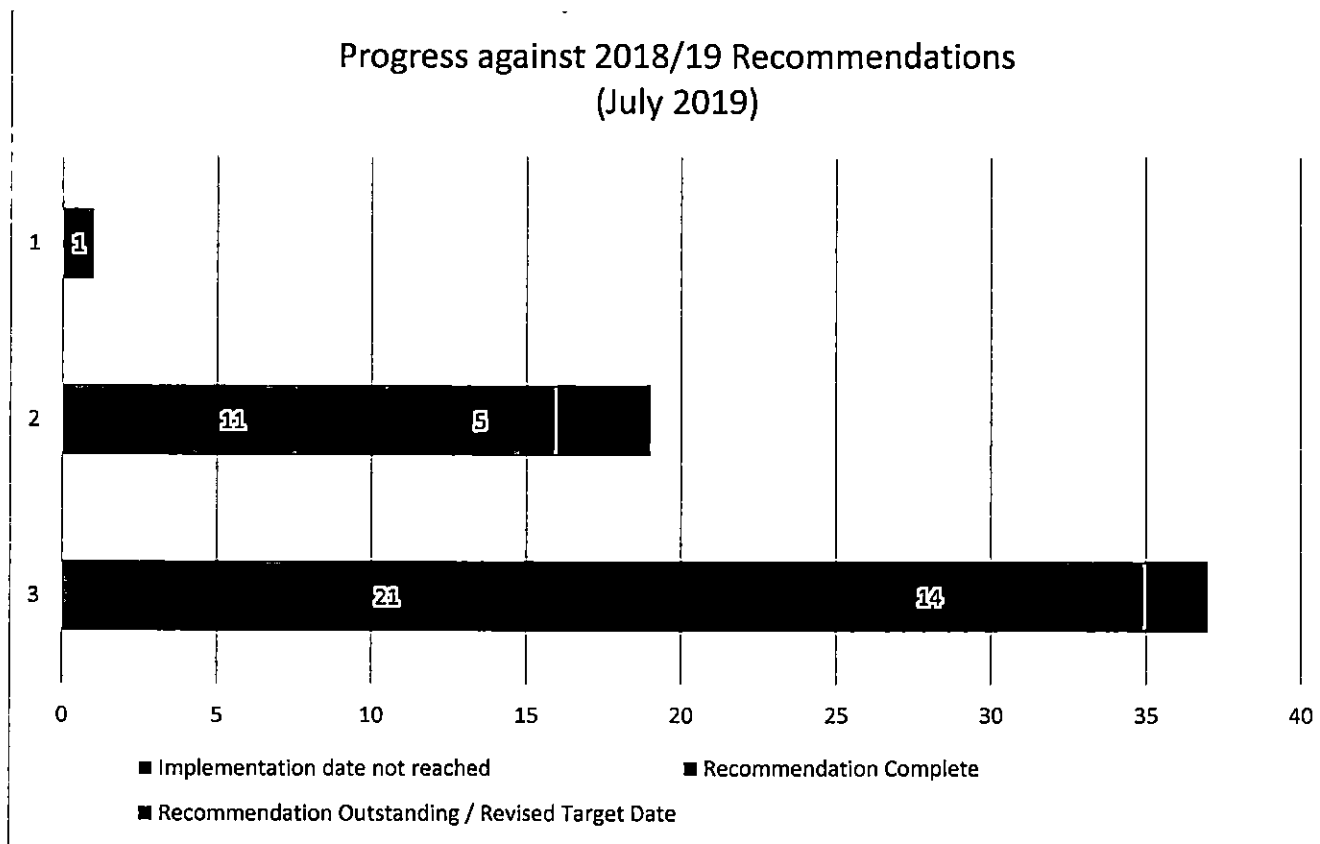
SWAP Performance - Summary of Audit Recommendations by Priority

We rank our recommendations on a scale of 1 to 3, with 1 being major concern requiring immediate corrective action and 3 being minor or administrative concerns

Priority Actions

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. Therefore, recommendations are assessed as to how important they are to the scope of the area audited.

Progress against 2018/19 Recommendations (July 2019)



Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Primarily Internal Audit is an assurance function and will remain as such. However, as we complete our audit reviews and through our governance audit programmes across SWAP, we seek to bring information and best practice to managers to help support their systems of risk management and control. The SWAP definition of "added value" is; "it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost".

In addition to our audit plan, where requested by client officers we look to share risk information, best practice and benchmarking data/information. The following are some of the areas where Cotswold District Council has requested or participated in enabling us to produce benchmarking reports across the partnership:

- Regular updates highlighting emerging risks and key issues.
- Best practice information for Bed and Breakfast VAT Charges.
- Identification and assessment of best practice for authority Business Continuity Plans.
- Comparison of Anti-Fraud and Corruption Policies and Strategies
- Car Parking – comparison requested to assess areas to consider for improvement to service or increase income.
- Comparison of Procurement arrangements.
- Members Training Events.

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Plan Performance 2018/19

Internal Audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).



SWAP Performance

SWAP's performance is subject to regular monitoring and review by the (SWAP) Board and Member Meetings. The respective outturn performance results for Cotswold District Council for the 2018/19 year are as follows:

Performance Target	Average Performance
<u>Audit Plan – Percentage Progress</u>	
Final Report / Complete	76%
Draft Report	18%
In progress	0%
Deferred to 2019/20	7%

Internal Audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice Framework on Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). Both standards require Internal, and External, Assessments (Standard 1300) of the Internal Audit function.

The standards require an External Assessment to be carried out at least every five years. SWAP was found to be in conformance with the International Professional Practices Framework and the Public Sector Internal Audit Standards (PSIAS). As a result of the External Assessment, a Quality Assessment Improvement Plan (QAIP) is produced. This document is a live document, reviewed regularly by the SWAP Board to ensure continuous improvement.

And finally, just like any other company and Cotswold District Council itself, our accounts are subject to both Internal and External Audit Review. The auditor confirmed that the audit did not find any areas of concern and the auditor was confident that the processes in place are adequate to support SWAP's annual report and financial statements.

The schedule below contains a list of audits agreed for inclusion in the 2018/19 Annual Audit Plan and the final outturn for the financial year. Audits completed that were not in the original plan reported to Audit Committee are indicated with an *.

At the conclusion of an audit assignment a 'Control Assurance' is awarded. A summary of the assurance levels is as follows:

Assurance Definitions	
None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

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Non-Opinion/Advice – In addition to our opinion-based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Recommendations are assigned a priority rating based on the following framework:

Categorisation of Recommendations	
In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:	
Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Audit Type	Audit Area	Status	Opinion	No of Recs	1 = Major, 2 = Moderate, 3 = Minor		
					Recommendation		
					1	2	3
Finalised / Completed Audits							
ICT	Protection from Malicious Code	Position Statement	Non-Opinion	-			
ICT	ICT Policies	Final Report	Reasonable	1			1
ICT	Public Services Network Submission (PSN)	Final Report	Reasonable	2			2
Key Financial Control	Fighting Fraud Locally	Final Report	Reasonable	4		1	3
Key Financial Control	Serious and Organised Crime Audit and Checklist	Final Report	Reasonable	1			1
Governance	Annual Governance Statement	Final Report	Substantial	-			
Operational	Refugees (CDC)	Final Report	Non-Opinion	-			
Operational	Disabled Facilities Grants	Final Report	Reasonable	7		3	4
Operational	Regulatory Awareness and Compliance	Complete	Non-Opinion	-			
Operational	Internal Enforcement Agency	Final Report	Reasonable	7		2	5
Key Financial Control	Revenues and Benefits						
	<ul style="list-style-type: none"> Council Tax and NNDR 	Final Report	Reasonable	4		1	3

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Plan Performance 2018/19

Audit Type	Audit Area	Status	Opinion	No of Recs	1 = Major, 2 = Moderate, 3 = Minor		
					Recommendation		
					1	2	3
	<ul style="list-style-type: none"> Housing Benefit / Council Tax Support 	Final Report	Reasonable	2		1	1
	Subsidy Claims	Final Report	Reasonable	1		1	
Key Financial Controls	Core Financials						
	<ul style="list-style-type: none"> Accounts Payable 	Final Report	Substantial	1			1
	<ul style="list-style-type: none"> Accounts Receivable 	Final Report	Reasonable	2		1	1
	<ul style="list-style-type: none"> Treasury Management and Bank Reconciliations 	Final Report	Substantial	1			1
	<ul style="list-style-type: none"> Main Accounting 	Final Report	Substantial	1			1
	<ul style="list-style-type: none"> Payroll 	Final Report	Reasonable	4			4
Operational	Members' and Officers' Gifts and Hospitality and Declarations of Interest	Final Report	Substantial	1			1
Operational	Discretionary Housing Payments	Final Report	Reasonable	10		2	8
Operational	*Private Water Supplies	Final Report	Reasonable	6		4	2

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Audit Type	Audit Area	Status	Comments
Follow-Up Audits			
	Licensing	Final Report	
	Food Safety	Final Report	
	Security	Final Report	
	Safeguarding	Final Report	
	Pool Cars	Final Report	
	Serious and Organised Crime and Fighting Fraud and Corruption	Final Report	Follow-up, with the CFU, of the recommendations made in the 2017/18 audits
Operational	*Assurance over Payment Procedure	Final Report	Review requested by Council
Grant Certification Work			
	Disabled Facilities Grants	Complete	
	Disabled Facilities Grants (Additional Funding)	Complete	

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Plan Performance 2018/19

Audit Type	Audit Area	Status	Comments
Work Incomplete as at 31st May 2019			
ICT	Data Protection Act (GDPR)	Draft Report	
Operational	Procurement and Contract Management	Draft Report	
Key Financial Control	Systems Admin	Draft Report	
Key Financial Control	Human Resources	Draft Report	
Key Financial Control	Procurement	Draft Report	
Governance	Risk Management	Draft Report	
ICT	Cybersecurity	Draft Report	
Advice and Consultancy			
	Benefits Realisation (Publica)	Draft Report	
	Performance Management	Complete	Result of audit has been included in the Benefits Realisation report as the same data was used to complete testing
	Transformation Programme (Publica)	Position Statement	Assurance to the Council
	Managed Waste Services	Position Statement	
Operational	S106 Agreements and Funds	Final Report	Advisory piece of work

Plan Performance 2018/19

Audit Type	Audit Area	Status	Comments
Audits deferred / removed from the Plan during the year			
Operational	Corporate Culture		Audits Deferred to 2019/20 and will be undertaken to support Publica Transformation Programme
Advice and Consultancy	Workforce Strategy		
ICT	Members ICT		Audit Deferred due to changes in Members ICT arrangements and the elections at some Partner Councils

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Cotswold District Council

Report of Internal Audit Activity

Summary of work completed since April 2019

July 2019

Appendix B
Appendix B.1

Contents

The contacts at SWAP in connection with this report are:

Ian Baker

Director of Quality

Tel: 07917628774

ian.baker@swapaudit.co.uk

Lucy Cater

Assistant Director

Tel: 01285 623340

lucy.cater@swapaudit.co.uk

Appendix C – Executive Summary of Finalised Audit Assignments

Appendix D – High Priority Recommendation Follow-Up

Appendix E – Summary of All Recommendations

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Summary of Audit Assignments Finalised since the last Audit Committee

**Audit Assignments
finalised since the last
Audit Committee:**

● **Summary of Audit Findings and High Priority Service Findings**

The following information provides a brief summary of each audit review finalised since the last Committee update.

2018/19 Main Accounting, Budgetary Control and Capital Accounting – Substantial Assurance

Evidence was seen to support records were maintained in relation to the bringing forward of balances to the 2018/19 financial year for all Councils. Meeting minutes support opening balances were checked and signed off by the External Auditor and balances were reported to Members at each Council, respectively. At the time of audit work (February 2019), Cotswold District Council's 2018/19 opening balance had not been loaded into the Council's financial management system; once this was rectified by an Accountant, all opening balances agreed to the closing balances reported in each of the Council's 2017/18 Statement of Accounts. Going forward, we have suggested a check should be undertaken once the Statement of Accounts has been signed off by the External Auditor, so all balances are loaded in a timely manner.

Sample testing was undertaken to check that for 2 separate months (June 2018 and September 2018), the closing account balance for the period matched the opening balance for the next period; all balances were found to be the same, and we found no transactions were made after the accounting period selected. 1 transaction was found to have been made prior to the accounting period reviewed; we were advised this was due to an older invoice being posted into the period, potentially after a dispute.

Evidence was supplied to support the 2018/19 budgets were loaded into each Council's financial management system by Accountants. Sample testing was undertaken to ensure cost centres were allocated to budget holders and budgets had been accurately loaded, and we also assessed year on year spend from 2016/17 and 2017/18. Testing found all cost centres selected were allocated to named budget holders and all original budgets loaded into the financial management system matched the approved budgets supplied. 25% of the cost centres had budget adjustments actioned during 2018/19, and we received satisfactory explanations for the adjustments that were found.

Evidence found supports all Council Capital Strategies have been drafted in accordance with Prudential indicators and approved by their Members.

We can confirm substantial controls are in place in relation to Main Accounting, Budgetary Control and Capital Accounting areas covered in this year’s review.

2018/19 Private Water Supplies – Reasonable Assurance

As part of the 2017/18 audit plan a review was undertaken to assess the adequacy of the controls and procedures in place for Private Water Supplies (PWS) at Cotswold (CDC), Forest of Dean (FoDDC) and West Oxfordshire (WODC) District Councils. The objective of this review was to ensure that the Councils’ PWS risk assessments and monitoring visits were carried out in accordance with regulations and that costs were recovered for undertaking this service. The review highlighted a number of control weaknesses that resulted in a high number of supplies not receiving risk assessment reviews and/or water sampling visits when due; and where these were carried out costs were not recovered in 40% of cases. A Position Statement, detailing our findings was issued to the service to allow processes to be revised to address the control weaknesses. No recommendations were made as part of the Position Statement.

This current review, part of the 2018/19 audit plan, was undertaken to assess whether the service has adequately addressed all points raised within the Position Statement.

The Private Water Supplies (England) Regulations 2016, and the Water Industry Act 1991 requires local authorities to monitor all private water supplies intended for human consumption. Depending on the type of supply, local authorities must carry out a risk assessment (RA) for private water supplies (PWS) in their area and update that RA, at least, every 5 years. Water sample testing must be carried out at a frequency determined by the RA and all water sampling results are reported to the Drinking Water Inspectorate (DWI) annually. The following table shows the number of Private Water Supplies registered at each authority, based on data obtained from the DWI report:

Supply Type	Number registered			Require RA	Sampling frequency (range depending on risk analysis)
	CDC	WODC	FoDDC		
Reg 8	9	1	0	Yes	1 sample every 5 years <i>up to</i> multiple samples per year
Reg 9	123	66	14	Yes	1 Check sample and 1 Audit sample per year (these may be completed in a single visit) <i>up to</i> multiple samples per year
Reg 10	24	10	4	Yes	1 sample every 5 years <i>up to</i> multiple samples per year
Single Domestic	92	8	49	No *	None *
Total	248	85	67		

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* Supply owners can request a risk assessment and/or sample testing is carried out

The Private Water Supplies (England) Regulations allows local authorities to recover the cost of monitoring from the owner, or person responsible, for the supply. The cost to the customer is determined by the number/type of parameters tested for (dependent of the risk assessment) and the laboratory collection cost, plus £100 to cover resource costs. The table below shows the number, and estimated value to the customers, of sampling visits carried out at each authority in 2018:

	CDC	WODC	FoDDC
Number of visits carried out	198	123	18
Estimated cost to the customers	£48,718	£26,760	£2,501

We can confirm that since the Private Water Supplies position statement was issued in April 2018, the service has made good progress towards addressing the weaknesses that were highlighted. The most significant risk to the Councils, at the time, was the number of overdue supply risk assessments. The service has since employed an officer with the primary role of completing risk assessments, which has dramatically increased the rate at which overdue risk assessments are completed. According to the service’s risk assessment renewal schedule, overdue risk assessments should have been reviewed and renewed within six months. However, our investigations identified that, due to data entry inconsistencies, there were significantly more overdue risk assessments than the renewal schedule reported.

Where supplies with overdue risk assessments were omitted from the renewal schedule, the supplies were also not included in future water sampling schedules. Water sampling consists of testing the supply for potential risks of consumption based on the results of the risk assessment. Where supplies were omitted from the sampling schedule, no sampling visits were carried out and supply users were at risk of being supplied with water unfit for consumption.

2018/19 Section 106 Agreements and Funds (CDC) – Advisory

We found that delegated officers are proficient within their part of the overall Section 106 Agreement process; however, due to Services working in isolation no one has oversight of the end to end process, resulting in a number of control weakness in the Council’s ability to ensure funds have been collected or spent in accordance with the terms held within the agreement. Planning officers comply with the Community Infrastructure Levy 2010 and National Planning Policy Framework when negotiating Section 106 Agreements; legal agreements are drafted and approved in a timely manner and funds

received and spent are appropriately accounted for. However, once the planning permission has been granted there is no named officer or Service that has responsibility for monitoring Section 106 Agreements. As no officer has overall responsibility for when trigger points have been reached there is a risk not all developers are requested to pay funds/action clauses as detailed, and agreed, within the Planning Obligation, until prompted by an interested 3rd Party.

We recommend that a procedure is implemented to monitor all agreed Planning Obligations and that the complete process, initial consultation through to ensuring monies collected are appropriately spent, is overseen by a named officer. A number of further recommendations have been made that will improve the processes already in place to the benefit the local community.

2018/19 Payroll – Reasonable Assurance

We are pleased to offer a (high) Reasonable Assurance over the following procedures within the Payroll service:

- Processing of starters, leavers and variations to personnel records.
- Reconciliation of Payroll to the General Ledger (for Publica client).
- Exception Reporting.
- Separation of Duties and BACS file authorisation.
- Follow up on recommendations issued from the previous audit.

A review of payroll system access identified some employees outside of the payroll team possessed levels of access enabling them to perform full payroll duties. A recommendation is made to review the access required and restrict full payroll access to the payroll team only.

There are some procedural notes in place and used by the payroll team, however they are not fully documented to show all clients requirements. A recommendation is made to ensure all client requirements are clearly specified and documented.

In the 2017/18 audit a recommendation was made to ensure regular reconciliations to the general ledger were completed for all clients. A reconciliation for Publica is completed on a quarterly basis, although since the transfer of staff from CDC and WODC to Publica, a decision was made not to complete a reconciliation for those clients following the TUPE transfer of, the majority of staff to Publica, a recommendation is made for Publica to complete regular reconciliations for the partner Councils. A second recommendation was made in 2017/18 to ensure checklists are consistently used for starters, leavers and contract variations. From sample testing, we are satisfied that checklists are used, and HR processes are to be standardised across the team for all clients from February 2019.

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Authority to send the BACS payments is provided by HR Management who review and sign the Payroll reports. Only the payroll team members retain the system access to approve the BACS payments via the PT-X system. Therefore, it is possible for the BACS payments to be made prior to this authorisation being given by the HR Management. A recommendation is made to consider re-assigning BACS payment control to HR Management.

2018/19 Subsidy Claims – Reasonable Assurance

This audit was planned to be conducted following the completion, and certification of the 2017/18 MPF720A claim forms by Grant Thornton for Cotswold District Council (CDC), we established, through discussion with the Assurance Manager that the cause of the issues identified within the claim forms were human error and system error.

At the time of audit work (December 2018) we were advised meetings are due to be held by the Assurance Manager with the Head of Revenues & Benefits, the Benefit Manager and the Prevention and Relief Technical Lead Officer and the Quality and Appeals Officer to review the issues found in the 2017/18 Subsidy Claim certifications, and how the Councils can mitigate against them going forwards.

The extrapolated values identified by Grant Thornton in the 2017/18 Subsidy Claim qualifications are small in comparison to the total subsidy received by the Council, but some errors have been identified in areas which were raised in previous years. To mitigate against human error, increased Quality Assurance should be undertaken, especially in the areas which will be subject to increased testing from the Reporting Accountant (Grant Thornton) in the 2018/19 certification, to ensure the cause of errors can be identified and lessons learnt can be shared with Officers to resolve issues where possible.

From the total local authority error overpayment figures supplied to us for the year to date (April - December 2018), there is currently a risk that the Council may be penalised and will not receive a full subsidy in the 2018/19 Subsidy Claim certification. At the time of audit work, we were advised a meeting is due to be held between the Joint Technical Lead Officer and Publica Group Finance Director to discuss this.

Based on our discussions, we can conclude that reasonable assurance can be provided on the Council's current capability to control this risk.

2018/19 Council Tax and NNDR – Reasonable Assurance

There are no internal policies in place for Public Officers to follow when undertaking processes relating to domestic and commercial property valuations for Cotswold District Council (CDC). The Valuation Agency Office (VAO) assign all official Council Tax Bands and Rateable Values; Public Officers use their professional knowledge and experience to undertake Council system processes. Sample testing was undertaken to ensure the Rateable Values and Council Tax bands recorded in Northgate are consistent with those held by the VAO; we found this to be true for all properties reviewed. CDC does not reconcile the Council Tax base to the number of properties recorded, but we were advised a report is run regularly by the Head of Revenues & Benefits to ensure the number of properties recorded in each district balances with what is held by the VAO.

The Contracts Register (April 2018) confirms the Business Manager Operational Services is responsible for the following contracts at CDC;

- Northgate • UK Mail • Bristow & Sutor Limited • Rossendales Limited

Records are not held by the Service Manager, but reviews are undertaken with the bailiff providers (Bristow and Sutor and Rossendales) on a regular basis. We have been unable to check if all services are being provided in accordance with legislation, council guidance and the agreed contracts, as the service were unable to supply copies of all contracts.

Daily reconciliations of Council Tax and NNDR are undertaken but as found in the previous audit, the CDC NNDR reconciliation record does not balance; we have recommended this should be rectified with Northgate. At the time of audit, the suspense accounts for the Council was overdue for review, we recommended they are monitored monthly.

Accounts in credit and arrears are not regularly reported or monitored at CDC. Arrears are managed by Northgate system parameters and sample testing was undertaken to ensure previous stages of the recovery process had been undertaken to recover debts; we had satisfactory responses to all our queries. Accounts in credit are reviewed annually prior to annual billing, however we were unable to undertake testing as we were advised it was not possible to replicate the data required.

Recovery action on customer accounts can be paused or suppressed in certain circumstances. Sample testing was undertaken to ensure all suppressed accounts had an end date recorded within Northgate and had evidence to support the reason for suppression; all suppressions had a reason code and an end date recorded in Northgate.

Testing was undertaken to check refunds are approved in Northgate; all refunds in our sample were created and approved by different officers, however, not all the refunds had a note to support why they had been raised. To ensure there is a full audit trail, we have suggested a note should be added in Northgate to support why it has been actioned.

4 recommendations were made for CDC in last year's Council Tax and NNDR review, of these 2 have been implemented, 1 has been partially implemented and 1 is still outstanding.

From the areas reviewed in this year's audit, we can confirm reasonable processes and control arrangements are in place.

2018/19 Housing Benefit and Council Tax Support – Reasonable Assurance

Testing was undertaken on new Housing Benefit applications and changes in circumstances (April – October 2018) made to Cotswold district Council (CDC) to assess whether claims have been processed in accordance with procedure and benefit entitlements; a recommendation has been made to try and help to address the issues found. All claims reviewed were found to have supporting evidence on file. Testing was not undertaken on Universal Credit claims as they are not processed by Publica Officers.

Regular reconciliations are undertaken of Housing Benefit and Council Tax Reduction, but reconciliations are not independently reviewed or signed off by another Officer. Exception reporting is not undertaken in relation to Housing Benefit, as discrepancies should be discovered during the reconciliation process, and Northgate system alerts should inform Officers of any duplicate payments or accounts.

Testing is undertaken by the Technical Team when Northgate system parameters are updated. Parameters are signed off by the Business Manager Operational Services, although evidence was not seen to support this for the period covered in this review. We were advised that testing of Housing Benefit system parameters is undertaken by External Audit during the Housing Benefit Subsidy certification.

Customers were given the opportunity to comment on the proposed 2019/20 Council Tax Reduction Scheme (CTRS) at CDC. At the time of writing this report (January 2019), Members were still to decide on the new CTRS at CDC. There are no recommendations to follow up from last year's review of CDC's CTRS.

Based on the areas covered in this review, we can conclude that reasonable assurance can be provided on the Council's current controls.

2018/19 Members' and Officers' Gifts, Hospitality and Declarations of Interest – Substantial Assurance

We are able to offer a Substantial Assurance over the Members' and Officers' Declarations of Interest, Gifts and Hospitality process at Cotswold District Council (CDC).

Members: The processes in place for elected Members to declare interests are generally robust and effective. We are satisfied that adequate arrangements are in place to promote awareness of the process and to ensure that any relevant interests are declared by Members. In line with the Localism Act 2011, interests declared by Members are available via the Cotswold District Council (CDC) website.

A process is also in place for Members to declare offers of gifts and hospitality. Forms are completed by Members and are processed and stored effectively and securely by Committee Services.

One recommendation has been made in relation to the update of the Codes of Conduct in the Council Constitution.

Officers: An assessment of the processes and procedures in place for officers will be covered in the Publica version of this audit, following the TUPE transfer of the majority of the Council's officers to Publica Group Ltd.

A process is in place for retained Council officers to declare interests, gifts and hospitality. Declarations made are reviewed by the Head of Paid Service and forms retained by the Monitoring Officer.

Audit Name	Priority	Recommendation	Management Response	Due Date	Update July 2019
2017/18 – Licensing	2	We recommend that the procedure for debt recovery for premises and club premises licences is amended to be in accordance with relevant legislation.	In accordance with the legislation the current procedure for debt recovery will be amended to ensure that Premises and Club Licences are suspended after 21 days of an invoice becoming due. ERS will request the assistance of Accounts Receivable to assist with this task.	28/02/19	<p>Follow-Up Audit Commenced Recommendation in progress</p> <p>Follow-Up Feb 19 The progress of this recommendation has been delayed due to support from the Licensing Team at CBC being unavailable at this time. However, the Licensing Team Leader has received training via Business Administration on running customer debt reports. This process will be passed to the officer that currently monitors aged debt, on her return from extended leave.</p>
2017/18 - Safeguarding	2	A process should be put in place to ensure that the Safeguarding Policy is embedded into all contracted services or to ensure that contractors have a sufficient regard for Safeguarding which is equivalent to the requirements of the authority's Safeguarding Policy. This process should include a method of gaining continued assurance that a supplier is abiding by the Safeguarding requirements of the Council.	This is a matter that can be discussed with the procurement team. It will also need to be part of discussions as part of the new contractual arrangements between CDC and Publica."	01/04/18	Follow-Up Audit Commenced

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High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update July 2019
2017/18 - Safeguarding	2	<p>"The 'Lead Designated Safeguarding Officer', who is accountable for the effective delivery of the Safeguarding Policy, must obtain assurance that the training requirements of the policy are met. In order to gain such assurance, it is recommended that a full review of the approach to training is undertaken for all 'employees' and Members. Focus should be given to the following:</p> <ul style="list-style-type: none"> - The introduction of Safeguarding into the Corporate Induction process - Development of a plan for Safeguarding training for staff and Members and to include a timeframe for completing the training requirements - Introduction of a method of recording staff training and understanding of training content" 	<p>The LSO, together with the Community Safety Officer, now attend induction sessions to give a presentation in respect of safeguarding and PREVENT.</p> <p>A training plan/strategy is being developed that will outline training requirements for staff and councillors and how this will be delivered.</p> <p>Safeguarding of children and vulnerable adults is now included on the new online training system and other courses will be added as appropriate. Details of completion of the courses will be recorded on the system."</p>	31/12/17	Follow-Up Audit Commenced
2017/18 – Fighting Fraud and Corruption	2	The CFU should be consulted when the Procurement and Contract Strategy is reviewed to ensure fraud in relation to procurement is fully considered.	CFU Manager to work with Procurement and assist with a revised Strategy	30/06/19	<p>We have been advised the current strategy is being revised and this task will be completed this year. A meeting between the Procurement Team and the CFU Manager (19/2/19) supports this is being undertaken and the CFU and Procurement are both involved in the process.</p> <p>Recommendation closed</p>

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Audit Name	Priority	Recommendation	Management Response	Due Date	Update July 2019
2018/19 Disabled Facilities Grants	2	The Councils should ensure all planned work is approved by an Occupational Therapist or suitably qualified substitute (if appropriate) prior to any work commencing to ensure its suitability. In addition, consideration should be given to ensuring all major adaptations are checked on completion by an Occupational Therapist or qualified surveyor, and applicant satisfaction recorded, prior to payment being approved.	<p>The new HIA system to be implemented (for WODC) in April 2019 has a requirement for proposed and completed work to be approved built into it. It has been agreed by Foundations that provided it is written into the Regulatory Reform Order, basic works do not require OT involvement. We are researching courses and costs for Trusted Assessor Training for Officers to assist them with this decision-making process. This will speed up the process for applicants and reduce the backlog of works, thus better meeting clients' needs.</p> <p>Gloucestershire County Council has deemed the completion of satisfaction questionnaires unnecessary as all customers were satisfied due to the nature of the work and therefore was creating work with no real outcomes. Satisfaction surveys are therefore not undertaken at CDC. Officers have been reminded to ensure that satisfaction certifications are obtained after completion.</p>	30/04/19	

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High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update July 2019
2018/19 Disabled Facilities Grants	2	The Business Service Manager for Revenues and Benefits should ensure that technical advice is available for all DFG applications and this is not funded entirely from DFG budgets.	This is a historical way of working to sustain the HIA service in WODC. Further investigations are ongoing to ascertain when/why it was agreed and/or implemented. When investigations are completed, and if amendments are required, they will be implemented	30/06/19	
2018/19 Discretionary Housing Payments	2	The DHP Policy must state a claimant who is only receiving Local Council Tax Support is not eligible for a DHP, and the use of the local Council Tax scheme must be clarified	Will ensure Policy is updated to better clarify	31/03/19	Policy has been reviewed and updated. Recommendation Closed
2018/19 Discretionary Housing Payments	2	A DHP Award Letter or email must be sent to all DHP applicants to inform them of their DHP decision as per DWP requirements.	Agreed and will ensure this is written within procedures and communicated to officers	28/02/19	Recommendation has been actioned and closed
2018/19 Internal Enforcement Agency	2	Publica must ensure the Councils are consulted prior to any further stages of enforcement being internalised to ensure all risks can be considered by them.	Head of Revs and Bens and Business service managers are meeting to discuss a cabinet report with a view to adopting further enforcement methods. This will happen in late November/December.	28/06/19	
2018/19 Internal Enforcement Agency	2	The Acting Head of Revenues and Benefits must contact the Court to notify them of the changes to their employer.	Worcester Court have been contacted to issue another certificate.	29/03/19	Response received from the Court, no need to issue a new certificate as CDC is an owner of Publica Recommendation Closed

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update July 2019
2018/19 Accounts Receivable	2	A review of all active subscriptions should be carried out, on behalf of each client, to identify any other duplicate subscriptions and these should all be corrected. Priority	Agreed. This will be carried out. Additional training will also be provided to AR officers to prevent this occurring again in the future.	31/03/19	Will be followed up during the 2019/20 audit of Accounts Receivable
2018/18 Private Water Supplies	2	All existing data within Uniform should be reviewed and cleansed to ensure Uniform is an accurate reflection of all Private Water Supplies registered, and that data can be easily extracted for the annual Drinking Water Inspectorate Data Return.	The Private Water Supplies data cleanse is currently underway. This involves resolving anomalies, identifying causes of missed risk assessments and sampling and ensuring all Reg 8/9/10 supplies contain accurate data and sampling triggers.	30/06/19	
2018/18 Private Water Supplies	2	As part of the data cleanse the service should agree a consistent approach to entering Private Water Supplies data and produce guidance documentation to assist officers	Following the data cleanse, a procedure will be written to ensure data entry is consistent allowing for a simplified Drinking Water Inspectorate extract.	31/07/19	
2018/18 Private Water Supplies	2	Following the project to cleanse private water supply data within Uniform, an accurate schedule to complete all overdue and upcoming risk assessments, including realistic timeframes, should be developed that prioritises supplies based on perceived level of risk to users of those supplies.	Following the data cleanse, the Senior Officer will work with the ERS Data Analyst to produce this list to ensure work is effectively prioritised based upon risk to public health.	30/06/19	
2018/18 Private Water Supplies	2	A review of all active private water supply entries on Uniform should be undertaken to ensure sufficient sampling visits are scheduled, according to the most recent risk assessment, for the next two years.	This action will be completed as part of the overall data cleanse plan.	30/06/19	

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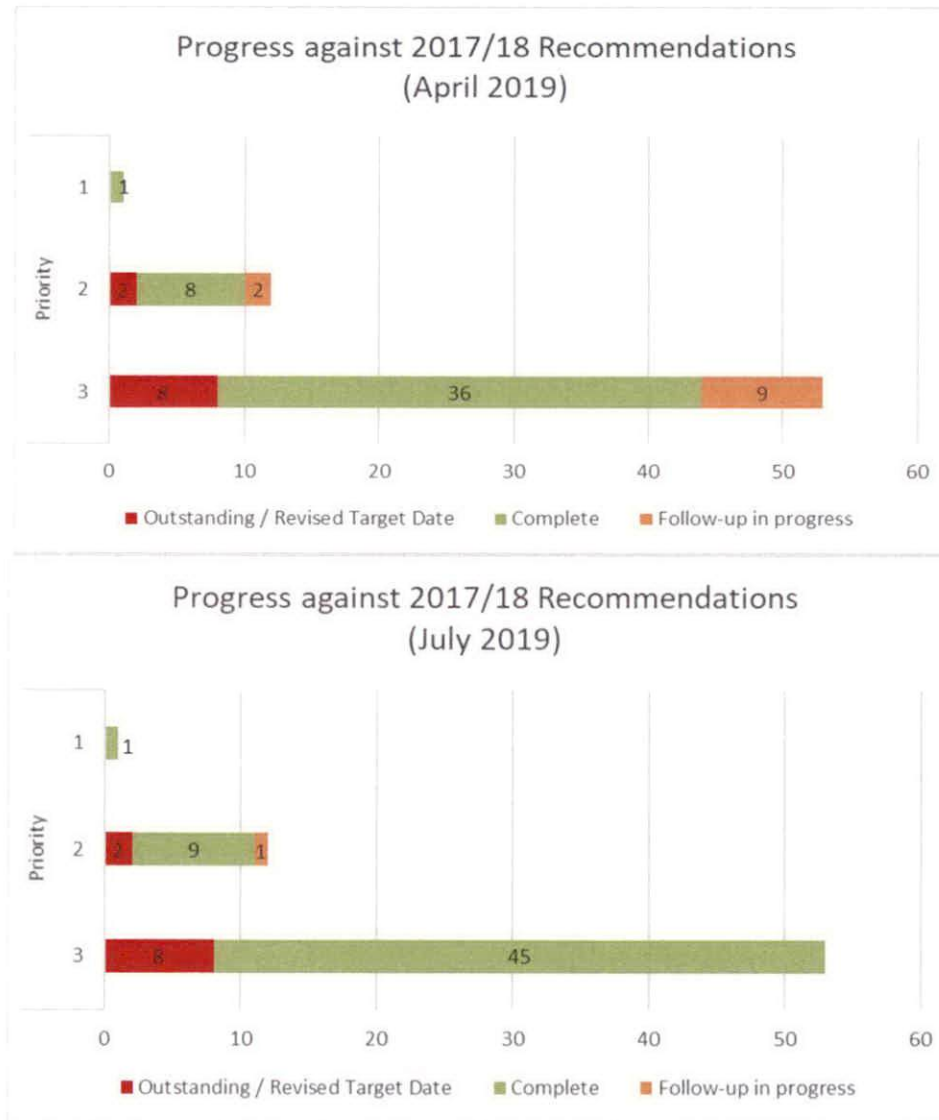
Audit Name	Priority	Recommendation	Management Response	Due Date	Update July 2019
2018/19 Section 106 Agreements and Funds	2	All relevant internal Service areas must be involved as appropriate, at either pre-application and/or application stage to ensure evidence, impact and need are generated regarding the proposed development. Consideration should be given to creating a reference document that states when the specific Service areas / officers should be involved in the S106 consultation process and who will maintain this document.	Historically, internal Services were not invited to submit claims as the Council did not have an approved policy to support their involvement. The Local Plan was approved in December 2018. Planning Managers will continue to raise awareness of recent policy changes and apply the Development Team Approach at the earliest stage, which will ensure all interested parties are included. Furthermore, regular meetings will be held with relevant Service areas to gain feedback from consultees over the consultation process.	31/07/19	
2018/19 Section 106 Agreements and Funds	1	To ensure all S106 Agreements and financial contributions can be monitored, an overarching S106 record should be maintained, to include: covenants, clauses, triggers and payments. The use of the tick box in Uniform should also be reviewed to assess whether this adds value to the Service and the records it maintains.	We will ensure the implementation of CiL includes a system for monitoring S106s. Prior to this being implemented, quarterly S106 monitoring meetings will be held with the S106 Development team. The Governance arrangements of this team will be developed following the conclusion of the audit.	31/07/19	

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Audit Name	Priority	Recommendation	Management Response	Due Date	Update July 2019
2018/19 Section 106 Agreements and Funds	2	Consideration should be given to delegating responsibility to an officer, or group of officers, for monitoring all S106 Agreements and financial contributions, to ensure all triggers are met (actioned) and that funds are received and spent in accordance with the agreement(s).	An officer has been appointed to implement and oversee the Community Infrastructure Levy, who will also oversee the management of Section 106s. This officer will liaise with all relevant Council Services to ensure the delivery of S106s is monitored appropriately.		Recommendation Complete
2018/19 Section 106 Agreements and Funds	2	To ensure there is a full audit trail and financial contributions are consistently managed, developers should be invoiced for financial contributions once the relevant trigger has been reached. In addition, evidence that 3rd parties spend contributions in accordance with the agreement, or an itemised invoice, should be obtained prior to issuing payments to 3rd parties.	Officers will liaise with officers at WODC and FODDC to agree a consistent approach to recording and invoicing, and the submission of evidence from 3rd parties.	31/07/19	
2018/19 Section 106 Agreements and Funds	2	To ensure the Council can be held to account in managing the delivery of S106 obligations, the progress of S106 Agreements should be regularly reported to all Members and on the Council's website	Portfolio holders will be regularly updated going forward. Once CIL has been implemented, the CIL system will aide with the reporting of S106s to Members and on the Council's webpages will also be developed to allow the delivery of S106s to be reported there.	31/07/19	
2018/19 Housing Benefit and Council Tax Support	2	Remind Benefit Officers that all claims must be correctly updated to ensure information displayed and held in Northgate is correct. Priority	Legislative changes have been clearly identified and guidance issued to ensure officers are aware as to how claims for Housing Benefit are affected in order to prevent further overpayments arising during assessment.	30/09/19	Will be followed up as part of the 2019/20 audit

Audit Name	Priority	Recommendation	Management Response	Due Date	Update July 2019
2018/19 Council Tax and NNDR	2	The Council should ensure the system is fixed so an accurate and balanced NNDR reconciliation can be undertaken and recorded. Priority	This has now been fixed	29/06/19	Recommendation Closed
2018/19 Subsidy Claims	2	Increased quality assurance should be undertaken in the areas where errors were found in the 2017/18 Subsidy Claim calculation, to mitigate against issues resulting from local authority error.	We already check a proportion of these claims, but moving forward there will be a closer monitoring and increase in QA in these areas	29/09/19	

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AUDIT COMMITTEE

25th July 2019

AGENDA ITEM (12)

CORPORATE RISK REGISTER UPDATES

Accountable Member	Audit Committee
Accountable Officer	Nigel Adams Head of Paid Service

Purpose of Report	To update the Committee on the changes to the Council's corporate risk register at the end of Q4
Recommendations	That the Committee notes the updates to the Council's corporate risk register
Reason for Recommendation	To provide assurance to the Committee that risks to the Council are being managed and appropriate actions are being taken to mitigate risk

Ward(s) Affected	None
Key Decision	No
Recommendation to Council	No

Financial Implications	There are no direct financial implications
Legal and Human Rights Implications	None
Human Resource Implications	None
Environmental and Sustainability Implications	None
Human Resource Implications	None

Key Risks	
Equalities Analysis	Not required

Related Decisions	None
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Background Documents	None
Appendices	Appendix 'A' – Corporate Risk Register 2018-19 Q4

Performance Management Follow Up	None
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Options for Joint Working	<p>Joint working is fundamental to the Council's strategic approach as set out in the 2020 programme.</p> <p>The risk management policy for the partner councils underpins the risk management process</p>
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Background Information

1. A Shared Risk Management Group (SRMG) for West Oxfordshire District Council and Cotswold District Council has been in place since 2015, and was extended to include Forest of Dean District Council in October 2018.
2. The SRMG comprises Senior Managers from the three Councils, both retained staff and Publica staff; many of them are shared across all three partner Councils which makes the overall management of risks more time efficient and effective. This approach does not affect what is presented to the Committee or the robust nature of how risk is assessed and managed.
3. Corporate risks are assessed and updated by the accountable officers, and then reviewed by the SRMG.
4. On 30th April 2019, the SRMG reviewed the updates to the partner Councils' corporate risk registers. Some risks, in particular those which have a financial impact have since been revised to reflect information that became available during May. The Group also has oversight of Publica's strategic risk register and high scoring risks from the Transformation Programme risk register. The risk registers, when considered together provides the group with an overview of risks across the organisations, and enables risks to be managed more effectively.
5. Due to scheduling arrangements, there has been insufficient time to complete the risk updates for Q1 prior to this meeting.

(END)

Cotswold District Council - Corporate Risk Register 2018-19 Q4

Overarching strategic risks

Risk Code	Description	Risk Factors	Internal Controls	Current Impact	Current Likelihood	Current Rating	Last Review Date	Latest Note	Assigned To
CRR-D01-017	If the UK leaves the European Union with no deal then there could be a disruption to the delivery of Council services which would impact on residents/communities	Community Financial Performance	Support from the LGA Local Resilience Forum Government funding to support Councils Business Continuity Plans	3	3	9	16-Apr-19	16-Apr-2019 No change in rating. The UK has been given an extension of time to agree a deal for withdrawal and Parliament has voted against 'no deal'. All LRF/SCG meetings are on hold at the present time but updates are reviewed as and when they are provided	Executive Director - Commissioning; Head of Paid Service
CRR-D01-014	If the Government imposes legislative changes that are not expected then it could have an impact on the Council's finances and other resources	Financial Community	Horizon scanning Professional publications Four year funding settlement	3	3	9	25-Apr-19	25-Apr-2019 No change in rating. Defra's Waste and Resources strategy has now been published and Publica will be responding to consultation on behalf of the Council. The Strategy suggests that garden waste collection should be free which if imposed would have a significant financial impact on the Council. The implications of the other proposed policy changes are not yet clear	Chief Finance Officer
CRR-D01-016	If the Council fails to successfully implement the Local Plan and new National Planning Framework then central government may intervene and/or speculative planning applications may increase	Financial Reputational	Project plan to deliver the Local Plan	3	1	3	02-Apr-19	02-Apr-2019 No change in rating. On-going monitoring of the housing supply and delivery indicates that we are on target. In addition to the requirement for a five year housing land supply (look forward), the Council needs to evidence delivery by looking back over three years	Head of Planning & Strategic Housing

Financial management & control

Risk Code	Description	Risk Factors	Internal Controls	Current Impact	Current Likelihood	Current Rating	Last Review Date	Latest Note	Assigned To
CRR-D02-028	If the Local Government settlement over the medium term is unfavourable then the Council's savings target may need to increase	Financial	Medium Term Financial Strategy Capped value of New Homes Bonus in MTFS (mitigates against fall in housing development) 2020 Vision Programme/shared working Four year funding settlement	5	4	20	30-May-19	30-May-2019 No change in rating. The MTFS was approved by Council in February 2019. The MTFS includes an estimate of the likely impact of the changes to local government funding from 2020/21 onwards which provides the Council with the context in which to take decisions. However, the actual impact of changes to central government funding will not be known until the autumn	Chief Finance Officer
CRR-D02-018	If unavoidable budget pressures exceed provision within the MTFS then the Council may need to use its reserves, or there may be pressures on services or tax levels and agreed budget targets will not be achieved	Financial	Service Delivery Planning Budgetary control system CT/HoS consider financial pressures Key variances report	4	4	16	30-May-19	30-May-2019 Likelihood increased from 3 to 4 to reflect the increased risk associated with the change to the waste service in November 2019. The MTFS was approved by Council in February. The expected financial impact of the change in waste service from November 2019 has been included in the MTFS, however, there remains a risk associated with these costs as experience in other authorities has shown that until the new service is fully implemented there could be unforeseen financial costs. Officers are working with Ubico to understand the scale of the risk and mitigate cost increases where possible	Chief Finance Officer

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Risk Code	Description	Risk Factors	Internal Controls	Current Impact	Current Likelihood	Current Rating	Last Review Date	Latest Note	Assigned To
CRR-D02-030	If Ubico is unable to deliver services to the required standard or to budget then it could damage the Council's reputation and result in additional costs for the Council	Financial Reputational	Service management Performance monitoring Service risk registers	3	5	15	25-Apr-19	25-Apr-2019 No change in rating. The waste fleet has deteriorated before expected resulting in high levels of breakdown, and as a consequence is impacting on residents and increasing service costs. The fleet is being re-procured as part of a new service which will be launched in November. Modelled costs for the new service were agreed at Council in December and embedded in the budget in February, however, there are elements such as fleet numbers and tonnages which are based on estimates and may be subject to change which could increase costs	Group Manager - Commissioning
CRR-D02-024	If the Council is unable to meet the savings required to balance the budget then it may need to make unplanned use of revenue reserves, raise council tax, find further savings and/or cut services	Financial Performance Community	Regular meetings with Members and Cabinet MTFS and budget process CT/SMT discussions and lead Vision 2020 (Publica) Transformation programme	3	4	12	30-May-19	30-May-2019 No change in rating. Savings for 2018/19 are delivered and Publica has provided assurance on deliverability of planned savings from the transformation programme due in 2019/20. The level of savings required as a result of changes to local government funding from 2020/21 remains unclear. The Council needs to develop contingency plans to deliver the savings required from changes to local government funding	Chief Finance Officer

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Risk Code	Description	Risk Factors	Internal Controls	Current Impact	Current Likelihood	Current Rating	Last Review Date	Latest Note	Assigned To
CRR-D02-027	If Publica does not deliver the agreed objectives in accordance with its business plan then the planned savings for the Council would not be delivered and consequently there would be a risk that services could not be delivered	Financial Reputational	Programme Board Local Political Support National Political Support Early Engagement with employees and Unions Funding provided to develop detailed business case	3	2	6	16-Apr-19	16-Apr-2019 Likelihood decreased from 3 to 2. The budgets for 2019/20 have been agreed with the partner councils delivering savings of £930,000 - slightly ahead of the business case targets. The in-year position for 2018/19 continues to suggest an underspend against budget and delivery of additional one-off savings to all partners beyond those budgeted	Head of Paid Service; Managing Director
CRR-D02-005	If there is a legal challenge to any of the Council's decisions or actions then there may be financial or policy implications	Financial Legal Reputational	Managerial advice and supervision Legal advice and effective role of monitoring officer Robust internal procedures 200k in MTFS for planning appeals	3	2	6	04-Apr-19	04-Apr-2019 No change in rating. The decision notice on the BDL application has been issued, and there may be a judicial review of the decision by interested parties within the next three months	Group Manager - Land Legal & Property Services

Risk Code	Description	Risk Factors	Internal Controls	Current Impact	Current Likelihood	Current Rating	Last Review Date	Latest Note	Assigned To
CRR-D02-023	If there was a civil emergency in the District then there could be a financial burden on the Council in responding to it	Financial	<p>Mutual aid arrangements would enable support and reduce the resource burden on one individual council</p> <p>The Belwin scheme enables costs incurred over a threshold (approx £22K) to be reclaimed</p> <p>Insurance of council's assets and some loss income</p> <p>General Fund Working Balance</p> <p>Flood engineering schemes in place to minimise the impact of severe weather and reduce the risk of property flooding</p>	2	3	6	12-Apr-19	12-Apr-2019 No change in rating. There are good internal controls in place to help mitigate this financial risk	Group Manager - Strategic Support
CRR-D02-029	If contractors do not meet their obligations under key contracts then it could lead to a fall in service standards, reduced customer service or a failure to meet legal requirements	Financial Reputational	<p>Robust and effective contract management to ensure standards and requirements in contracts are met and any failings are identified and addressed quickly and effectively</p> <p>Regular meetings to review performance/standards</p>	3	2	6	25-Apr-19	25-Apr-2019 No change in rating	Head of Paid Service

Risk Code	Description	Risk Factors	Internal Controls	Current Impact	Current Likelihood	Current Rating	Last Review Date	Latest Note	Assigned To
CRR-D02-002	If the Council fails to meet income targets then it may need to make unplanned use of revenue reserves, raise council tax, find further savings and/or cut services	Financial Performance Community	Systems of budgetary control Appropriate marketing of services and consideration of effective charging levels Project management arrangements	2	2	4	30-May-19	30-May-2019 No change in rating. Overall income is performing well, although income in some service areas is challenging, particularly development control and building control	Chief Finance Officer
CRR-D02-017	If the level of pay inflation exceeds provision in the MTFS then the Council may need to make unplanned use of revenue reserves, raise council tax, find further savings and/or cut services	Financial	National negotiations on pay award	2	2	4	30-May-19	30-May-2019 No change in rating. The impact of pay award on Publica and Ubico contract costs have been built into budget 2019/20	Chief Finance Officer

Customer focus

Risk Code	Description	Risk Factors	Internal Controls	Current Impact	Current Likelihood	Current Rating	Last Review Date	Latest Note	Assigned To
CRR-D03-007	If the Council does not consult properly, or Publica does not consult properly on the Council's behalf, then the Council's decisions could be challenged	Community Reputational Legal Financial	Press and PR officer Cotswold News Engagement strategy Neighbourhood coordination meetings Annual Town & Parish council meetings Annual Budget consultation	3	2	6	18-Apr-19	18-Apr-2019 No change in rating. No new consultations since the last update due to upcoming elections. Pending consultation post-election on Waterloo Car Park project and Rugby Club parking project	Head of Paid Service

Organisational learning, staffing & development

Risk Code	Description	Risk Factors	Internal Controls	Current Impact	Current Likelihood	Current Rating	Last Review Date	Latest Note	Assigned To
CRR-D04-003	If Publica or the Council is unable to recruit suitable staff and retain them, particularly in some key service areas then the level of service delivery may be reduced	Performance Financial Reputational Community	Financial incentives (market force supplement scheme) Work with partners to address skill shortages	3	3	9	08-Apr-19	08-Apr-2019 No change in rating. Quarterly performance reports are discussed with Exec so any necessary mitigation to maintain service delivery levels can be made. Monthly HR reports to Exec also highlight recruitment. An apprentice scheme is in place and an intern and graduate scheme will commence later this year. Consultation on the new pay and grading structure which provides more flexibility in rewarding staff is taking place	Head of Paid Service; Managing Director
CRR-D04-010	If secondments to posts in the Transformation team are not backfilled then the level of service delivery in some services may be reduced	Performance Reputational Community	Flexible working Performance management framework Partnership working	3	3	9	16-Apr-19	16-Apr-2019 Likelihood reduced from 4 to 3. A review was undertaken in Q3 and there was no impact on the 'day job' Customer satisfaction indicates 85% are satisfied (155) or very satisfied (70%)	Head of Paid Service; Managing Director

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Risk Code	Description	Risk Factors	Internal Controls	Current Impact	Current Likelihood	Current Rating	Last Review Date	Latest Note	Assigned To
CRR-D04-009	If staff morale and motivation is low in Publica then the level of service delivered may be reduced in some services	Performance Community	<p>Communication</p> <p>Comprehensive consultation and engagement process</p> <p>Change management training</p> <p>Joint Liaison Forum</p> <p>2020 Engagement Strategy</p>	3	3	9	16-Apr-19	16-Apr-2019 No change in rating. Anecdotaly there are some parts of the organisation which are suffering from lower levels of morale due to workload pressures. There remain some concerns raised around the changes to Terms and Conditions, Pay and Grading and the new organisational design, the implementation of which has been delayed. A series of information sessions were held together with change management sessions so that employees can gain a better understanding of the changes and how it may impact upon them. We are planning a comprehensive employee survey in May 2019 which should give us evidence on the latest position. Service review sessions as part of the transformation programme are providing rich data around the current position and will provide further evidence of morale moving forward	Head of Paid Service; Managing Director

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Risk Code	Description	Risk Factors	Internal Controls	Current Impact	Current Likelihood	Current Rating	Last Review Date	Latest Note	Assigned To
CRR-D04-011 (new)	If key Officers in the Council (such as the Head of Paid Service, Chief Finance Officer or Monitoring Officer) are not available, the Council may not be able to respond effectively to urgent matters which could result in reputational or financial damage	Legal Financial Reputational	Deputy CFO and Monitoring Officers in place Support from Shared Legal Services team- employed by the Publica Partner Councils Support from professionals within Publica (e.g. Strategic Directors, Group Managers, Accountants, HR) Support available from other Statutory Officers from across the Publica Partner Councils Effective working relationships between Officers and Cabinet Members Risk management processes	3	2	6	31-May-19	31-May-2019 New risk identified by the Audit Committee at its meeting 16 April 2019	Head of Paid Service; Managing Director

Business processes

Risk Code	Description	Risk Factors	Internal Controls	Current Impact	Current Likelihood	Current Rating	Last Review Date	Latest Note	Assigned To
CRR-D05-001	If the Council's data is of poor quality or it does not make appropriate use of its data then the decisions it makes may be flawed	Reputational Financial Legal Performance Community	Internal processes and self assessments Internal audit assurance and support Dedicated staff resource on performance management and data quality Performance Management Framework	3	3	9	16-Apr-19	16-Apr-2019 No change in rating. Data quality and the use of information is being addressed as part of the organisational re-design. A Business Manager has now been appointed who is responsible for business analytics	Chief Finance Officer; Head of Paid Service
CRR-D05-016	If the Council does not comply with relevant Information Management legislation including the new GDPR and Transparency Agenda then the government may intervene which could have a reputational impact on the Council	Financial Reputational Legal	Access to Information Policy FOI process reviewed LGA guidance and supporting documents & templates	3	3	9	09-Apr-19	09-Apr-2019 No change in rating. Progress on the GDPR action plan is being reported to the Council and Publica, which involves advice and guidance being given at staff inductions. Guidance for Cllrs is currently under review and sessions are planned as part of the new Cllr induction programme, which will be open to all	Data Protection Officer; Head of Paid Service

Risk Code	Description	Risk Factors	Internal Controls	Current Impact	Current Likelihood	Current Rating	Last Review Date	Latest Note	Assigned To
CRR-D05-013	If there is insufficient capacity to respond to an emergency then the Council may not be able to deal effectively during emergencies resulting in reputational damage	Reputational Legal Financial Community Performance	Contract terms with Everyone Active and GOSS e.g. use of leisure centre as a rest centre Mutual aid arrangements Good will of staff Ward Members, Town & Parish Councillors on hand/training provided Enhanced community resilience arrangements	3	3	9	12-Apr-19	12-Apr-2019 Likelihood increased from 2 to 3 because the nominated District Emergency Planning Liaison Officer has left and a replacement is yet to start in post. There is some resilience from DEPLOs in partner Councils and a new emergency management framework is being developed to increase resilience further	Head of Paid Service; Managing Director
CRR-D05-019	If contractors do not comply with health and safety requirements then there could be both financial and reputational implications for the Council	Financial Reputational	Contract management in place to ensure appropriate measures such as risk assessments, appropriate policies, and training is in place. GOSS Health and Safety business partners provide advice and support Concerns can be escalated to contractors' senior management	4	2	8	25-Apr-19	25-Apr-2019 No change in rating	Group Manager Commissioning

Risk Code	Description	Risk Factors	Internal Controls	Current Impact	Current Likelihood	Current Rating	Last Review Date	Latest Note	Assigned To
CRR-D05-010	If there is severe weather then the Council may be unable to deliver key services which could impact on residents	Performance Community Reputational	BCPs Weather reports/national news Remote working solution available to staff	3	2	6	12-Apr-19	12-Apr-2019 No change in rating	Head of Paid Service; Managing Director
CRR-D05-011	If the Council's IT System / infrastructure failed due to cyber attacks and/or virus then system performance could be reduced leading to poor service delivery/financial impact	Performance Financial Legal Reputational	Preventative measures introduced such as blocking of USB and other devices Undertaken and passed a central government ICT audit, meeting the very high standards set for network security Introduction of new / revised joint policies Periodic staff awareness training BCP in place and reviewed & tested	3	2	6	09-Apr-19	09-Apr-2019 No change in rating. All Councils have recently achieved Cyber Essential Plus accreditation, which is a Government-backed, industry-supported scheme to help organisations protect themselves against common online threats. A dedicated Cyber engineer has also been recruited into the team to provide additional skills and knowledge in this area	Group Manager - Business Support Services

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Risk Code	Description	Risk Factors	Internal Controls	Current Impact	Current Likelihood	Current Rating	Last Review Date	Latest Note	Assigned To
CRR-D05-012	If there is a loss of data (both on site and as a result of remote/mobile working) / security failure in our IT systems then it could lead to a reduced level of service and have a negative impact on the Council's reputation and finances	Performance Financial Legal Reputational	Preventative measures introduced such as blocking of USB and other devices Undertaken and passed a central government ICT audit, meeting the very high standards set for network security Introduction of new / revised joint policies Periodic staff awareness training BCP in place and reviewed & tested	3	2	6	09-Apr-19	09-Apr-2019 No change in rating. All Councils have recently achieved Cyber Essential Plus accreditation, which is a Government-backed, industry-supported scheme to help organisations protect themselves against common online threats	Group Manager - Business Support Services
CRR-D05-014	If the Council's buildings are destroyed then it would be unable to operate/deliver services which would impact on residents /communities	Reputational Financial Legal Performance Community	BCPs including ICT contingency plans Remote access Mutual aid through Shared working strategy Insurance Fail over protocol	3	2	6	25-Apr-19	25-Apr-2019 No change in rating	Group Manager - Commissioning

Longer term risks

Risk Code	Description	Risk Factors	Internal Controls	Current Impact	Current Likelihood	Current Rating	Last Review Date	Latest Note	Assigned To
CRR-D06-002	If Health and Safety procedures and risk assessments are not in place /being followed then staff could be injured undertaking Council duties which would impact on their health and wellbeing, affect their ability to work and create liability issues for the Council	Legal Financial Reputational	Health and Safety procedures Access to weather forecasts Lone workers policy Business Continuity Plans	4	2	8	08-Apr-19	08-Apr-2019 No change in rating. No reportable incidents to the Health & Safety Executive in the quarter. Health and Safety information and guidance is 'live' on Publica Portal. The need for a personal safety register which can be checked by staff prior to making a site visit has been identified, and a way forward has been discussed. Health and Safety training is planned for managers to make them aware of their responsibilities in ensuring that staff are safe onsite and offsite	Head of Paid Service; Managing Director

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AUDIT COMMITTEE

25TH JULY 2019

AGENDA ITEM (13)

ANNUAL TREASURY MANAGEMENT REVIEW 2018/19

Accountable Member	Not Applicable
Accountable Officer	Mrs. Jenny Poole Chief Finance Officer 01285 623313 Jenny.Poole@cotswold.gov.uk

Purpose of Report	For Members to receive and discuss the report and to provide full Council with comments for consideration.
Recommendation(s)	(a) For Members to receive and discuss the Annual Treasury Management Review for 2018/19; (b) for Members to agree any comments to be passed to full Council when considering this item.
Reason(s) for Recommendation(s)	The CIPFA Treasury Management Code of Practice, adopted by Council on 25 th February 2010 requires the submission to Council of an annual report on the treasury management activities and results for the previous financial year. It is also a requirement of the Code to report during the year on activities undertaken and on variations from agreed policies/practices.

Ward(s) Affected	N/A
Key Decision	No
Recommendation to Council	Yes

Financial Implications	None
Legal and Human Rights Implications	None
Environmental and Sustainability Implications	None
Human Resource Implications	None
Key Risks	(i) There are risks of financial institutions failing given economic conditions. However, the risks are mitigated through application of the Council's Treasury Management Strategy. (ii) There are risks of interest rates remaining low over the

	medium term which impact upon the Council's ability to generate investment income. These risks are routinely considered in the Council's Treasury Management Strategy, the Medium Term Financial Strategy and the associated Budget.
Equalities Impact Assessment	Not Required

Related Decisions	(i) Approval of Treasury Management Strategy Statement and Investment Strategy 2018/19 by Council on 20 th February 2018. (ii) Adoption of CIPFA Treasury Management Code of Practice by Council on 19 th February 2004, revised Code adopted by Council on 25 th February 2010
Background Documents	None
Appendices	Appendix 'A' - Treasury Management Outturn Report 2018/19

Performance Management Follow Up	Investment performance is reported as part of the quarterly performance monitoring arrangements. The annual strategy, mid-year performance report and annual report are considered by the Audit Committee and approved by Council.
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Options for Joint Working	The contract for the Council's Treasury Management Advisers was jointly procured.
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Background Information	
<p>1. The CIPFA Treasury Management Code of Practice requires the submission to Council of an annual report on the treasury management activities and results for the previous financial year. The Treasury Management Outturn Report for 2018/19 is attached at Appendix 'A'.</p> <p>2. The Council has complied with the requirements under CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.</p> <p>3. The Council maintained an average investment portfolio of £36.5m during 2018/19. The funds earned an average rate of return of 1.16%, this compares to 0.58% in 2017/18.</p> <p>4. The Council budgeted for £341,270 in treasury investment income for 2018/19. Actual performance exceeded target by £117,224, with investment income received of £458,494.</p> <p>5. Further detail is contained within the report at Appendix 'A'.</p>	

(END)

COTSWOLD DISTRICT COUNCIL
TREASURY MANAGEMENT OUTTURN REPORT
2018/2019

1. Introduction

In February 2011 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve a treasury management annual report after the end of each financial year.

This report fulfils the Authority's legal obligation to have regard to the CIPFA Code

The Authority's treasury management strategy for 2018/19 was approved at Full Council on the 20th February 2018. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

2. Economic commentary

After spiking at over \$85/barrel in October 2018, oil prices fell back sharply by the end of the year, declining to just over \$50 in late December before steadily climbing toward \$70 in April 2019. UK Consumer Price Inflation (CPI) for February 2019 was up 1.9% year/year, just above the consensus forecast but broadly in line with the Bank of England's February Inflation Report. The most recent labour market data for the three months to January 2019 showed the unemployment rate fell to a new low 3.9% while the employment rate of 76.1% was the highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.4% as wages continue to rise steadily and provide some upward pressure on general inflation. Once adjusted for inflation, real wages were up 1.4%. The UK economy showed signs of slowing with latest estimates showing GDP, helped by an improving global economy, grew by 1.8% in calendar 2017, the same level as in 2016. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies.

After rising to 0.6% in the third calendar quarter from 0.4% in the second, fourth quarter economic growth slowed to 0.2% as weaker expansion in production, construction and services

dragged on overall activity. Annual GDP growth at 1.4% continues to remain below trend. Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy have been made since.

The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the 2.25%-2.50% range in December. However, a recent softening in US data caused the Fed to signal a pause in hiking interest rates at the last Federal Open Market Committee (FOMC) meeting in March.

With the 29th March 2019, the original EU 'exit day' now been and gone, having failed to pass a number of meaningful votes in Parliament, including shooting down Theresa May's deal for the third time, MPs voted by a majority of one (313 to 312) to force the prime minister to ask for an extension to the Brexit process beyond 12th April in order to avoid a no-deal scenario. Recent talks between the Conservative and Labour parties to try to reach common ground on a deal which may pass a vote by MPs have yet to yield any positive results. The EU must grant any extension and its leaders have been clear that the terms of the deal are not up for further negotiation. The ongoing uncertainty continues to weigh on sterling and UK markets.

While the domestic focus has been on Brexit's potential impact on the UK economy, globally the first quarter of 2019 has been overshadowed by a gathering level of broader based economic uncertainty. The US continues to be set on a path of protectionist trade policies and tensions with China in particular, but with the potential for this to spill over into wider trade relationships, most notably with EU. The EU itself appeared to be show signs of a rapid slowdown in economic growth with the major engines of its economy, Germany and France, both suffering misfires from downturns in manufacturing alongside continued domestic/populist unrest in France. The International Monetary Fund downgraded its forecasts for global economic growth in 2019 and beyond as a consequence.

3. Financial markets

December was a month to forget in terms of performance of riskier asset classes, most notably equities. The FTSE 100 (a good indicator of global corporate sentiment) returned -8.8% assuming dividends were reinvested; in pure price terms it fell around 13%. However, since the beginning of 2019 markets have rallied, and the FTSE 100 and FTSE All share indices were both around 10% higher than at the end of 2018.

Gilt yields continued to display significant volatility over the period on the back of ongoing economic and political uncertainty in the UK and Europe. After rising in October, gilts regained their safe-haven status throughout December and into the New Year - the 5-year benchmark gilt yield fell as low as 0.80% and there were similar falls in the 10-year and 20-year gilts over the same period dropping from 1.73% to 1.08% and from 1.90% to 1.55%. The increase in Bank Rate pushed up money markets rates over the year and 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.53%, 0.67% and 0.94% respectively over the period.

Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth is not just a UK phenomenon but a global risk. During March the US yield curve inverted (10-year Treasury yields were lower than US 3 month money market rates) and German 10-

year Bund yields turned negative. The drivers are a significant shift in global economic growth prospects and subsequent official interest rate expectations given its impact on inflation expectations. Further to this is world trade growth which collapsed at the end of 2018 falling by 1.8% year-on-year. A large proportion of this downturn in trade can be ascribed to the ongoing trade tensions between the US and China which despite some moderation in January does suggest that the International Monetary Fund's (IMF) and Organisation for Economic Co-Operation & Development's (OECD) forecasts for global growth in 2019 of 3.5% might need to be revised downwards.

4. Credit background:

Credit Default Swap (CDS) spreads drifted up towards the end of 2018 on the back of Brexit uncertainty before declining again in 2019 and continuing to remain low in historical terms. After hitting around 129 basis points in December 2018, the spread on non-ringfenced bank NatWest Markets plc fell back to around 96bps at the end of March, while for the ringfenced entity, National Westminster Bank plc, the CDS spread held relatively steady around 40bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 33 and 79bps at the end of the period.

The ringfencing of the big four UK banks (Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc) transferred their business lines into retail (ringfenced) and investment banking (non-ringfenced) entities.

In February, Fitch put the UK AA sovereign long-term rating on Rating Watch Negative as a result of Brexit uncertainty, following this move with the same treatment for UK banks and a number of government-related entities.

There were minimal other credit rating changes during the period. Moody's revised the outlook on Santander UK to positive from stable to reflect the bank's expected issuance plans which will provide additional protection for the its senior unsecured debt and deposits.

5. Local Context

On 31st March 2019, the Authority had net investments of £32.075m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.18	2018/19	31.3.19
	Actual	Movement	Actual
	£m	£m	£m
General Fund CFR	0	0	0
Less: External borrowing	2.001	2.001	0
Less: Usable reserves	24.741	3.149	27.890
Less: Working capital	3.510	0.675	4.185
Net Investments	26.250	5.825	32.075

The Council's strategy was to diversify investments into more pooled funds in order to reduce risk and increase returns. The treasury management position as at 31st March 2019 and the year-on-year change is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.18	2018/19	31.3.19	31.3.19
	Balance	Movement	Balance	Rate
	£m	£m	£m	%
Short-term borrowing	2.000	(2.000)	0	
Total borrowing	2.000	(2.000)	0	
Long-term investments	4.570	7.731	12.301	2.02%
Short-term investments	21.000	(7.810)	13.190	0.91%
Cash and cash equivalents	2.680	4.032	6.712	0.62%
Total investments	28.250	3.953	32.203	1.26%
Net investments	26.250	5.953	32.203	

6. Investment Activity

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2018/19, the Authority's investment balance ranged between £24.765 and £43.800 million due to timing differences between income and expenditure. The year-end investment position and the year-on-year change in show in table 4 below.

Table 4: Investment Position (Treasury Investments)

	31.3.18 Balance £m	2018/19 Movement £m	31.3.19 Balance £m	31.3.19 Rate %
Banks & building societies (unsecured)	18.000	(9.967)	8.033	0.93%
Government (incl. local authorities)	5.005	0.005	5.010	1.02%
Money Market Funds/Call	2.671	4.041	6.712	0.62%
Pooled Funds	2.574	9.874	12.448	2.71%
Total investments	28.250	3.953	32.203	1.26%

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

In furtherance of these objectives, and given the increasing risk and low returns from short-term unsecured bank investments, the Council diversified into higher yielding asset classes during 2018/19. £10m was invested across a number of pooled funds. As a result, investment risk was lowered, and returns on all pooled funds have significantly increased the revenue returns compared with fixed term deposits.

Table 5: Current Pooled Funds

Fund Manager	Investment £	31 st March	31 st March	Dividends	2018/19	Gain/(Loss) v
		2018 £	2019 £	Received 2018/19 £	Gain/(Loss) £	Original Investment £
CCLA Property	500,000	509,148	511,537	22,154	2,389	11,537
CCLA Property	2,000,000	0	1,872,848	74,554	(127,152)	(127,152)
Schroders	1,000,000	0	930,978	47,183	(69,022)	(69,022)
M&G UK Income	2,000,000	0	1,932,672	49,104	(67,328)	(67,328)
Investec Div Income	2,000,000	0	2,027,051	22,550	27,051	27,051
Threadneedle Bond	2,000,000	0	2,026,591	5,069	26,591	26,591
CCLA Div	1,000,000	0	998,850	23,558	(1,150)	(1,150)
Total –current funds	10,500,000	509,148	10,300,527	244,172	(208,621)	(199,473)

A decision was made to open up different pooled funds during 2018/19 after taking advice from Arlingclose and receiving member's approval. The funds earned £244k but the capital values fell as asset classes had a turbulent time in late 2018. In respect to the CCLA Property Fund loss – this is entirely fees paid up front. However the returns on dividends amounted to a 2.32% for the financial year.

The nature of these funds is that values can fluctuate from one year to another. Their performance and suitability in meeting the Authority's investment objectives are monitored and discussed with Arlingclose on a regular basis.

7. Financial Implications

The outturn for investment income received in 2018/19 was £458,494 which equates to a 1.26% return (17/18 – 0.58%) on an average investment portfolio of £36.5 million against a budgeted £341,270 on an average investment portfolio of £36.5 million at an average interest rate of 1.16%.

Net investments made an actual surplus of £117,224 for the 2018/19 financial year.

8. Local Authority Regulatory Changes

CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The required changes from the 2011 Code were incorporated into Treasury Management Strategies from the 2019/2020 financial year. The 2017 Prudential Code introduces the requirement for a Capital Strategy which provides a high-level overview of the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. The Code also expands on the process and governance issues of capital expenditure and investment decisions.

In the 2017 Treasury Management Code the definition of 'investments' has been widened to include financial assets as well as non-financial assets held primarily for financial returns such as investment property. These, along with other investments made for non-treasury management purposes such as loans supporting service outcomes and investments in subsidiaries, must be discussed in the Capital Strategy or Investment Strategy. Additional risks of such investments are to be set out clearly and the impact on financial sustainability is identified and reported.

9. Compliance Report

The Chief Finance Officer is pleased to report that all treasury management activities undertaken during 2018/19 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

Table 7: Debt Limits

	31.3.19 Actual £m	2018/19 Operational Boundary £m	2018/19 Authorised Limit £m	Complied
Borrowing	0	4.5	6.5	✓

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is

not counted as a compliance failure. Total debt was never above the operational boundary during 2018/19.

10. Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

10.1. Security

The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	31.3.19 Actual	2018/19 Target	Complied
Portfolio average credit	A	A-	✓

10.2. Principal Sums Invested for Periods Longer than 364 days:

The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2018/19	2019/20	2020/21
Actual principal invested beyond year end	£12.5m	£10.5m	£10.5m
Limit on principal invested beyond year end	£20m	£20m	£20m
Complied	✓	✓	✓



AUDIT COMMITTEE

25th JULY 2019

AGENDA ITEM (14)

STATEMENT OF ACCOUNTS

Accountable Member	Not Applicable
Accountable Officer	Mrs Jenny Poole Chief Finance Officer 01285 623313 Jenny.Poole@cotswold.gov.uk

Purpose of Report	This report presents to the Committee the draft Statement of Accounts for 2018/19 to consider and approve for publication.
Recommendation(s)	(a) That the Committee note the Accounting Policies that have been applied in producing the Statement of Accounts (pages 56 to 67 of Appendix A). (b) The draft unaudited Statement of Accounts 2018/19 be approved (as attached at Appendix A) (c) That the key balances and messages from the Statement of Accounts 2018/19 be noted.
Reason(s) for Recommendation(s)	The Council is statutorily obliged to have prepared its draft statement of accounts by 31 st May following the end of the financial year and to have published its audited accounts by 31 st July. Even though the 2018/19 audit is not yet complete, the Council is still required to approve and publish the accounts (in their current 'draft' form) by 31 st July.

Ward(s) Affected	None
Key Decision	No
Recommendation to Council	No

Financial Implications	The Council Audit and Inspection fees for the 2018/19 year (excluding grant certification work and ad hoc work) are £34,557 as detailed in note B7 (page 18) of the Statement of Accounts.
Legal and Human Rights Implications	None
Environmental and Sustainability Implications	None

Human Resource Implications	None
Key Risks	By not approving the Statement of Accounts the Council will fail to comply with the Accounts and Audit Regulations 2015.
Equalities Impact Assessment	Not Required
Related Decisions	Council 20 th February 2018 approved the 2018/19 budget. Cabinet 1 st July 2019 – Revenue Outturn 2018/19.
Background Documents	None
Appendices	Appendix 'A' – Statement of Accounts (unaudited)
Performance Management Follow Up	Following approval, the Statement of Accounts will be published on the Council's website.

1.0 Background Information

1.1. The Council's Chief Finance Officer is responsible for ensuring that the statement of accounts are prepared and published no later than 31st May immediately following the end of a year. At the same time, the statement of accounts is submitted to the Council's auditors, Grant Thornton, to undertake the formal audit of the accounts.

1.2. In previous years the audited Statement of Accounts, along with the Grant Thornton Audit Findings Report, has been presented to this Committee for formal approval. This will not be the case for the 2018/19 Statement of Accounts. The audit of the Statement of Accounts is underway, but it is not complete.

1.3. It is anticipate that the Accounts will be formally presented to this Committee in September for formal sign-off. The accounts will incorporate adjustments required as a consequence of the audit. At the time of preparing this report, the revenue outturn position reported in June is expected to remain the same.

1.4. The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ('the Code'). The Council is statutorily obliged under the Accounts and Audit Regulations 2015 to prepare its Statement of Accounts in accordance with the Code.

2.0 Composition of the Statement of accounts

2.1 The four core statements within the Accounts are:

2.2 Comprehensive Income & Expenditure Statement:

The statement shows the accounting cost of services in accordance with generally accepted accounting practices, rather than services funded purely from taxation. The 'below the line' funding & accounting entries that bring the statement back to the movement on the General Fund (reversing items such as depreciation and impairment and accounting for pension contributions) form part of the Movement in Reserves Statement below.

2.3 Movement in Reserves Statement:

The statement details the movement in [Page 140 of 212](#) year between reserves, from the surplus/deficit on

provision of services in the Comprehensive Income & Expenditure Statement, to the position on the Balance Sheet at 31 March, splitting the reserves into the usable reserves (which are available to spend) and unusable reserves which represent reserve held for accounting purposes (and are not available for use).

2.4 Balance Sheet:

The balance sheet depicts the assets and liabilities of the Authority, with the overall position representing the 'net worth' of the Council.

2.5 Cash Flow Statement

The statement shows the year on year change in cash and cash equivalents (i.e. on demand deposits) available to the Council, rather than simply showing the movement in the bank balance.

The 'notes to the accounts' provide additional breakdown and disclosure of balances to support the primary statements.

3.0 **Accounting Policies**

3.1 The Council's Financial Rules state that the Chief Finance Officer is responsible for setting the Council's accounting policies. The Statement of Accounts is prepared based upon these policies.

3.2 Whilst it is the Chief Finance Officer's responsibility to set the policies, it is seen as best practice for this Committee to also agree the policies. The policies have a significant influence upon the Accounts which the Committee has responsibility for approving, following completion of the external audit process.

3.3 The accounting policies are set out on pages 56 to 67 of the attached Statement of Accounts. The only significant change to the policies is an update to note 'ix' on 'Financial Instruments' which has been revised to take account of the Council's treatment and classification of its Pooled Investments.

4.0 **Revenue Outturn And Performance**

4.1 The Council's approved revenue budget [cost of services] for 2018/19 was £13,104,721. This was revised to £14,642,972 during the year to reflect adjustments for capital charges and the inclusion of additional budgets to fund one-off expenditure, and the funding of items from earmarked reserves. The Council planned to make a contribution to the General Fund balance of £7,811. At the end of the year, with the inclusion of a retained Business Rates 'pool' surplus, the Council was £491,362 underspent.

4.2 The revenue outturn position was reported to Cabinet on 1st July 2019. At the meeting, it was agreed that £490,000 of the revenue surplus be transferred to the Council Priorities Fund. The remaining £1,362 would remain in General Fund.

4.3 For a full breakdown of the outturn for the year, please refer to the Cabinet report, agenda item 8, 1st July 2019.

5.0 **Reconciling the Comprehensive Income and Expenditure Statement to the Revenue Outturn Position Reported to Cabinet**

5.1 The Comprehensive Income & Expenditure Statement (page 9 of the Accounts) shows the accounting cost in the year of providing services. A net surplus on provision of services of £1,031k is reported. The figures differ from the revenue outturn report (a surplus of £1,362) as the statement is prepared based upon international accounting standards while the management accounts are prepared based upon internal reporting practices.

5.2 Note B1 "Expenditure and Funding Analysis" on page 11 of the Accounts reconciles this difference between statutory financial reporting and management reporting. The accounting transactions, which are not reported to members as they do not impact upon council tax payer

financing of the Council, are set out in the column headed "Adjs. between accounting and funding basis" and amount to £210,413. Once adjustments for transfers to and from earmarked reserves (£811,658) are taken into account, the net contribution to the Council's General Fund Balance is £9,172 (£7,810 planned contribution + £1,362 in-year surplus).

6.0 Balance Sheet Movements

6.1 The Balance Sheet represents the value or 'net worth' of the Council at 31st March. At 31st March 2019 the Council's net worth was £54.1m compared to £50.4m the previous year. The key movements in the balance sheet between 31st March 2018 and 31st March 2019, and reasons for the largest changes, are summarised below:

6.2 The value of Property, Plant and Equipment has increased by £9.5 million. This is due primarily to changes in asset valuations undertaken by the Council's valuers. The most significant of which is an increase of over £7m in the book value of the Council's car parks and leisure facilities.

6.3 Long term debtors have decreased by £1.27m. The movement represents the repayment (back to the Council) of the Council's Local Authority Mortgage Scheme (LAMS) loan. The £1m scheme ended in January 2019, with the full £1m being received back.

6.4 Short term investments have reduced by £10 million from the start of the year with a corresponding movement in long-term investments. The change represents a shift in the Council's investment portfolio, with a move into Pooled Funds, and the Council seeking to make use of its available cash balances to support the revenue account with increased investment returns.

6.5 Short-term borrowing has reduced by £2 million. At the end of the financial year the Council had no requirement to borrow.

6.6 The Council's provisions have increased from £1m to £2m. The provision held relates solely to outstanding Business Rates appeals against the 2010 and 2017 valuation list. A new 'check, challenge and appeal' process has been slow to resolve appeals against the 2017 list, and the potential impact when these appeals are assessed/settled remains high.

6.7 Short term creditors have increased by £1.3 million. Fluctuations in such balances are expected, due to the size of transactions with central government departments and local authorities. These balances are heavily influenced by the accounting arrangements for the local business rate retention scheme.

6.8 The value of the pension fund net liability, which is shown under "Other Long Term Liabilities", has worsened by £7.6-million. This is primarily a result of changes in actuarial assumptions, and the worsening of the present value of defined benefit obligations exceeding the growth in the fair value of the scheme assets.

6.9 The triennial pension fund valuation was completed in March 2016 and established the authority's pension fund contributions for the subsequent three years (2017/18 to 2019/20). The 2019 valuation will not impact upon the Councils physical pension fund contributions during 2019/20.

6.10 The Councils 'earmarked reserves' represent resources that have been set-aside by the Council for specific projects or money to provide specific schemes in the future. Overall contributions to earmarked reserves amounted to £2.51 million whilst expenditure amounted to £1.75 million, the value of earmarked reserves therefore increased by a net £0.76m. The majority of the transfers to earmarked reserves comprised of transfers from the General Fund to increase the Council Priorities Fund earmarked reserve.

6.11 The 'general fund balance' has increased by £9,172 from 1st April to 31st March. The movement represents the budgeted transfer to the General Fund of £7,810k and the under-spend in the year (after transfers to reserves mentioned in 6.11 above) of £1,362k. The general fund balance represents the unallocated revenue reserves of the Council. At 31st March the balance stood at £4,910,148.

6.12 The 'Net Assets' or 'Net Worth' of the Council has increased by £3,635,675 during the year to £54,063,523. The Council remains financially secure and sustainable for the foreseeable future.

7.0 Summary of changes resulting from the Audit

7.1 The Audit is currently underway, but it is not complete. At the time of writing this report the following changes are expected to be required:

McCloud Judgement (Pensions)

7.2 In 2014 the Local Government Pension Scheme (LGPS) was reformed and transitional protections were applied to certain older members close to retirement age. In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well.

7.3 The draft Statement of Accounts presented to Grant Thornton at the end of May did not make any adjustments or allowances for the McCloud ruling, however a disclosure was included under the notes related to accounting for the defined benefit pension scheme (the Local Government Pension Scheme). Since then, revised figures have been sought from the Gloucestershire County Council Pension Fund's Actuary to take account of the potential impact that the McCloud ruling will have on the fund valuation. A revised IAS19 report was issued in July by the Pension Fund, resulting in an increased in the deficit on the Cotswold share of the fund of £750,000.

7.4 The change in the pension fund valuation has not (yet) been reflected in the draft Statement of Accounts attached to this report as the treatment of the changes has still to be agreed with Grant Thornton.

Misclassification and disclosure changes

7.5 A small number of other misclassification and disclosure changes will be made to the accounts. These changes represent less significant amendments, including changes to notes where expanded explanation has been necessary and other minor presentational adjustments (such as roundings within tables) to improve the quality of disclosures in the accounts.

7.6 Once the audit is complete, details of the adjustments to the draft accounts will be presented to the Committee.

8.0 The Letter of Representation

8.1 To complete the Audit process the Council is required to submit a letter of representation to Grant Thornton to complement the financial statements and to outline the areas considered in stating that the financial statements give a true and fair view on the accounts, in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

8.2 The letter of representation has not been presented to this Committee at this point in time as the letter can only accompany the audited financial statements. The letter will be circulated to the Committee, for approval, when the Audit is complete.

8.3 At the conclusion of the Audit, the Chairman of the Audit Committee and the Chief Finance Officer will be asked to sign the Letter of Representation prior to Grant Thornton approving the accounts. Grant Thornton is not able to issue an opinion on the accounts until the letter of representation has been received.

9.0 Early closure of the Accounts

9.1 In 2017/18 the deadline for issuing the draft Statement of Accounts for Audit was brought-forward from 30th June to 31st May. For 2018/19 the draft accounts were submitted to the Auditors by 31st May in line with the statutory timescales.

10.0. Approval and publication of the Statement of Accounts

10.1 The Audit Committee is tasked with formally approving the Statement of Accounts on behalf of the Council.

10.2 At this point in time, the Accounts have not been audited. The draft accounts will therefore be published on the Council's website by 31st July, with a note explaining the reason for the delay in signing-off the statement of accounts.

10.3 On completion of the audit, the Committee will be asked to approve the signing of the Statement of Accounts and Letter of Representation. At this point the Accounts can be formally approved by the Committee and the external auditor (Grant Thornton).

10.4 Once approved a copy of the Audited Statement of Accounts will be published on the Council's website along with the notice of Completion of Audit.

(END)



COTSWOLD
DISTRICT COUNCIL

STATEMENT OF ACCOUNTS
2018/2019 (DRAFT & UNAUDITED)

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NARRATIVE REPORT

Cotswold District Council

Cotswold District Council sits at the heart of the Cotswolds Area of Outstanding Natural Beauty - one of the most beautiful parts of the country, as proven by its popularity as a visitor destination. The District is an attractive area to live, with many second or holiday homes. The area has high property prices and affordability of housing has been an issue for some years.

The population is approximately 84,000, which given its size of 450 square miles and its largely rural character means that there is a low density of population which in turn affects the costs of providing services. The District also has an ageing population and has the highest proportion of people aged 65 and over in the County. People living in Cotswold District are more likely to experience a good quality of life than elsewhere in Britain. Many parts of the District are in the least deprived 20% in England, with no parts in the most deprived 20%.

In considering our aim and priorities, we have been very much aware of the need to maintain progress on improving our efficiency, while ensuring that we provide quality services at the lowest cost possible. We are aiming high in striving to be the most efficient local authority in the country, and have 'led the field' in terms of Council tax reductions.

Publica Group (Support) Limited

Publica Group (Support) Limited ['Publica'] is wholly owned by Cotswold District Council along with West Oxfordshire and Forest of Dean District Councils and Cheltenham Borough Council. It is a not-for-profit company limited by guarantee with no share capital and operates with Mutual Trading Status to deliver services on behalf of the Member councils under contract.

Publica is a Teckal company.

Our Aim and Priorities

To be recognised as the most efficient Council in the Country

Provide high quality services at the lowest possible cost to Council Tax payers

Protect and enhance the local environment whilst supporting economic growth

Champion issues that are important to local people

The Corporate Strategy 2016 to 2019 sets out the Council's aim, priorities and objectives. Under each priority are the Council's 'key tasks' which show what we will do to achieve each priority and objective. Service Delivery Plans have been developed for each of our services; and include a summary of what the service does, and how it supports the Council's aim, priorities and objectives. They link the Council priorities and objectives in the Corporate Strategy to the activities that demonstrate what we will do to achieve them.

During the year, we monitor the progress of the Corporate Strategy and activities and performance measures in the Service Delivery Plans to ensure that the Council stays on track, and achieves what it set out to do.

The Corporate Strategy 2016 to 2019 can be found on the Council's website.

NARRATIVE REPORT

Medium Term Financial Strategy (MTFS)

The Council operates a rolling 4 year MTFS, the latest being approved by Council on 14 February 2019. This latest update reflected announcements in the local government settlement for 2019/20 including an increase to the Rural Services Delivery Grant, allocations for New Homes Bonus for 2019/20 and further consultation regarding the Fairer Funding Review and 75% Business Rate Retention Scheme;

A summary of the MTFS for the next four years is shown below:

	2019/20	2020/21	2021/22	2022/23
	£0	£0	£0	£0
Net Cost of Service	11,157	10,678	10,483	10,272
Central Government Funding	(5,521)	(4,277)	(4,331)	(4,387)
Council Tax	(5,269)	(5,438)	(5,613)	(5,793)
Collection Fund Surplus	(97)	(100)	(100)	(100)
Budgeted (Surplus) / Deficit	270	863	439	(8)

Retained Business Rates & Pool Pilot

The Council has been part of the Gloucestershire 100% Business Rate Pool Pilot for 2018/19. The application to become a 75% Pilot for 2019/20 was not successful and the Pool will therefore be formed on a 50% basis for 2019/20.

A significant level of risk remains due to the volume of outstanding appeals against the 2010 valuation list and a new 2017 list came into effect in April 2017 together with a new Check, Challenge and Appeal process, replacing the former appeals process.

The MTFS has been updated to include the latest Business Rates estimates and assumes that the Council will be compensated (through Section 31 grant) for the impact on Business Rates which relate to any nationally announced discounts or reliefs to businesses.

Council Tax

The Localism Act 2011 introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered as excessive Council Tax, including proposed limits.

MHCLG proposed a maximum Council Tax increase of 3% or £5 for 2019/20. The MTFS assumes a freeze for 2019/20 and increases of 1.99% per annum, each year thereafter.

Financial Assumptions

The financial planning assumptions used in the MTFS reflect current economic circumstances including:

- provision for the impact of pay inflation on the Publica contract sum of 2% base increase, updated to reflect the higher national pay award for lower grades;
- provision for service contract inflation;
- investment interest returns are expected to generate a 1% return with pooled funds expected to generate a higher 3% return;
- no inflationary increase to fees and charges until 2020/2021;
- growth in Council Tax base of 1.2% per annum;

Savings Targets

MTFS savings targets are split between those which are deliverable, planned savings and additional savings which may be required depending on the impact of changes to central government funding. Planned savings amount to £672,000 over the next four years.

Reflecting anticipated changes in central government funding, an additional £2m savings over the next four years have been included.

The full update to the Medium Term Financial Strategy can be found on the Council's website.

NARRATIVE REPORT

Financial Performance

The Council's 2018/19 budget strategy assumed a balanced budget with a £7,811 surplus contribution to General Fund (Unallocated) balances.

The outturn position resulted in a contribution of £9,172 to General Fund balances, a small increase on the budgeted surplus.

The significant items that have affected the services outturn are as follows:

Income

The Council's Green Waste service performed well with a surplus of income from subscribers, of £159,000.

Despite a positive start to the year, planning applications income fell short. Application fees (including pre-planning application advice fees) were £154,000 under target.

Expenditure

The majority of the Council's staffing resource is supplied under contract from Publica. The Publica contract sum for 2018/19 was £9,213,075. Publica invoice the Council according to its agreed contract sum for the first 11-months of the year, with reconciliation to the actual cost of the contract at the end of the year.

At the year end, Publica had generated an additional surplus of contributions from its Members of £877,000. This is principally due to staff vacancies, savings from Publica pension and early delivery of 2019/20 planned savings. The Council has agreed that it will contribute £70,000 from its share of the surplus towards a new graduate & apprenticeship scheme being implemented in 2019. After taking account of this; the Council is due to receive a refund of excess contribution from Publica of £236,888.

The Council's Environmental Services (grounds maintenance, domestic waste collection, recycling collections, etc.) are provided by Ubico Ltd. Due to the aging fleet that Ubico are using to deliver the Cotswold contract, the cost of repairs, fleet maintenance works, and the cost of hiring vehicles is greater than would normally be expected. The Ubico contract costs have exceeded budget by £156,000.

Capital Programme (Asset Management)

Cotswold District Council maintains a rolling four year capital programme of investment and asset management to support the Council's aims and priorities.

In 2018/19 £1,640,850 was spent against a capital budget of £12,828,555. Not all schemes planned for the year were undertaken including:

- Cirencester Car Parking – budget of £7.5m; the planning application should be submitted in Q2 19/20 and expenditure will occur in 2019/20 and 2020/21.
- Recycling and Waste Vehicles – budget of £861,533; fleet orders have been pending a decision on future waste service design with orders for replacement vehicles made in Q4 of 2018/19.

Budgets for ongoing projects have been carried forward into 2019/20, with other budgets being reallocated or removed from the capital programme.

	OUTTURN 2018/19 £000	MTFS 2019/23 £000
EXPENDITURE		
Private Sector Housing	785	2,800
ICT Infrastructure	158	7,934
Waste/Env. Vehicles & Equip.	64	7,629
Community Projects	50	200
Car Parking	52	17,975
Corinium Museum	413	1,479
Print Room Equipment	119	0
Property	0	700
Electric Vehicle Charging Points	0	600
Leisure Services & Equipment	0	1,580
Total Expenditure	1,641	40,897
FUNDING		
Borrowing	0	13,590
Revenue Contributions	415	4,763
Grants and contributions	1,148	3,776
Capital Receipts & Reserves	78	18,768
Total Expenditure	1,641	40,897

NARRATIVE REPORT

Risk Management

The Corporate Risk Register was updated during April 2019 and reviewed by the Shared Risk Management Group on 30th April 2019. The Shared Risk Management Group comprises both Council and Publica Senior Managers. Any risk scoring 15 or above is considered a 'primary' risk.

At the end of 2018/19, there were 2 primary risks on the register:

- If the Local Government settlement over the medium term is unfavourable then the Council's savings targets may need to increase – The MTFS was approved by Council in February 2019. The MTFS includes an estimate of the likely impact of the changes to local government funding from 2020/21 onwards which provides the Council with the context in which to take decisions. However, the actual impact of changes to central government funding will not be known until the autumn.
- If Ubico is unable to deliver services to the required standard then it could damage the Council's reputation and result in additional costs for the Council. The waste fleet has deteriorated before expected, resulting in high levels of breakdown, and as a consequence is impacting on residents and increasing service costs. The fleet is being re-procured as part of a new service, which will be launched in November 2019. Modelled costs for the new service were agreed at Council in December 2018 and embedded in the budget in February, however, there are elements such as fleet numbers and tonnages which are based on estimates and may be subject to change which could increase costs.

Service Risk Registers were updated by Officers to reflect changes to risk ratings at the end of the year. There were no primary risks on the Service Risk Register.

Pensions Liability

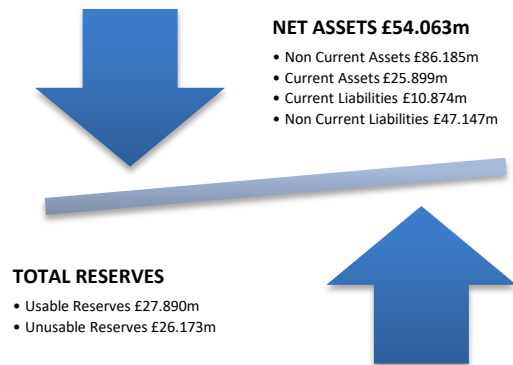
The pensions liability as at 31 March 2019 was £46.791m. Whilst a significant sum, this is the net value of what the Council owes across all future years offset against assets invested in the Local Government Pension Scheme.

The fund is revalued and contribution rates set every three years. The most recent valuation was 31 March 2019.

Publica and the Council will continue to make contributions to cover liabilities accruing for current members of the scheme (primary contributions) and secondary contributions (annual lump-sum) will be paid directly by the Council to fund the deficit.

Financial Position

The Council continues to maintain a strong Balance Sheet, increasing its Net Assets by £3.635m on last year's position.



Significant movements were:

- £9.157m upward revaluation of Property, Plant & Equipment
- £9.784m increase in non-current investments
- £9.928m decrease in current investments
- £4.239m increase in cash and cash equivalents
- £7.602m increase in pension liability

Facing the Challenges Ahead

With the 29th March 2019, the original EU 'exit day' now been and gone, having failed to pass a number of meaningful votes in Parliament, including shooting down Theresa May's Brexit deal for the third time, MPs voted by a majority of one (313 to 312) to force the prime minister to ask for an extension to the Brexit process beyond 12th April in order to avoid a no-deal scenario. Recent talks between the Conservative and Labour parties to try to reach common ground on a deal which may pass a vote by MPs have yet to yield any positive results. The EU must grant any extension and its leaders have been clear that the terms of the deal are not up for further negotiation. The ongoing uncertainty continues to weigh on sterling and UK markets.

While the domestic focus has been on Brexit's potential impact on the UK economy, globally the first quarter of 2019 has been overshadowed by a gathering level of broader based economic uncertainty. The US continues to be set on a path of protectionist trade policies and tensions with China in particular, but with the potential for this to spill over into wider trade relationships, most notably with EU. The EU itself appeared to be show signs of a rapid slowdown in economic growth with the major engines of its economy, Germany and France, both suffering misfires from downturns in manufacturing alongside continued domestic/populist unrest in France. The International Monetary Fund downgraded its forecasts for global economic growth in 2019 and beyond as a consequence.

UK Consumer Price Inflation (CPI) for February 2019 was up 1.9% year/year, just above the consensus forecast but broadly in line with the Bank of England's February Inflation Report. The most recent labour market data for the three months to January 2019 showed the unemployment rate fell to a new low 3.9% while the employment rate of 76.1% was the highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.4% as wages continue to rise steadily and provide some upward pressure on general inflation. Once adjusted for inflation, real wages were up 1.4%.

One of the biggest financial challenges the Council faces is the change to central government funding which is due to be implemented from the 2020/21 financial year. For the period to 2020/21, the Council has entered into an agreement with the Government which sets out minimum levels of funding for certain funding streams (Revenue Support Grant and Rural Services Delivery Grant). For the period post 2020/21, the future is far less certain as a number of significant changes will come into effect:

- the Government will implement the outcome of the Local Government Fairer Funding Review;

- the new 75% Business Rates Retention system will come into effect;
- the Business Rate baseline will be reset and it is likely that the Council will lose its share of the financial benefit from growth in business rates in the District since 2013;
- the Government will have completed a new Spending Review to establish its spending priorities post 2020;

In addition, while some changes to New Homes Bonus have been implemented, changing the award period from six years to four years and introducing a baseline for housing growth baseline of 0.4%, further changes are possible as a result of the changes to local government funding.

The impact of the changes to central government financing, set out in the bullets above, are still uncertain with progress at national government stalling as a result of the government's focus upon Brexit. The Council updated its Medium Term Financial Strategy (MTFS) in February 2019 to include the latest forecast implications and will continue to keep the Strategy under review as further information becomes available. It is possible that some of the changes will be delayed from 2020/21 to 2021/22. Following the resignation of the current Prime Minister, a process is underway to select a new Prime Minister and a new Cabinet will inevitably form. These recent events strengthen the view that some of the changes will be implemented in 2021/22. The MTFS will be updated as further information becomes available.

In order to maintain the current level of General fund reserve over the longer term, it is likely that the Council will need to find further budgetary savings over the life of the MTFS. These savings can be generated through increasing efficiency gains (although a great deal of work have already taken place in this respect), increasing income from fees and charges, increasing Council Tax income or reviewing service provision, particularly the provision of discretionary services. The Council is in the fortunate position of being able to develop contingency plans while the impact of changes to Government funding is clarified.

The Council holds various earmarked reserves which are held to fund costs associated with transformational change or smooth the impact of cyclical cost to the Council Tax payer. These funds will enable the Council to deliver its medium and longer term savings plans.

Operationally, the Council will be working with its service delivery company, Publica, to implement a transformation programme which aims to deliver savings of £664,000 to the Council's revenue budget over the next four years. In addition to significant

NARRATIVE REPORT

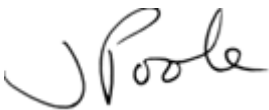
savings, the transformation programme also aims to improve services to customers by utilising new technology and designing services putting the customer needs first.

One of the Council's top tasks over the medium term is to address car parking requirements in Cirencester. The Council's Capital Programme includes provision for building a decked car park in Cirencester. This investment will see the Council borrowing for the first time in many years. The implications of this significant investment have been included in the Council's Capital Strategy, Investment Strategy, Treasury Management Strategy and Medium Term Financial Strategy.

The Council held its local elections in May 2019. This resulted in a change of political control from Conservative to Liberal Democrat. The new administration is in the process of developing a new Council Plan which will set out its priorities for the Council for the next four years. The financial impact of these new priorities will be reflected in the update to the Medium Term Financial Strategy during 2019/20.

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.



Jenny Poole CPFA
Chief Finance Officer

Explanation of the Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2019. It comprises core and supplementary statements, together with supporting notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which in turn is underpinned by International Financial Reporting Standards. A glossary of key terms and abbreviations can be found at the end of this publication.

The **Core Statements** are:

The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area / directorate. The bottom half of the statement deals with corporate transactions and funding.

The **Movement in Reserves Statement** is a summary of the changes that have taken place in the bottom-half of the Balance Sheet over the financial year.

Reserves are divided into "usable", which can be invested in service improvements or capital investment, and "unusable" which must be set aside for specific purposes.

The **Balance Sheet** is a 'snapshot' of the Council's assets, liabilities, cash balances and reserves as at the year-end, 31 March 2019.

The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment or financing activities (such as borrowing or other long term liabilities).

The **Supplementary Statements** are:

The **Collection Fund** summarises the transactions relating to council tax and business rates collection, and the redistribution of that money.

Business Rates is distributed to Central Government, Gloucestershire County Council and Cotswold District Council. Council Tax is distributed between Gloucestershire County Council, the Police & Crime Commissioner for Gloucestershire, Cotswold District Council and the Town & Parish Councils within the Cotswold district.

The **Annual Governance Statement** which sets out the governance structures of the Council and its key internal controls.

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.

CERTIFICATE

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 2019.

_____ Date: _____

Jenny Poole
Chief Finance Officer

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/2018				2018/2019		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£	£	£	Note	£	£	£
			<u>Joint Committee / Shared Services</u>			
1,227,467	(636,610)	590,857	Environmental and Regulatory Services	1,041,933	(558,475)	483,458
3,780,995	(2,180,636)	1,600,359	GO Shared Services	2,500,232	(1,244,830)	1,255,402
1,909,163	(137,963)	1,771,200	ICT, Change and Customer Services	2,063,442	(116,345)	1,947,097
1,656,079	(669,909)	986,170	Land, Legal and Property Services	1,444,372	(773,055)	671,317
1,341,612	(719,763)	621,849	Partnership MD and 2020 Programme Costs	516,622	0	516,622
20,234,471	(19,948,175)	286,296	Revenues and Housing Support Services	18,012,237	(17,557,973)	454,264
			<u>Strategic Directors</u>			
1,323,146	(381,824)	941,322	Democratic Services	1,136,097	(125,309)	1,010,788
8,499,423	(4,769,466)	3,729,957	Environmental Services	7,848,207	(4,673,727)	3,174,480
2,321,755	(578,128)	1,743,627	Leisure and Communities Services	1,453,981	(919,514)	534,467
3,997,419	(2,138,535)	1,858,884	Planning and Strategic Housing Services	3,405,433	(1,589,071)	1,816,362
671,929	(210,284)	461,645	Other Retained Services	1,223,503	(476,405)	747,098
46,963,459	(32,371,293)	14,592,166	Cost of Services	40,646,059	(28,034,704)	12,611,355
2,778,973	(415,028)	2,363,945	Other Operating Expenditure	2,960,269	(1,072,967)	1,887,302
1,239,862	(959,626)	280,236	Financing and Investment Income and Expenditure	1,629,411	(1,117,379)	512,032
0	(15,131,714)	(15,131,714)	Taxation and Non-Specific Grant Income	0	(16,041,932)	(16,041,932)
50,982,294	(48,877,661)	2,104,633	(Surplus) / Deficit on Provision of Services	45,235,739	(46,266,982)	(1,031,243)
		(583,694)	(Surplus) / deficit on revaluation of non current assets			(9,380,432)
		(16,486)	(Surplus) / deficit on revaluation of available for sale financial assets			0
		(3,232,000)	Remeasurement of the net defined benefit liability			6,776,000
		(3,832,180)	Other Comprehensive Income and Expenditure			(2,604,432)
		(1,727,547)	Total Comprehensive Income and Expenditure			(3,635,675)

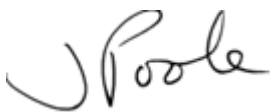
MOVEMENT IN RESERVES STATEMENT

	Note	Usable Reserves				Total Usable Reserves £	Unusable Reserves £	TOTAL RESERVES £
		General Fund - Unallocated £	General Fund - Earmarked £	Capital Receipts Reserve £	Capital Grants Unapplied £			
Balance at 31 March 2017		(4,380,045)	(5,484,789)	(12,576,080)	(59,749)	(22,500,663)	(26,199,638)	(48,700,301)
Movements in reserves 2017/18		2,296,205	(2,296,205)	0	0	0	0	0
Total Comprehensive Income and Expenditure		2,104,633	0	0	0	2,104,633	(3,832,180)	(1,727,547)
Adjustments between accounting basis & funding basis under regulations	C1	(4,852,768)	234,078	272,982	0	(4,345,708)	4,345,708	0
(Increase) / Decrease in Reserves 2017/18		(451,930)	(2,062,127)	272,982	0	(2,241,075)	513,528	(1,727,547)
Balance at 31 March 2018		(4,831,975)	(7,546,916)	(12,303,098)	(59,749)	(24,741,738)	(25,686,110)	(50,427,848)
Transfer of Available for Sale Financial Instruments Reserve balance on transition to IFRS9	E1	(69,001)	0	0	0	(69,001)	69,001	0
Balance at 1 April 2018		(4,900,976)	(7,546,916)	(12,303,098)	(59,749)	(24,810,739)	(25,617,109)	(50,427,848)
Movements in reserves 2018/19		811,658	(811,658)	0	0	0	0	0
Total Comprehensive Income and Expenditure		(1,031,243)	0	0	0	(1,031,243)	(2,604,432)	(3,635,675)
Adjustments between accounting basis & funding basis under regulations	C1	210,413	50,000	(2,308,661)	0	(2,048,248)	2,048,248	0
(Increase) / Decrease in Reserves 2018/19		(9,172)	(761,658)	(2,308,661)	0	(3,079,491)	(556,184)	(3,635,675)
Balance at 31 March 2019		(4,910,148)	(8,308,574)	(14,611,759)	(59,749)	(27,890,230)	(26,173,293)	(54,063,523)

BALANCE SHEET

31st March 2018 £		Note	31st March 2019 £
57,498,948	Property, Plant & Equipment	D1	67,054,322
17,000	Heritage Assets		17,000
5,043,400	Investment Property	D2	4,829,000
170,768	Intangible Assets	D3	141,487
2,516,327	Non-Current Investments	E3	12,300,527
3,108,480	Non-Current Debtors	D4	1,842,500
68,354,923	Non-Current Assets		86,184,836
23,117,633	Investments	E3	13,189,806
0	Assets held for sale	D5	0
21,680	Inventories		15,867
6,224,374	Debtors	D6	5,682,236
2,772,753	Cash and Cash Equivalents	E3	7,011,910
32,136,440	Current Assets		25,899,819
(2,000,701)	Borrowing	E3	0
(5,614,675)	Creditors	D7	(6,924,188)
(1,895,749)	Creditors - s.106 balances	D7	(1,885,901)
(1,043,094)	Provisions	D8	(2,063,795)
(10,554,219)	Current Liabilities		(10,873,884)
(39,189,000)	Other Non-Current Liabilities	E2	(46,791,000)
0	Finance Lease Liabilities	E5	(86,365)
(320,296)	Capital Grants Receipts in Advance	B9	(269,883)
(39,509,296)	Non-Current Liabilities		(47,147,248)
50,427,848	Net Assets		54,063,523
(24,741,738)	Usable reserves	C2	(27,890,230)
(25,686,110)	Unusable Reserves	C3	(26,173,293)
(50,427,848)	Total Reserves		(54,063,523)

These financial statements were certified by the Chief Finance Officer on 31st May 2019.



Jenny Poole
Chief Finance Officer

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B1. Expenditure and Funding Analysis

	2018 / 2019					
	Net Expenditure in CI&ES £	Adjs. between accounting and funding basis £	Transfers to / (from) GF Earmarked Reserves £	Net Exp. Chargeable to the General Fund £	Management Reporting Adjs. £	Outturn Reported to Management £
<u>Joint Committee</u>						
Environmental and Regulatory Services	483,458	(163,663)	0	319,795	26,125	345,920
GO Shared Services	1,255,402	(284,989)	0	970,413	17,690	988,103
ICT, Change and Customer Services	1,947,097	(246,381)	0	1,700,716	27,147	1,727,863
Land, Legal and Property Services	671,317	(147,929)	0	523,388	88,055	611,443
Partnership MD and 2020 Programme Costs	516,622	(14,846)	0	501,776	1,520	503,296
Revenues and Housing Support Services	454,264	(175,064)	0	279,200	83,398	362,598
<u>Strategic Directors</u>						
Democratic Services	1,010,788	(100,617)	0	910,171	15,850	926,021
Environmental Services	3,174,480	(135,245)	0	3,039,235	(48,367)	2,990,868
Leisure and Communities Services	534,467	30,287	0	564,754	218,999	783,753
Planning and Strategic Housing Services	1,816,362	(379,815)	0	1,436,547	46,282	1,482,829
Other Retained Services	747,098	1,510,469	811,658	3,069,225	(475,706)	2,593,519
Corporate Resources	0	0	0	0	0	0
Cost of Services	12,611,355	(107,793)	811,658	13,315,220	994	13,316,214
Other Income and Expenditure	(13,642,598)	318,206	0	(13,324,392)	(994)	(13,325,386)
(Surplus) / Deficit on Provision of Services	(1,031,243)	210,413	811,658	(9,172)	(0)	(9,172)
Opening General Fund Balance (Unallocated) at 1 April (Surplus) / Deficit for the year				(4,900,976) (9,172)		
Closing General Fund Balance (Unallocated) at 31 March				(4,910,148)		

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2017 / 2018					
	Net Expenditure in CI&ES £	Adjs. between accounting and funding basis £	Transfers to / (from) GF Earmarked Reserves £	Net Exp. Chargeable to the General Fund £	Management Reporting Adjs. £	Outturn Reported to Management £
<u>Joint Committee</u>						
Environmental and Regulatory Services	590,857	(130,540)	0	460,317	28,868	489,185
GO Shared Services	1,600,359	(590,530)	0	1,009,829	19,547	1,029,376
ICT, Change and Customer Services	1,771,200	(129,279)	0	1,641,921	29,202	1,671,123
Land, Legal and Property Services	986,170	(270,623)	0	715,547	96,634	812,181
Partnership MD and 2020 Programme Costs	621,849	(323,587)	0	298,262	360,549	658,811
Revenues and Housing Support Services	286,296	(138,977)	0	147,319	33,462	180,781
<u>Strategic Directors</u>						
Democratic Services	941,322	(74,523)	0	866,799	8,013	874,812
Environmental Services	3,729,957	(1,028,205)	0	2,701,752	511,242	3,212,994
Leisure and Communities Services	1,743,627	(1,103,758)	0	639,869	897,561	1,537,430
Planning and Strategic Housing Services	1,858,884	(389,106)	0	1,469,778	51,534	1,521,312
Other Retained Services	461,645	1,510,849	2,296,205	4,268,699	(1,098,968)	3,169,731
Corporate Resources	0	0	0	0	0	0
Cost of Services	14,592,166	(2,668,279)	2,296,205	14,220,092	937,644	15,157,736
Other Income and Expenditure	(12,487,533)	(2,184,489)	0	(14,672,022)	(937,644)	(15,609,666)
(Surplus) / Deficit on Provision of Services	2,104,633	(4,852,768)	2,296,205	(451,930)	0	(451,930)
Opening General Fund Balance (Unallocated) at 1 April				(4,380,045)		
(Surplus) / Deficit for the year				(451,930)		
Closing General Fund Balance (Unallocated) at 31 March				(4,831,975)		

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Adjustments in the Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded compared with the resources consumed or earned by the Council in accordance with generally accepted accounting practices as shown in the Comprehensive Income and Expenditure Account. It also shows how these amounts are allocated for decision making purposes across the Council's Directorates and Services. The adjustments between these amounts are detailed below:

	2018 / 2019						
	Adjustments between funding and accounting basis (see MiRS Note C1)				Adjustments between amounts chargeable to the General Fund and Management Reporting		
	Capital Adjs £	Pension Adjs £	Other Adjs £	Total adjs between funding and accounting £	Depreciation £	Other Segment Adjs. £	Total Management Reporting Adjustments £
<u>Joint Committee</u>							
Environmental and Regulatory Services	(26,125)	(137,538)	0	(163,663)	26,125	0	26,125
GO Shared Services	(17,690)	(267,299)	0	(284,989)	17,690	0	17,690
ICT, Change and Customer Services	(27,147)	(219,234)	0	(246,381)	27,147	0	27,147
Land, Legal and Property Services	(88,055)	(59,874)	0	(147,929)	88,055	0	88,055
Partnership MD and 2020 Programme Costs	(1,520)	(13,326)	0	(14,846)	1,520	0	1,520
Revenues and Housing Support Services	(30,283)	(144,781)	0	(175,064)	30,283	53,115	83,398
<u>Strategic Directors</u>							
Democratic Services	(15,850)	(84,767)	0	(100,617)	15,850	0	15,850
Environmental Services	(85,421)	(49,824)	0	(135,245)	(48,367)	0	(48,367)
Leisure and Communities Services	93,988	(63,701)	0	30,287	218,999	0	218,999
Planning and Strategic Housing Services	(46,282)	(333,533)	0	(379,815)	46,282	0	46,282
Other Retained Services	(92,408)	1,602,877	0	1,510,469	(424,882)	(50,824)	(475,706)
Corporate Resources	0	0	0	0	0	0	0
Cost of Services	(336,793)	229,000	0	(107,793)	(1,298)	2,292	994
Other Income and Expenditure	1,111,573	(1,055,000)	261,633	318,206	1,298	(2,292)	(994)
(Surplus) / Deficit on Provision of Services	774,780	(826,000)	261,633	210,413	0	0	(0)

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2017 / 2018						
	Adjustments between funding and accounting basis (see MiRS Note C1)				Adjustments between amounts chargeable to the General Fund and Management Reporting		
	Capital Adjs £	Pension Adjs £	Other Adjs £	Total adjs between funding and accounting £	Depreciation £	Other Segment Adjs. £	Total Management Reporting Adjustments £
<u>Joint Committee</u>							
Environmental and Regulatory Services	(28,868)	(101,672)	0	(130,540)	28,868	0	28,868
GO Shared Services	(19,547)	(570,983)	0	(590,530)	19,547	0	19,547
ICT, Change and Customer Services	(29,202)	(100,077)	0	(129,279)	29,202	0	29,202
Land, Legal and Property Services	(96,634)	(173,989)	0	(270,623)	96,634	0	96,634
Partnership MD and 2020 Programme Costs	(360,549)	36,962	0	(323,587)	1,680	358,869	360,549
Revenues and Housing Support Services	(33,462)	(105,515)	0	(138,977)	33,462	0	33,462
<u>Strategic Directors</u>							
Democratic Services	(8,013)	(66,510)	0	(74,523)	8,013	0	8,013
Environmental Services	(991,122)	(37,083)	0	(1,028,205)	511,242	0	511,242
Leisure and Communities Services	(1,040,215)	(63,543)	0	(1,103,758)	897,561	0	897,561
Planning and Strategic Housing Services	(51,534)	(337,572)	0	(389,106)	51,534	0	51,534
Other Retained Services	(18,312)	1,420,982	108,179	1,510,849	(1,717,795)	618,827	(1,098,968)
Corporate Resources	0	0	0	0	0	0	0
Cost of Services	(2,677,458)	(99,000)	108,179	(2,668,279)	(40,052)	977,696	937,644
Other Income and Expenditure	665,002	(1,073,000)	(1,776,491)	(2,184,489)	40,052	(977,696)	(937,644)
(Surplus) / Deficit on Provision of Services	(2,012,456)	(1,172,000)	(1,668,312)	(4,852,768)	0	0	0

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Capital Adjustments

This column adjusts for depreciation and impairment, revaluations gains and losses in service lines and for transfers of income / net value of assets written off on disposals in Other Operating Income and Expenditure. Taxation and Non Specific Grant Income is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Pension Adjustments

This column removes the impact of IAS19 Employee Benefits. For services, this is the removal of current or past service costs and replaces them with the actual employer pension contributions payable. In Financing and Investment Income and Expenditure, the net interest on the net defined benefit liability is removed.

Other Adjustments

This adjustment represents the difference between the amounts chargeable under statutory regulations for Council Tax and Non Domestic Rates and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

B2. Expenditure and Income Analysed by Nature

	2017/18	2018/19
	£	£
Expenditure		
Employee benefits expenses	8,000,800	2,557,877
Publica Contract Charge	3,710,588	9,131,531
Housing Benefit & other transfer payments	19,094,040	15,970,175
Other service expenses	13,205,780	11,659,956
Depreciation, amortisation and impairment	1,721,008	427,792
Interest payments and similar expense	1,073,751	1,056,882
Precepts and Levies	2,778,973	2,960,269
Other expenditure	1,397,354	1,471,257
Total Expenditure	50,982,294	45,235,739
Income		
Fees, charges & other service income	(11,654,324)	(9,462,884)
Housing Benefit Subsidy	(18,132,876)	(15,568,936)
Other Government Grants	(6,842,458)	(7,050,108)
Income from Council Tax	(7,822,280)	(8,122,091)
Income from Non Domestic Rates	(1,548,351)	(2,325,204)
Non Government Grants & Contributions	(2,163,302)	(2,149,644)
Investment interest and similar income	(259,019)	(515,149)
Other income	(455,051)	(1,072,966)
Total Income	(48,877,661)	(46,266,982)
(Surplus) / Deficit on Provision of Services	2,104,633	(1,031,243)

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B3. Other Operating Income & Expenditure

	2017/18 £	2018/19 £
(Gains) / losses on disposal of non current assets	(43,750)	0
Unattached capital receipts	(371,278)	(1,072,967)
Town and Parish Council support grant	47,443	31,143
Town and Parish Council precepts	2,731,530	2,929,126
	2,363,945	1,887,302

B4. Financing and Investment Income and Expenditure

	2017/18 £	2018/19 £
Interest payable and similar charges	751	1,882
Interest receivable and similar income	(259,019)	(515,149)
Changes in fair value of financial assets	0	198,594
Impairment allowance for doubtful debts	0	2,292
Movement in the fair value of investment property	(40,025)	214,400
Net investment property (income) / expenditure	(494,471)	(444,987)
Net interest on the net defined benefit pension liability	1,073,000	1,055,000
	280,236	512,032

B5. Taxation and Non Specific Grant Income

	2017/18 £	2018/19 £
National Non Domestic Rates		
- Redistribution	(3,453,484)	(2,926,675)
- Safety Net Levy	297,926	249,323
- (Surplus) / Deficit	1,607,207	352,148
	(1,548,351)	(2,325,204)
Council Tax income	(7,822,280)	(8,122,091)
Revenue Support Grant	(386,362)	0
Other non-ringfenced government grants	(5,374,721)	(5,594,637)
	(15,131,714)	(16,041,932)

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B6. Members' Allowances

	2017/18 £	2018/19 £
Basic and Special Responsibility Allowances	209,829	207,437
Expenses	12,098	13,052
	221,927	220,489

B7. External Audit Costs

The Council's appointed auditor is Grant Thornton LLP; the Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections.

	2017/18 £	2018/19 £
External audit services carried out by the appointed auditor	44,879	34,557
Certification of grant claims and returns	4,950	4,950
	49,829	39,507

In addition to the statutory audit fees listed above, the Council subscribed to Grant Thornton LLP "CFO Insights" platform – an online tool containing financial, socio-economic and outcomes data from local authorities across the Country. The tool is used to provide insight to drive and evidence to support, financial decision making using benchmarking, segmentation and comparison. The cost of this service was £15,000 for the four Councils (Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council). This Council's share of the cost is £3,750.

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B8. Officer Remuneration

Senior Officer Remuneration

The Council's senior employees are those with statutory responsibility:

Post	2018/2019		Total remuneration excl. pension contributions £	Pension Contributions £	Total Remuneration £
	Salary, allowances & other benefits £	Compensation for loss of office £			
Chief Finance Officer ¹	77,265	0	77,265	12,749	90,014
Monitoring Officer ²	82,259	0	82,259	11,877	94,136
Head of Paid Service	83,127	0	83,127	13,722	96,849
	242,651	0	242,651	38,348	280,999
Post	2017/2018		Total remuneration excl. pension contributions £	Pension Contributions £	Total Remuneration £
	Salary, allowances & other benefits £	Compensation for loss of office £			
Strategic Director - Resources	63,583	0	63,583	8,865	72,448
Strategic Director	56,517	0	56,517	9,382	65,899
Chief Finance Officer [Group Manager, GO Shared Services]	75,750	0	75,750	12,575	88,325
Monitoring Officer [Group Manager, Land, Legal & Property]	78,356	0	78,356	11,697	90,053
Head of Paid Service	25,701	0	25,701	4,266	29,967
	299,907	0	299,907	46,785	346,692

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

¹ As required under s.151 of the Local Government Act 1972, the Council employs a Chief Financial Officer. These duties are undertaken by the Head of Finance who is shared with 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 for the year.

² The statutory responsibility of Monitoring Officer is fulfilled by the Head of Land, Legal & Property Services; this post is shared with Forest of Dean and West Oxfordshire District Councils. The figures shown above represent the full salary, allowances and pension costs incurred by Cotswold District Council as the employing authority for the year.

Other 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.

	2017/18	2018/19
	No. of Officers	
£50,000 to £54,999	0	1
£55,000 to £59,999	2	0
£60,000 to £64,999	1	0
£65,000 to £69,999	0	0
£70,000 to £74,999	1	1
£75,000 to £79,999	1	1
£80,000 to £84,999	0	1
£85,000 to £89,999	0	0
£90,000 to £94,999	0	0
£95,000 to £99,000	0	0
£100,000 to £104,999	0	0

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B9. Grant Income

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

	2017/18 £	2018/19 £
<u>Revenue grants credited to Cost of Services</u>		
Housing Benefit Subsidy	18,132,876	15,568,936
Housing Benefit Administration Subsidy	274,723	248,072
	18,407,599	15,817,008
<u>Revenue grants credited to Taxation and Non Specific Grant Income</u>		
Revenue Support Grant	386,362	0
New Homes Bonus	3,160,093	3,205,113
Section 31 NNDR Compensation	1,728,545	2,381,421
Rural Services Delivery Grant	483,434	0
DCLG Community Led Housing Grant	0	0
DCLG New Burdens	0	11,790
Other revenue grants	2,649	0
	5,761,083	5,598,324
<u>Capital grants credited to Cost of Services in the Comprehensive Income and Expenditure Statement</u>		
Better Care Fund (Disabled Facilities Grants)	565,942	785,201
Environment Agency/Gloucestershire County Council capital grants and contributions [re. Flooding and land drainage schemes]	150,732	0
S.106 Receipts	744,545	483,572
Other capital grants	43,050	362,763
	1,504,269	1,631,536

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:

	2017/18 £	2018/19 £
Environment Agency Grant [for specific Land drainage works]	(48,425)	(48,425)
Flood Defence Grants	(43,780)	(43,780)
SHI Loans	(47,680)	(47,680)
Better Care Fund (Disabled Facilities Grants)	(177,352)	(126,939)
Other Grants Receipts in Advance	(3,059)	(3,059)
	(320,296)	(269,883)

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

B10. Termination Benefits

Redundancy and Compensation

An amount of £0 (2017/18 – £50,488) has been reflected within the Comprehensive Income and Expenditure Statement in respect of severance payments during the year. All payments are within the limits permitted by statute and the superannuation and compensation regulations, applicable at the time of the payment.

Pension Strain

A sum of £22,932 (2017/18 – £40,176) was charged to services in the Comprehensive Income and Expenditure Statement in respect of pension strain costs. Any additional contributions (strain contributions and augmentation contributions) that are due to be paid in the year by the Council, under any agreement with the pension fund, are recognised immediately as an expense.

The total amount charged and accrued for in the Comprehensive Income & Expenditure Statement is as follows:

	2017/18		2018/19	
	No. of packages	£	No. of packages	£
Severance Payments		50,488		0
Pension Strain Costs		40,176		22,932
	8	90,664	1	22,932

Exit Packages

The total cost of £22,932 (2017/18 - £90,664) shown above reflects the value of the exit packages which have been agreed, accrued and provided for and charged to the Council's Comprehensive Income and Expenditure Statement for the current year.

The total number and value of the exit packages, grouped into bands of £20,000 up to £100,000 and bands of £50,000 thereafter, are as follows:

	2017/18		2018/19	
	No. of packages	£	No. of packages	£
£0 - £20,000	6	42,288	0	0
£20,001 - £40,000	2	48,376	1	22,932
	8	90,664	1	22,932

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

C1. Adjustments Between Accounting Basis and Funding Basis Under Regulations

	2018/2019			
	General Fund - Unallocated	General Fund - Earmarked	Capital Receipts Reserve	Capital Grants Unapplied
	£	£	£	£
Capital Adjustments				
<u>Reversal of entries included in the CI&ES relating to Capital Expenditure</u>				
Charges for depreciation, amortisation and impairment	(427,792)			
Revaluation losses on Property, Plant and Equipment	(223,287)			
Movements in the fair value of Investment Properties	(214,400)			
Capital Grants and Contributions applied	1,147,962			
Revenue Expenditure funded from Capital Under Statute	(834,976)			
Non current assets written off on disposal or sale	(9,134)			
<u>Adjustments between Capital & Revenue Resources</u>				
Transfer of cash sale proceeds from disposal of non current assets	9,134			
Capital expenditure charged against General Fund Balance	254,306	50,000		
Unattached Capital Receipts	1,072,967		(1,072,967)	
<u>Adjustments to Capital Resources</u>				
Use of capital receipts reserve to finance new capital expenditure			(921,525)	
Transfer from Deferred Capital Receipts on receipt of cash			(390,919)	
Write down of long term debtor on receipt of loan principal			(1,250)	
Increase of long term debtor on advance of new loan principal			78,000	
Financial Instrument Adjustments				
Reversal of changes in fair value on Pooled Investment Funds	(198,594)			
Pension Adjustments				
Pension costs transferred to / (from) the Pensions Reserve	(826,000)			
Other Adjustments				
Council Tax and NDR transfers to / (from) the Collection Fund Adjustment Account	460,227			
Transfers (to) / from the Accumulated Absences Adjustment Account	0			
	210,413	50,000	(2,308,661)	0

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

	2017/2018			
	General Fund - Unallocated	General Fund - Earmarked	Capital Receipts Reserve	Capital Grants Unapplied
	£	£	£	£
Capital Adjustments				
<u>Reversal of entries included in the CI&ES relating to Capital Expenditure</u>				
Charges for depreciation, amortisation and impairment	(1,721,008)			
Revaluation losses on Property, Plant and Equipment	(174,899)			
Movements in the fair value of Investment Properties	40,025			
Capital Grants and Contributions applied	759,724	234,078		
Revenue Expenditure funded from Capital Under Statute	(1,222,457)			
Flexible use of Capital Receipts under Direction	(358,869)			
Non current assets written off on disposal or sale	(246,742)			
<u>Adjustments between Capital & Revenue Resources</u>				
Transfer of cash sale proceeds from disposal of non current assets	290,492		(62,558)	
Capital expenditure charged against General Fund Balance	250,000			
Unattached Capital Receipts	371,278		(371,278)	
<u>Adjustments to Capital Resources</u>				
Use of capital receipts reserve to finance new capital expenditure			1,084,198	
Transfer from Deferred Capital Receipts on receipt of cash			(377,380)	
Write down of long term debtor on receipt of loan principal			0	
Pension Adjustments				
Pension costs transferred to / (from) the Pensions Reserve	(1,172,000)			
Other Adjustments				
Council Tax and NDR transfers to / (from) the Collection Fund Adjustment Account	(1,776,491)			
Transfers (to) / from the Accumulated Absences Adjustment Account	108,179			
	(4,852,768)	234,078	272,982	0

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

C2. Usable Reserves

Earmarked Reserves

The Council's General Fund comprises an unallocated element, used to meet day-to-day spending and 'Earmarked Reserves' – amounts set aside to provide financing for future specific expenditure or projects.

Movements in 'Earmarked Reserves' during the year are shown below:

	Balance 1 April 2018 £	Transfers Out £	Transfers in £	Balance 31 in March 2019 £
Council Priorities Fund	(2,949,995)	881,533	(1,850,000)	(3,918,462)
Community-Led Housing	(882,272)	0	0	(882,272)
Business Rates Smoothing reserve	(1,095,000)	439,535	0	(655,465)
Other earmarked reserves	(2,619,649)	428,094	(660,820)	(2,852,375)
	(7,546,916)	1,749,162	(2,510,820)	(8,308,574)

C3. Unusable Reserves

Summary of Unusable Reserves

	2017/18 £	2018/19 £
Revaluation Reserve	(32,970,191)	(41,841,706)
Capital Adjustment Account	(30,963,546)	(30,293,617)
Pension Reserve	39,189,000	46,791,000
Deferred Capital Receipts Reserve	(2,233,760)	(1,928,726)
Collection Fund Adjustment Account	1,361,389	901,162
Available for Sale Financial Instruments Reserve	(69,001)	0
Pooled Investment Fund Adjustment Account	0	198,594
	(25,686,109)	(26,173,293)

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

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.

	2017/18 £	2018/19 £
Opening Balance - 1 April	(33,094,218)	(32,970,191)
Upward revaluation of assets	(5,644,132)	(10,133,828)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	5,060,438	753,396
<i>Surplus / deficit on revaluation of non current assets not posted to the Surplus/Deficit on the Provision of Services</i>	<i>(583,694)</i>	<i>(9,380,432)</i>
Difference between fair value and historic cost depreciation	707,721	508,917
<i>Amount written off to the Capital Adjustment Account</i>	<i>707,721</i>	<i>508,917</i>
Closing Balance - 31 March	(32,970,191)	(41,841,706)

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

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].

	2017/18 £	2018/19 £
Opening Balance - 1 April	(31,611,775)	(30,963,546)
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</u>		
Charges for depreciation of non current assets	1,721,008	427,792
Revaluation losses on Property, Plant and Equipment	174,899	223,287
Revenue expenditure funded from capital under statute	1,222,457	834,976
Flexible use of capital receipts under direction	358,869	0
Amounts of non-current assets written off on disposal or sale	246,742	9,134
	3,723,975	1,495,189
<u>Adjusting amounts written out of the Revaluation Reserve</u>		
Historical cost depreciation adjustment	(707,721)	(508,917)
	(707,721)	(508,917)
Net written out amount of the cost of non current assets consumed in	3,016,254	986,272
<u>Capital financing applied in year</u>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,084,198)	921,525
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(759,724)	(1,147,962)
Use of General Fund Earmarked Reserves applied to capital financing	(234,078)	(50,000)
Capital expenditure charged against the General Fund Balance	(250,000)	(254,306)
	(2,328,000)	(530,743)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(40,025)	214,400
Closing Balance - 31 March	(30,963,546)	(30,293,617)

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Pension 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.

	2017/18 £	2018/19 £
Opening Balance - 1 April	41,249,000	39,189,000
Return on plan assets	(1,213,000)	(2,068,000)
Remeasurement of the net defined benefit liability	(2,019,000)	8,844,000
Reversal of items debited or credited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement	4,148,000	3,757,000
Employers' pension contributions	(2,976,000)	(2,931,000)
Closing Balance - 31 March	39,189,000	46,791,000

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.

	2017/18 £	2018/19 £
Mortgages on sales of Council Houses	(31,500)	(31,500)
Loans Issued - CHYP	(80,008)	(80,008)
Principal amounts on finance leases	(1,822,990)	(1,454,791)
Other deferred receipts	(299,262)	(362,427)
	(2,233,760)	(1,928,726)

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates 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.

	Balance 1 April 2018 £	Transfers in £	Balance 31 March 2019 £
Amounts by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements:			
Council Tax	59,957	(144,401)	(84,444)
NNDR	1,265,203	(273,759)	991,444
NNDR - Renewal Energy Scheme	36,229	(42,067)	(5,838)
	1,361,389	(460,227)	901,162

Available for Sale Financial Instruments Reserve

The available for sale financial instruments reserve existed to record the gains arising from changes in fair value of investments with quoted market prices or which otherwise did not have fixed or determined payments, reduced by downward revaluations or realisation of gains on disposal.

The balance on the account has been transferred back to the General Fund on 1st April 2018 on transition to IFRS9.

	2017/18 £	2018/19 £
Opening Balance - 1 April	(52,515)	(69,001)
Movement in year	(16,486)	0
Transfer to General Fund on transition to IFRS9	0	69,001
Closing Balance - 31 March	(69,001)	0

Pooled Investment Fund Adjustment Account

The pooled investment fund adjustment account is used solely for the purpose of recognising fair value gains and losses on the Council's pooled investment funds under statutory provisions.

	2017/18 £	2018/19 £
Opening Balance - 1 April	0	0
Changes in fair value of Pooled Investment Funds	0	198,594
Closing Balance - 31 March	0	198,594

NOTES TO THE BALANCE SHEET

D1. Property, Plant and Equipment

Movements in 2018/19	Land & Buildings £	Vehicles, Plant & Equipment £	Community Assets £	Surplus Assets £	Assets Under Construction £	TOTAL P,P&E £
Asset Cost or Valuation						
Asset values at 1 April 2018	50,623,908	1,879,985	11,380	6,295,051	48,096	58,858,420
Additions	0	353,671	0	0	412,763	766,434
Revaluation increases / (decreases)	8,896,669	0	0	260,476	0	9,157,145
Derecognition - disposals	0	(317,719)	0	0	0	(317,719)
Transfers and reclassifications	0	0	(11,180)	11,180	0	0
Other Movements	0	0	0	0	0	0
Asset values at 31 March 2019	59,520,577	1,915,937	200	6,566,707	460,859	68,464,280
Depreciation						
Accumulated depreciation at 1 April 2018	(230,209)	(1,129,263)	0	0	0	(1,359,472)
Depreciation charge for the year	(1,084,533)	(325,294)	0	(28,800)	0	(1,438,627)
Depreciation written out on revaluation	1,050,756	0	0	28,800	0	1,079,556
Derecognition - disposals	0	308,585	0	0	0	308,585
Other movements	0	0	0	0	0	0
Accumulated depreciation at 31 March 2019	(263,986)	(1,145,972)	0	0	0	(1,409,958)
Net Book Value of Assets						
1st April 2018	50,393,699	750,722	11,380	6,295,051	48,096	57,498,948
31st March 2019	59,256,591	769,965	200	6,566,707	460,859	67,054,322

NOTES TO THE BALANCE SHEET

Movements in 2017/18	Land & Buildings £	Vehicles, Plant & Equipment £	Community Assets £	Surplus Assets £	Assets Under Construction £	TOTAL P,P&E £
Asset Cost or Valuation						
Asset values at 1 April 2017	51,626,387	1,835,994	11,380	6,841,405	0	60,315,166
Additions	132,647	523,808	0	0	48,096	704,551
Revaluation increases / (decreases)	(1,135,126)	0	0	(546,354)	0	(1,681,480)
Derecognition - disposals	0	(479,817)	0	0	0	(479,817)
Transfers and reclassifications	0	0	0	0	0	0
Other movements	0	0	0	0	0	0
Asset values at 31 March 2018	50,623,908	1,879,985	11,380	6,295,051	48,096	58,858,420
Depreciation						
Accumulated depreciation at 1 April 2017	(982,019)	(1,051,611)	0	(13,636)	0	(2,047,266)
Depreciation charge for the year	(1,286,923)	(310,728)	0	(37,907)	0	(1,635,558)
Depreciation written out on revaluation	2,038,733	0	0	51,543	0	2,090,276
Derecognition - disposals	0	233,076	0	0	0	233,076
Other movements	0	0	0	0	0	0
Accumulated depreciation at 31 March 2018	(230,209)	(1,129,263)	0	0	0	(1,359,472)
Net Book Value of Assets						
1st April 2017	50,644,368	784,383	11,380	6,827,769	0	58,267,900
31st March 2018	50,393,699	750,722	11,380	6,295,051	48,096	57,498,948

NOTES TO THE BALANCE SHEET

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.
- Surplus assets will have lives based upon the type of asset – eg. Buildings 30 to 60 years, land indefinite lifespans. Useful economic lives will be agreed with the valuer.
- 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 (Assets Under Construction)

The Council has committed to a capital redesign and refurbishment programme at the Corinium Museum. The project is expected to cost £1,650,032 of which £460,859 has been spent – this is shown in the Balance Sheet as Assets Under Construction. The programme is 51.4% funded from the Heritage Lottery Fund.

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

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 or those assets that are deemed to have materially changed in value.

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.

With the introduction and application of IFRS13 in 2015/16, the Council's surplus assets have been reviewed and measured at fair value based upon 'highest and best use'. The surplus assets that the Council owns represent primarily or land & building assets. Within the fair-value hierarchy, the Council's Surplus Assets are deemed as 'level 2' category.

Assets valuations were undertaken by Mr. D. Thurlow (Hons) MRICS, of West Oxfordshire District Council.

NOTES TO THE BALANCE SHEET

The Code requires that assets are formally revalued at least every 5-years. The Council does this on a rolling programme to ensure all assets are remain materially correct, with assets often revalued more frequently where there is evidence that values have changed. The table below summarises the valuations undertaken, by year:

	Other Land & Buildings £	Vehicles, Plant & Equipment £	Community Assets £	Surplus Assets £	Assets Under Construction £	TOTAL £
Carried at [depreciated] Historical Cost	0	769,965	200	0	460,859	1,231,024
Valued at Current Value as at 31st March:						
2015/16	0	0	0	833,105	0	833,105
2016/17	9,017,602	0	0	0	0	9,017,602
2017/18	7,917,911	0	0	129,151	0	8,047,062
2018/19	42,321,078	0	0	5,604,451	0	47,925,529
	59,256,591	769,965	200	6,566,707	460,859	67,054,322

D2. Investment Properties

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

	2017/18 £	2018/19 £
Rental income	(660,582)	(602,230)
Direct operating expenses	166,112	157,243
Net (gains) / losses from fair value adjustments	(40,025)	214,400
	(534,495)	(230,587)

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 Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The 2018/19 Investment Property valuations were undertaken by Carter Jonas Chartered Surveyors, 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 D1 above).

Under the CIPFA Code the Council's Investment Properties are classified as 'level 2' within the fair-value hierarchy. The assets have been suitably valued, based upon current market conditions, sale prices for similar assets, or contractual income for the properties. These observable inputs have been used to classify the assets accordingly. There have been no movements between categories within the hierarchy during the year.

NOTES TO THE BALANCE SHEET

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

	2017/18 £	2018/19 £
Opening Balance - 1 April	5,003,375	5,043,400
Net gains / (losses) from fair value adjustments	40,025	(214,400)
Closing Balance - 31 March	5,043,400	4,829,000

D3. 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.

Movements in Intangible Assets

	2017/18 £	2018/19 £
<u>Asset Cost or Valuation</u>		
Asset values at 1 April	862,747	383,930
Additions	42,122	39,440
Derecognition	(520,939)	(93,939)
Asset values at 31 March	383,930	329,431
<u>Amortisation</u>		
Accumulated Amortisation at 1 April	(648,650)	(213,162)
Amortisation charge for the year	(85,451)	(68,721)
Derecognition	520,939	93,939
Accumulated Amortisation at 31 March	(213,162)	(187,944)
Net carrying amount at 31 March	170,768	141,487

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 amortised and deemed to be no longer providing benefit to the Authority the software cost and accumulated amortisation balances are derecognised and removed from the balance sheet.

NOTES TO THE BALANCE SHEET

D4. Non-Current Debtors

	31 March 2018 £	31 March 2019 £
Starter Home Initiative	93,150	70,470
Council Mortgages & Housing Act Advances	31,500	31,500
Charities	87,551	80,008
Housing Improvement Loans	69,446	54,085
Housing Strategy Loans	11,692	11,692
Local Authority Mortgage Schemes	1,000,000	0
Employee Car Loans	68,973	50,211
Loan to 'Friends of the Cotswolds'	299,262	362,427
Finance Leases - principal outstanding	1,446,906	1,182,107
	3,108,480	1,842,500

D5. Debtors

	2017/18 £	2018/19 £
Government Departments	2,443,600	1,669,771
Other Local Authorities	568,468	808,699
Collection Fund debtors (CDC Share)	413,160	795,658
Housing Benefit recovery	798,915	784,456
Sundry Debtors	2,678,933	1,194,249
Finance Leases - principal outstanding	376,084	272,684
Other Debtors	35,034	833,498
Bromford Housing Association RTB receipts	138,991	375,736
Prepayments	104,430	444,876
	7,557,615	7,179,627
Less impairment allowance for doubtful debts:		
Council Tax payers (CDC share)	(55,063)	(258,912)
Housing Benefit recovery	(798,915)	(784,456)
Sundry Debtors	(479,263)	(454,023)
	6,224,374	5,682,236

NOTES TO THE BALANCE SHEET

D6. Creditors

	2017/18	2018/19
	£	£
Government Departments	(773,170)	(1,116,748)
Other Local Authorities	(2,249,017)	(1,301,440)
Collection Fund creditors (CDC Share)	(658,765)	(522,051)
Sundry Creditors	(1,017,839)	(281,913)
Finance Leases - principal outstanding	0	(23,741)
Other Creditors	(160,748)	(1,015,005)
Receipts in advance:		
- Council Tax / NNDR payers	(58,344)	(2,489,417)
- Sundry Creditors	(696,792)	(173,873)
	<u>(5,614,675)</u>	<u>(6,924,188)</u>
S106 Balances	(1,895,749)	(1,885,901)
	<u>(7,510,424)</u>	<u>(8,810,089)</u>

D7. Provisions

	Opening Provision 1 April £	New provisions in-year £	Use of provisions £	Provisions returned to revenue £	Closing Provision 31 March £
Business Rates (NDR) Appeals	(1,043,094)	(1,074,670)	53,969	0	(2,063,795)
	<u>(1,043,094)</u>	<u>(1,074,670)</u>	<u>53,969</u>	<u>0</u>	<u>(2,063,795)</u>

Business Rates (NNDR) appeals

This provision is held in relation to outstanding appeals against property valuations lodged with the Valuation Office. A significant level of risk remains due to the volume of outstanding appeals against the 2010 valuation list and a new 2017 list came into effect in April 2017 together with a new Check, Challenge and Appeal process, replacing the former appeals process.

The Council are yet to see the settling of any appeals against the 2017 list and therefore the provision has been increased to reflect the potential claims.

NOTES TO THE BALANCE SHEET

D8. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, including the value of assets acquired under finance leases, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically that has yet to be financed.

The net movement in the Capital Financing Requirement illustrates the change in the underlying need for the Council to finance spend (or borrow during the year) to fund capital investment which has not been funded immediately from resources such as grants, capital receipts and direct funding from revenue.

	2017/18	2018/19
	£	£
Opening Capital Financing Requirement	0	0
Capital investment in the year		
Property, Plant & Equipment	704,552	766,434
Intangible Assets	42,122	39,440
Revenue Expenditure Funded from Capital under Statute	1,580,826	834,976
	<u>2,327,500</u>	<u>1,640,850</u>
Sources of finance		
Capital Reciepts	1,083,698	78,475
Better Care Funding/Disabled Facilities Grants	565,942	600,000
Other grants & external funding	193,782	547,962
Earmarked Reserves	234,078	50,000
Direct Revenue Contributions	250,000	254,306
	<u>2,327,500</u>	<u>1,530,743</u>
Net increase / (decrease) in Capital Financing Requirement	0	110,107
Closing Capital Financing Requirement	0	110,107

The increase in Capital Financing Requirement in 2018/19 represents assets acquired under a finance-lease arrangement. The assets will be financed as part of a leasing charge over the coming 5-year period.

E1. Transition to IFRS9 (Changes in Accounting Policy)

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) adopted IFRS9 Financial Instruments with an effective date of 1st April 2018 i.e. applying to the 2018/19 Statement of Accounts and formally defines the date of initial application as 1st April 2018.

In accordance with section 3.3 of the Code and IAS8 Accounting Policies, Changes in Accounting Estimates and Errors, requires authorities to apply IFRS9 retrospectively. However, this is subject to a number of concessions, the most important of which mean that there should be no restatement of prior year information and therefore whilst certain adjustments should generally be calculated with retrospection, adjustments are only accounted for at 1st April 2018.

IFRS9 introduces fundamental changes to the classification of financial assets. Although the effects of any reclassification of assets on transition are accounted for at 1 April 2018, the amounts of any adjustments should be based on retrospective measurements, i.e. as if the new provisions had always applied.

Classification is a principles based approach that considers the business model for holding the assets (i.e. why are we holding the asset) and the characteristics of the cashflows relating to that asset:

IFRS9 also introduces a new model for measuring expected credit losses and the basic requirement of the Code is that losses should be restated retrospectively, such that losses are adjusted to the figure that would have been arrived at if IFRS9 had always applied. Financial Assets where the counterparty is central government or another local authority are exempt from expected credit losses as relevant statutory provisions prevent default.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Where credit risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. Only lifetime losses are recognised for trade receivables (debtors).

The table on the following page sets out the reclassification, re-measurement and adjustments made to its financial assets as at 1st April 2018.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Category	Financial Instrument(s)	carrying value at 31 March 2018		SPPI*	Business Model	IFRS9 Classification	carrying value at 1 April 2018		Expected Credit Loss	
		Non-Current £	Current £				Non-Current £	Current £	Basis	£
Loans & Receivables	UK/Foreign Bank Deposits	2,007,178	12,020,671				2,007,178	12,020,671	12mth ²	12,747
Available for Sale Financial Assets	UK/Foreign Bank Deposits	0	9,031,671				0	9,031,671		
Loans & Receivables	Bank Current Accounts & Cash	0	87,402	Y	Hold to collect	Amortised Cost	0	87,402	12mth	0
Loans & Receivables	Debtors	1,662,836	2,865,018				1,662,836	2,865,018	Lifetime	1,278,177
Loans & Receivables	Finance Leases	1,445,644	377,334				1,445,644	377,334		0
Loans & Receivables	Ubico Share Holding	1	0	N	Other	Amortised Cost ¹	1	0	Exempt	0
Available for Sale Financial Assets	Pooled Investment Funds	509,148	2,065,291	N	Other	Fair Value through Profit or Loss	509,148	2,065,291	n/a	0
Loans & Receivables	Money Market Funds	0	2,685,351				0	2,685,351	n/a	0
		5,624,807	29,132,738				5,624,807	29,132,738		

¹ The Code allows an exception to the IFRS9 classification for share holdings in Group entities where the reporting authority prepares Group Accounts; although CDC does not prepare Group Accounts the Council continues to carry this investment at cost due to materiality considerations

^{2a} The Council has financial assets included in Amortised Cost Investments where the counterparty is another Local Authority; no expected credit loss has been calculated for these assets

^{2b} The expected credit losses calculated by the Council's treasury management advisors as at 31st March 2018 are deemed immaterial and therefore no adjustment has been made to the carrying value of the financial assets as at 1 April 2018

*Sole payments of principle and interest

E2. Defined Benefit Pension Scheme

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.

Publica Group (Support) Limited

On 1st November 2017 the Council transferred the majority of its staff under TUPE legislation to Publica Group (Support) Limited, a wholly owned local authority company, limited by guarantee, operating with Mutual Trading Status to deliver services on behalf of the Council. The pension fund disclosure notes on the following pages include the staff transferred to Publica. All staff are pooled (counted as one scheme by the pension fund) as the Council continues to underwrite the pension liabilities on the whole scheme.

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).

Contributions payable include amounts payable by Publica Group (Support) Limited as the underlying pension liability for these staff remains with the Council.

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

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

	2017/18 £	2018/19 £
Comprehensive Income & Expenditure Statement		
<i>Cost of Services:</i>		
Current Service Cost	2,930,000	2,623,000
Past Service Cost	145,000	79,000
<i>Financing and Investment Income & Expenditure:</i>		
Net Interest Expense	1,073,000	1,055,000
Net Charge to Surplus or Deficit on Provision of Services	4,148,000	3,757,000
<i>Other post employment benefit charged to Comprehensive Income & Expenditure Statement</i>		
<i>Remeasurement of the net defined benefit liability comprising:</i>		
Return on Plan Assets	(1,213,000)	(2,068,000)
Actuarial (gains) / losses arising on changes in financial assumptions	(2,020,000)	8,764,000
Experience (gains) / losses	1,000	80,000
	(3,232,000)	6,776,000
Total post employment benefits charged to the Comprehensive Income & Expenditure Statement	916,000	10,533,000
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code	(4,148,000)	(3,757,000)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to the scheme	2,976,000	2,931,000

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Pension Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	2017/18 £	2018/19 £
Present value of the defined benefit obligation - funded	(106,792,000)	(118,663,000)
Present value of unfunded obligations	(2,823,000)	(2,920,000)
Fair Value of Plan Assets	70,426,000	74,792,000
Net liability arising from defined benefit obligation	(39,189,000)	(46,791,000)

Reconciliation of Movements in the Fair Value of Scheme (Plan) Assets

	2017/18 £	2018/19 £
Opening Fair Value of Scheme Assets	66,904,000	70,426,000
Interest Income	1,746,000	1,905,000
Remeasurement Gains / (Losses)	1,213,000	2,068,000
Employers' Contributions	2,849,000	2,796,000
Employee Contributions	496,000	440,000
Contributions in respect of unfunded benefits	127,000	135,000
Benefits Paid	(2,782,000)	(2,843,000)
Unfunded Benefits Paid	(127,000)	(135,000)
Closing Balance 31 March	70,426,000	74,792,000

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2017/18 £	2018/19 £
Opening Balance 1 April	(108,153,000)	(109,615,000)
Current Service Cost	(2,930,000)	(2,623,000)
Interest Cost	(2,819,000)	(2,960,000)
Contributions from Scheme Participants	(496,000)	(440,000)
Past Service Cost	(145,000)	(79,000)
Remeasurement Gains / (Losses)	2,019,000	(8,844,000)
Benefits Paid	2,782,000	2,843,000
Unfunded Benefits Paid	127,000	135,000
Closing Balance 31 March	(109,615,000)	(121,583,000)
	Funded	(106,792,000) (118,663,000)
	Unfunded	(2,823,000) (2,920,000)

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Composition Of Scheme Assets

	2017/2018				2018/2019			
	Quoted £000	Unquoted £000	Total £000	%	Quoted £000	Unquoted £000	Total £000	%
Equity Securities								
Consumer	3,416.3	0.0	3,416.3	5%	0.0	0.0	0.0	0%
Manufacturing	1,831.4	0.0	1,831.4	3%	0.0	0.0	0.0	0%
Energy and Utilities	1,339.9	0.0	1,339.9	2%	0.0	0.0	0.0	0%
Financial Institutions	2,830.3	0.0	2,830.3	4%	0.0	0.0	0.0	0%
Health and Care	1,132.3	0.0	1,132.3	2%	0.0	0.0	0.0	0%
Information Technology	174.9	0.0	174.9	0%	0.0	0.0	0.0	0%
Other	2,134.8	0.0	2,134.8	3%	0.0	0.0	0.0	0%
Debt Securities								
Corporate Bonds (investment grade)	3,303.9	0.0	3,303.9	5%	7,640.7	0.0	7,640.7	10%
Corporate Bonds (non investment grade)	254.1	0.0	254.1	0%	318.4	0.0	318.4	0%
UK Government	5,101.1	0.0	5,101.1	7%	2,354.5	0.0	2,354.5	3%
Other	774.3	0.0	774.3	1%	0.0	0.0	0.0	0%
Private Equity								
All	0.0	179.0	179.0	0%	0.0	165.1	165.1	0%
Real Estate								
UK Property	3,431.9	1,100.9	4,532.8	6%	4,742.9	1,591.7	6,334.6	8%
Overseas Property	0.0	382.1	382.1	1%	0.0	462.1	462.1	1%
Investment Funds and Unit Trusts								
Equities	2,797.1	31,792.6	34,589.7	49%	4,510.6	42,021.6	46,532.2	62%
Bonds	4,258.6	395.2	4,653.8	7%	5,977.9	0.0	5,977.9	8%
Other	0.0	2,724.0	2,724.0	4%	0.0	3,640.2	3,640.2	5%
Derivatives								
Foreign Exchange	39.5	0.0	39.5	0%	-17.7	0.0	-17.7	0%
Other	14.6	0.0	14.6	0%	7.5	0.0	7.5	0%
Cash and Cash Equivalents								
All	1,017.2	0.0	1,017.2	1%	1,376.5	0.0	1,376.5	2%
	33,852.2	36,573.8	70,426.0	100%	26,911.3	47,880.7	74,792.0	100%

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Basis for estimating assets and liabilities

An estimate of the pensions that will be payable in future years is dependent 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 (average future life expectancy - years)	Males	Females
Current Pensioners	22.4	24.6
Future Pensioners (those aged 45 at March 2016)	24.0	26.4
Financial Assumptions	2017/18	2018/19
Rate of increase in pensions	2.4%	2.5%
Rate of increase in salaries	2.7%	2.8%
Discount Rate	2.7%	2.4%

Life expectancy is based on Vita Curves with improvements in line with the CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25%.

Included in the assumptions is an allowance for future retirements to elect to take 35% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 68% of the maximum tax-free cash for post-April 2008 service.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. 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:

	Approx. increase in liability	
	%	£
0.5% decrease in Real Discount Rate	10%	12,078,000
0.5% increase in salary increase rate	1%	1,571,000
0.5% increase in pension increase rate	8%	10,319,000

The estimated employer's contributions for the year to 31st March 2020 will be approximately £3,053,000.

Impact of McCloud judgement

In December 2018 a court judgement was made which could result in public service schemes having to unravel (age-related) transitional protections built into Pension Fund valuations following recent changes in public sector pension schemes.

Given the uncertainty around this judgement with the government awaiting news of its right to an appeal, it is too early to know what the likely impact may be on LGPS members' benefits. As a default approach, the actuarial figures do not make any allowance within the 31 March 2019 IAS19/FRS102 reports for potential outcomes of this judgement.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

E3. Financial Instruments

Categories of Financial Instruments

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

2017/2018			2017/2018	
Non-Current	Current		Non-Current	Current
£	£		£	£
		Loans and Receivables		
2,007,179	12,020,671	Investments		
0	2,772,753	Cash and cash equivalents		
1,661,574	2,865,019	Debtors		
3,668,753	17,658,443			
		Financial Assets at Amortised Cost		
		Investments	2,000,000	11,042,894
		Ubico Shareholding	1	0
		Cash and cash equivalents	0	2,010,253
		Debtors	660,406	2,758,159
		Finance Leases	1,182,094	272,684
			3,842,501	16,083,990
		Available for Sale Financial Assets		
509,148	11,096,962	Investments		
509,148	11,096,962			
		Fair Value through Profit or Loss		
		Investments	10,300,526	2,146,912
		Cash and cash equivalents	0	5,001,657
			10,300,526	7,148,569
4,177,901	28,755,405	Total Financial Assets	14,143,027	23,232,559
		Financial Liabilities at Amortised Cost		
0	(2,000,701)	Borrowing	0	0
0	(1,876,579)	Creditors	0	(1,979,639)
0	0	Finance Leases	(86,365)	(23,741)
0	(3,877,280)	Total Financial Liabilities	(86,365)	(2,003,380)

The difference between the totals shown on the Balance Sheet and the values above is as follows:

	Non Current	Current	
	Debtors	Debtors	Creditors
	£	£	£
Total on Balance Sheet	1,842,500	5,682,236	(6,924,188)
Statutory & Government Debtors / Creditors	0	(2,206,517)	2,257,519
Payments / Receipts in Advance	0	(444,876)	2,663,289
Finance Leases	(1,182,094)	(272,684)	23,741
Total Debtors / Creditors	660,406	2,758,159	(1,979,639)

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consists of the following items:

2017/2018				2018/2019		
Financial Assets		Financial Liabilities		Financial Assets		Financial Liabilities
Loans & Receivables	Available for Sale	Amortised Cost	Amortised Cost	Fair Value through Profit or Loss	Amortised Cost	
£	£	£	£	£	£	
(119,724)	(79,150)	0		(133,969)	(324,526)	
			Financing & Investment Income and Expenditure			
			Interest / dividend income	198,594		
			Changes in fair value			
		751	Interest expense		658	
		0	Fee expense		0	
(119,724)	(79,150)	751	Net (Gains) / Losses for the Year	(133,969)	(125,932)	

Fair Values of Financial Assets and Financial Liabilities

Fair Value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

The Code sets out the fair value valuation hierarchy that local authorities are required to follow to increase consistency and comparability in fair value measurements and disclosures: Level 1 assets are valued based upon ‘quoted prices in active markets for identical assets’ where such assets exist. Level 2 is based upon inputs other than quoted prices within level 1 that are observable. Level 3 represents all other unobservable inputs which can be used to estimate the fair value of the assets.

The following table describes the Council’s financial assets measured at fair value:

	Input level	As at 31/03/2019 £
<u>Fair Value through Profit or Loss</u>		
Money Market Funds	Level 1	5,001,657
Pooled Investment Funds	Level 1	12,447,438
		17,449,095

Fair values for those financial assets deemed to be categorised as Level 1 have been derived from unadjusted quoted prices in active markets.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Except for the financial assets carried at fair value (as shown above), all other financial liabilities and financial assets are carried in the Balance Sheet at amortised cost. The carrying value and fair values are shown below for comparison purposes. Fair values are not required for current debtors and creditors (trade payables and receivables) since the carrying amount is deemed a reasonable approximation of fair value.

	2017/18		2018/19	
	Carrying Amount £	Fair Value £	Carrying Amount £	Fair Value £
Loans & Receivables				
Investments	14,027,850	14,008,153	0	0
Cash and cash equivalents	2,772,753	2,772,753	0	0
Debtors	4,526,593	4,526,593	0	0
	21,327,196	21,307,499		
Available for Sale Financial Assets				
Investments	11,606,110	11,606,110		
Financial Assets at Amortised Cost				
Investments			13,042,894	13,078,138
Ubico Shareholding			1	1
Cash and cash equivalents			2,010,253	2,010,253
Non-Current Debtors			660,406	660,406
Non-Current Finance Leases			1,182,094	1,182,094
	32,933,306	32,913,609	15,713,554	16,930,892
Financial Liabilities at Amortised Cost				
Borrowing	(2,000,701)	(2,000,701)	0	0
Non-Current Finance Leases	0	0	(86,365)	(86,365)
	(2,000,701)	(2,000,701)	(86,365)	(86,365)

E4. 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
 - * 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.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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

	Investment Balance
<u>Fixed duration deals</u>	
Banks	
A+ Rated	£4,016,145
AA- Rated	£4,017,179
Local Authorities	£5,009,571
<u>Call accounts and other 'cash equivalent' investments</u>	
Money Market Funds	£5,001,657
Call Accounts	£1,709,975
<u>Pooled funds</u>	
Non-rating agency rated pooled fund <i>separately approved by the Council's Treasury Management advisors</i>	£12,447,438

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 - maturing within:			
	0-3 mths	3-6 mths	6-12 mths	1 year +
<u>Internally managed funds</u>				
UK Banks	£4,016,145	£0	£0	£0
Foreign Banks	£0	£4,017,179	£0	£0
UK Local Authorities	£0	£3,002,393	£7,178	£2,000,000
Money Market Funds	£5,001,657	£0	£0	£0
Call Accounts	£1,709,975	£0	£0	£0
UK Equities	£0	£0	£0	£1
<u>Externally managed funds</u>				
Pooled Funds	£0	£0	£2,069,881	£10,300,526

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.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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. 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 0.25% higher during the year (and all other factors remain unchanged), and this rate increase had applied to all variable-rate investment income, the effect upon the Comprehensive Income & Expenditure Account would have been an increase in interest receivable from investments of £91,000.

Foreign Exchange Risk

The Council's policy is to deal in £ sterling wherever possible and reduce the need to deal in foreign exchange.

E5. Leases

The Council as Lessee [obtaining assets under a leasing arrangement]

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 March 2018 £	31 March 2019 £
Not later than one year	25,869	18,240
Later than one year & not later than five years	29,349	13,185
	55,218	31,425

Operating lease payments charged to Cost of Services during the year totalled £17,342 (2017/18 £35,639).

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

Finance Leases

During the year, the Council acquired new print room equipment under a finance lease. The assets are carried as Property, Plant and Equipment in the Balance Sheet at the following amount:

	31 March 2018 £	31 March 2019 £
Vehicles, plant, furniture & equipment	0	110,106
	0	110,106

The authority is committed to making minimum payments under this leases comprising settlement of the long-term liability for the interest in the equipment acquired and finance costs that will be payable by the authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2018 £	31 March 2019 £
Finance lease liabilities:		
Current	0	23,741
Non Current	0	86,365
Finance costs payable in future years	0	15,690
Minimum Lease Payments	0	125,796

The minimum lease payments will be paid over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2018 £	31 March 2019 £	31 March 2018 £	31 March 2019 £
Not later than one year	0	27,124	0	23,741
Later than one year & not later than five years	0	98,672	0	86,365
Later than five years	0	0	0	0
	0	125,796	0	110,106

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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 March 2018 £	31 March 2019 £
Present value of principal payments outstanding on non current assets	1,822,978	1,454,778
Unearned finance income	2,827,768	2,770,854
	4,650,746	4,225,632

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 March 2018 £	31 March 2019 £	31 March 2018 £	31 March 2019 £
Not later than one year	434,858	324,941	377,334	272,684
Later than one year & not later than five years	975,482	870,235	800,346	707,110
Later than five years	3,240,405	3,030,456	645,298	474,984
	4,650,745	4,225,632	1,822,978	1,454,778

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 2018/19 the Council received £138,443.74 in contingent rents (2017/18 £91,342).

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 impairment allowance.

ADDITIONAL DISCLOSURES – TECHNICAL NOTES

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 2018 £	31 March 2019 £
Not later than one year	974,894	1,032,370
Later than one year & not later than five years	3,431,625	3,286,333
Later than five years	2,150,014	3,428,679
	6,556,533	7,747,382

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

E6. Accounting Policies

i) 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* 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.

These accounts have been prepared on the assumption that the Council is a going concern.

ii) 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).

iii) 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.

iv) 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

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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.

v) Council Tax and Non-Domestic rates – England

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

vi) Employee benefits

Benefits payable during employment (updated)

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.

Prior to 2017/18 an accrual was 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. The cost of leave carried-forward into the next financial year would be entered into the accounts as a creditor as the leave will be a cost (either in monetary terms of lost productive time) in the new year. In 2017/18 the Council TUPE-transferred the majority of its staff to Publica Group (Support) Limited. Due to the vastly reduced number of staff at the Council a balance is no longer maintained for the cost of untaken annual leave as the figures involved are not material to the accounts.

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.

vii) 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.

viii) Fair value measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

ix) Financial instruments (UPDATED)

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 based on a principles based classification and measurement approach that reflects the business model for holding the assets (i.e. why are we holding the asset) and the characteristics of the cashflows. There are three main classifications:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

Financial Assets at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council 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.

Expected Credit Loss Model

The Council recognises material expected credit losses on its financial assets held at amortised cost, either on a 12-month or lifetime basis except for those where the counterparty is central government or another local authority, where relevant statutory provisions prevent default. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors).

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Where credit risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

Financial Assets at Fair Value through Profit or Loss

Financial assets measured at fair value through profit or loss are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Fair value is measured in accordance with the Council's Fair Value Measurements policy (see viii above).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council has chosen to apply statutory provisions for mitigating the impact of fair value movements on Pooled Investment Funds as directed in the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2018 [SI 2018/1207]. This allows (where relevant criteria are met) for fair value gains and losses on Pooled Investment Funds to be reversed to an account established solely for the purpose of recognising fair value gains and losses – the Pooled Investment Funds Adjustment Account.

This statutory provision applies to the 2018/19 accounts and ceases on 31 March 2023.

x) 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.

xi) Heritage assets

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].

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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.

xii) 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.

xiii) 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.

xiv) 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 it 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. As a non-financial asset, investment properties are measured at highest and best use. 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.

xv) 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.

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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 (e.g. 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.

xvi) Property, Plant and Equipment

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 (PPE).

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 minimus 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.

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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
- Surplus assets – 'highest and best use'
- all other classes of asset – 'current value', 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 value' because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of 'current value'.

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 value'.

Assets included in the balance sheet at current value 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.

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

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 (i.e. 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 value 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.

xvii) 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.

xviii) 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.

xix) 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.

xx) 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.

E7. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note E6 above, the Council has had to make judgements at times about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Council had a one-seventh share in Ubico Limited. Ubico operates separate operating practices and management structure, the application of majority-voting on the Ubico Limited board indicates that the Council does not have joint-control or significant influence over the company. The Council's interest has therefore been classified as an investment in Ubico and group accounts have not been prepared.
- The Council jointly owns (with West Oxfordshire District Council, the Forest of Dean District Council and Cheltenham Borough Council) Publica Group (Support) Limited, a wholly owned company, limited by guarantee, operating with Mutual Trading Status to deliver services on behalf of the Council and services to other members Councils under contract. Publica can be considered to be merely an employment vehicle (in accounting terms only a 'holding account'), employing and paying staff and then recharging these costs to the Councils, via a contract sum. It does not trade and does not make a 'profit' as substantially all surpluses are redistributed back to the councils. While the Council has an interest in the Company, the Council's share of profit for the year and net assets at the balance sheet date have not been consolidated into the Council's single entity accounts. It is the view of management that the figures involved are not material and the production of group accounts will not enhance disclosure or provide any additional benefit to the reader of the accounts, and on that basis Group Accounts have not been prepared.
- No allowance has been made in the Councils' accounts for the transfer out of any Local Government Pension Scheme (LGPS) pension liability to Publica Group (Support) Limited. The service contract and tripartite agreement between the Council, Gloucestershire Pension Fund and Publica Group (Support) Limited mean that the pension liability and risk relating to the pension fund remains with the Council, following the TUPE transfer of the majority of the Council's staff to Publica on 1st November 2017. Therefore the Council is reporting the pension liability for both staff transferred to Publica, and the Councils retained staff, in the accounts. Although Publica, as the employer of many of the current staff may be initially responsible for paying any exit contributions (for example), for any of its staff that are members of the LGPS, such cost will be reimbursed by the relevant Council. The accounts have been prepared on the basis that the full pension fund liability for the LGPS sits in the Council's accounts. There are no separate disclosures for Publica as they are not responsible for any LGPS obligations liability.
- 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.

The Council has such an agreement whereby it provides environmental services vehicles to Ubico Limited. Ubico pay a market-rate for the use of the vehicles and are responsible for insuring and maintaining the vehicles and determining their deployment (including use across other Ubico contracts where necessary). Ubico pay for the vehicles over a period of 7-years for new vehicles, which is deemed to be the useful economic life of the assets. The transaction has been accounted for on the basis that the agreement is a finance lease, because: i) the sum of the lease payments equal the cost of purchasing the asset; ii) the length of the term represents 'substantially all' of the useful life of the asset; and iii) the rights and responsibilities of ownership (maintenance, insurance, deployment) in relation to the vehicle assets sit primarily with Ubico Ltd.

- 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 or estimates applied at national government level.

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

- 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. The Council has therefore prepared its accounts on the basis that it is a going concern.

E8. Assumptions and Other Major Sources of Estimation

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 & 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 valuer.	If the useful economic life of an asset is reduced, depreciation increases and the carrying value of an asset will reduce more quickly.
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, which will impact upon the 'net worth' of the Council
Bad debt provisions	Trade debtors on the balance sheet assume an element of bad debt/allowance for uncollectable amounts (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 with more income than that which will actually be recoverable. The effect is offset by establishing a suitable provision based upon the best information available on the likelihood of invoices not being settled.
Going concern	The Council has set its budgets and Medium Term Financial Plan (MTFP) based upon its best estimate of plans and funding. Sources or income, grant funding and savings plans are all liable to change the further into the future one moves.	If estimates on income, funding and savings plans differ (and all move adversely), the Council will be able to draw upon revenue reserves to smooth any fluctuations in funding until alternative savings plans are developed. It is therefore assumed that the Council will remain a going concern for the foreseeable future.

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

E9. Accounting Standards Not Yet 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.

Changes to the 2019/20 code are limited to:

- IFRS16 Lease
IFRS16 will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.
- Amendments to IAS40 Investment Property : Transfers of Investment Property
provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
Clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.
- IFRIC 23 Uncertainty over Income Tax Treatments
Provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the Council's accounts.
- Amendments to IFRS 9 Financial Instruments : Prepayment Features with Negative Compensation
Amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to which this will apply.

E10. Contingent Liabilities and Contingent Assets

Right to Buy Clawback

Under the agreement for the transfer of the Council's housing stock to Fosseyway 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.

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

E11. 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 B9, *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 the year is disclosed in Note B6 to these accounts, *Members' Allowances*.

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. There are no significant related party transactions to report.

In addition to being District Council Members, as at 31st March 2019 six of the Council's Members are also Members of Gloucestershire County Council (six as at 31st March 2018).

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. On an annual basis, senior officers in positions of influence within the Council are required to complete a related party declaration to highlight any potential conflicts of interest.

Declarations are sought even where no conflicts of interest have been reported. There were no declarations that required further disclosure in this statement of accounts.

West Oxfordshire District Council

Up until November 2017 the Council shared a number of senior staff with West Oxfordshire District Council. On the 1st November the majority of the Council's staff TUPE-transferred to Publica Group (Support) Limited. Following the transfer only the Legal team, counter fraud unit and the Chief Finance Officer remain, shared with West Oxfordshire.

Cotswold District Council shares its Chief Finance Officer with West Oxfordshire District Council under a joint working relationship. The CFO is an employee of, and paid by, Cotswold District Council. While the Officer is shared and has influence in both Cotswold District Council and West Oxfordshire District Council, she is required to act separately for each Council. Decisions on overall policy and the strategic direction are set by Cabinet and Council in each Council, with the CFO enacting the Members' will.

ADDITIONAL DISCLOSURES – UNDERSTANDING THE ACCOUNTS

Publica Group (Support) Limited

Publica Group (Support) Limited (the Company), is a not-for-profit company limited by guarantee with no share capital.

Cotswold District Council, along with West Oxfordshire, and Forest of Dean District Councils and Cheltenham Borough Council have jointly set up Publica Group (Support) Limited, a wholly owned company, limited by guarantee, operating with Mutual Trading Status to deliver services on behalf of the Council and services to other members Councils under contract.

Publica Group (Support) Limited is a Teckal company fulfilling the conditions set out in Regulation 12(4) of the Public Contracts Regulations 2015. The Company is subject to management supervision by the Members. As such, the Company is a body governed by public law as defined in the Public Contracts Regulations 2015.

While Publica Group (Support) Limited works closely with the Council, the company has its own board of Directors, its own Management team, and operates independently from the Council.

At 31st March 2019 the Council owed Publica £7,002 and was owed £314,211.

Ubico Ltd

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. The Council holds an equal 1/7th 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 1/7th shareholding in Ubico Ltd, and a place on the Board of Ubico Ltd, the Council is not deemed to 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.

At 31st March 2019, Ubico Ltd owed the Council £484,115 and the Council owed Ubico Ltd (creditors and receipts in advance) £201,516.

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 is also a member of the Gloucestershire Business Rates Pool. Payments to and from the Pool are administered by Stroud District Council as pool lead.

The Council provides retirement benefits to its employees. The Local Government Pension Scheme is administered by Gloucestershire County Council (see Note E1).

E12. Events After The Balance Sheet Date

On 3rd April 2019, the Council completed the purchase of retail premises in Cirencester; the cost of the acquisition was £2.2 million.



CASH FLOW STATEMENT

	Note	2017/18 £	2018/19 £
Net surplus or (deficit) on provision of services		(2,104,633)	1,031,243
Adjustments to net surplus or (deficit) on the provision of services to exclude non-cash movements	F1	93,075	5,246,979
Adjustments for items included in the net surplus or (deficit) on the provision of services that are investing or financing activities	F2	(472,533)	(798,045)
Net cash flows from Operating Activities		(2,484,091)	5,480,177
Investing Activities	F3	4,125,935	792,019
Financing Activities	F4	(1,000,000)	(2,033,039)
Net increase or (decrease) in cash and cash equivalents		641,844	4,239,157
Cash and cash equivalents at 1 April		2,130,909	2,772,753
Cash and cash equivalents at 31 March		2,772,753	7,011,910
Comprising:			
Cash and bank current accounts		87,402	300,277
Money Market Funds		2,230,000	5,001,657
Short Term Deposits (Call Accounts)		455,351	1,709,976
		2,772,753	7,011,910

F1. Adjustments to the net surplus / (deficit) on the provision of services for non-cash movements

	2017/18 £	2018/19 £
Depreciation, amortisation and impairment	1,721,008	651,079
Increase / (decrease) in creditors	(928,940)	1,299,664
(Increase) / decrease in debtors	(1,636,095)	1,847,817
Increase / (decrease) in provision for bad debts	(177,441)	(39,699)
(Increase) / decrease in inventories	10,150	5,815
Pensions' liability	1,172,000	826,000
Carrying amount of non current assets sold	246,742	9,134
Increase / (decrease) in provisions	(14,299)	1,020,701
Movements in the fair value of investment properties	(40,025)	214,400
Other non cash items charged to Surplus/Deficit on Provision of Services	(260,025)	(587,932)
	93,075	5,246,979

F2. Adjustments for items included in the net surplus / (deficit) on the provision of services that are investing or financing activities

	2017/18 £	2018/19 £
Capital grants applied to the financing of capital expenditure	(43,050)	(413,175)
Proceeds from the sale of non current assets	(290,492)	(9,134)
Unattached capital receipts	(138,991)	(375,736)
	(472,533)	(798,045)

F3. Investing Activities

	2017/18 £	2018/19 £
Purchase of property, plant & equipment and other capital investment	(746,674)	(687,170)
Purchase of short term and long term investments	(33,000,000)	(35,000,000)
Proceeds from the sale of non current assets	811,215	1,465,135
Proceeds from disposal of short term and long term investments	35,743,000	35,000,000
Other (receipts) / payments from investing activities	1,318,394	14,054
	4,125,935	792,019

F4. Financing Activities

	2017/18 £	2018/19 £
Repayment of short term borrowing	(1,000,000)	(2,000,000)
Finance Lease repayments	0	(32,338)
Other payments from financing activities	0	(701)
	(1,000,000)	(2,033,039)

COLLECTION FUND

This "Agent's" statement shows the transactions of the Council as a billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and National Non Domestic Rates (Business Rates).

2017/2018				Note	2018/2019		
Business Rates £	Council Tax £	Total £			Business Rates £	Council Tax £	Total £
0	(63,606,160)	(63,606,160)	Council Tax receivable	G1	0	(67,752,318)	(67,752,318)
(31,383,772)	0	(31,383,772)	Business Rates Receivable	G2	(33,192,201)	0	(33,192,201)
(1,445,616)	0	(1,445,616)	Transitional Protection Payments		(826,436)	0	(826,436)
517,596	0	517,596	Contribution to previous year's deficit		(2,103,922)	0	(2,103,922)
(32,311,792)	(63,606,160)	(95,917,952)	Total Income		(36,122,559)	(67,752,318)	(103,874,877)
			<u>Apportionment of previous year's surplus</u>				
0	109,494	109,494	Cotswold District Council		0	170,585	170,585
0	647,604	647,604	Gloucestershire County Council		0	1,026,594	1,026,594
0	120,102	120,102	Gloucestershire Police & Crime Commissioner		0	186,722	186,722
0	877,200	877,200			0	1,383,901	1,383,901
			<u>Precepts, Demands and Shares</u>				
17,595,167	0	17,595,167	Central Government		0	0	0
14,076,135	7,651,093	21,727,228	Cotswold District Council		16,414,202	8,022,767	24,436,969
3,519,039	46,044,777	49,563,816	Gloucestershire County Council		16,414,202	49,655,391	66,069,593
0	8,374,880	8,374,880	Gloucestershire Police & Crime Commissioner		0	9,127,047	9,127,047
35,190,341	62,070,750	97,261,091			32,828,404	66,805,205	99,633,609
			<u>Charges on the Collection Fund</u>				
517,809	112,463	630,272	Write-offs of uncollectable amounts		161,425	28,001	189,426
860,489	21,337	881,826	Increase / (decrease) in Bad Debt / Appeals Provisions	G3	1,470,146	95,235	1,565,381
179,930	0	179,930	Cost of Collection		179,327	0	179,327
98,841	0	98,841	Disregarded Amounts	G4	83,627	0	83,627
0	0	0	Interest on refunds		0	0	0
1,657,069	133,800	1,790,869			1,894,525	123,236	2,017,761
36,847,410	63,081,750	99,929,160	Total Expenditure		34,722,929	68,312,342	103,035,271
4,535,618	(524,410)	4,011,208	(Surplus) / Deficit for the Year		(1,399,630)	560,024	(839,606)
(833,448)	(738,778)	(1,572,226)	(Surplus) / Deficit brought forward		3,702,170	(1,263,188)	2,438,982
3,702,170	(1,263,188)	2,438,982	(Surplus) / Deficit carried forward	G5	2,302,540	(703,164)	1,599,376

NOTES TO THE COLLECTION FUND

G1. Council Tax System

Under the council tax system, Cotswold District Council must collect each year enough money from local residents to cover the cost of the services we provide, which are not funded by other sources such as government grants and fees and charges.

Council Tax was introduced on 1 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. In order to set the Council Tax, the Council estimates the number of dwellings in each of the nine valuation bands and convert these estimates into an "equivalent number of Band D dwellings". The table below shows the calculation for 2018/19.

Valuation Bands	Estimated number of taxable dwellings*	Ratio	Equivalent number of Band D dwellings
A- Band A - entitled to disabled relief reduction	2.50	5/9	1.39
A up to £40,000	2,922.25	6/9	1,948.17
B £40,001 - £52,000	4,359.75	7/9	3,390.92
C £52,001 - £68,000	9,562.25	8/9	8,499.78
D £68,001 - £88,000	6,445.00	1	6,445.00
E £88,001 - £120,000	5,671.75	11/9	6,932.14
F £120,001 - £160,000	4,296.75	13/9	6,206.42
G £160,001 - £320,000	4,075.50	15/9	6,792.50
H over £320,001	611.50	18/9	1,223.00
Contributions in lieu (South Cerney Barracks)	-	-	184.39
			41,623.70
Adjustments for collection rates and anticipated changes during the year			-1,325.91
			40,297.79

* adjusted for discounts and exemptions

The total number of "equivalent Band D dwellings" is divided into the total cost of services to arrive at an "average Band D Tax" per dwelling. Dwellings in bands below "Band D" will pay proportionately less than this average and dwellings in bands above "Band D" will pay proportionately more than this average.

The above calculations resulted in an "average Band D Tax" of £1,585.10 per dwelling for 2018/19 (2017/18 - £1,520.15). This figure includes precept figures payable to Gloucestershire County Council, the Police and Crime Commissioner for Gloucestershire and Cotswold District Council but excludes the amount payable to Town & Parish Councils.

NOTES TO THE COLLECTION FUND

G2. National Non Domestic Rates

In April 2013 the government introduced the Business Rates Retention Scheme.

Under the scheme the Council acts as both principal and agent, in that it is able to retain 40% of the net standard business rates collected within the local area as income within its own budget, net of tariff payable to central government, as well as 100% of net rates from new properties within designated areas and also those relating to renewable energy schemes (Disregarded Amounts). The Council distributes the remaining net balance of standard business rate income to Central Government, who are allocated 50%, with the final 10% to Gloucestershire County Council.

	2017/18 £	2018/19 £
Total Non Domestic Rateable Value at 31 March	£88,117,962	£89,343,188
National Non-domestic Rate Multiplier - Higher	47.9p	49.3p
National Non-domestic Rate Multiplier - Lower [Small Business]	46.6p	48.0p

The Business Rates receivable amount on the face of the Collection Fund Account is lower than the total of Non-domestic Rateable Value multiplied by the Non-domestic Rate Multiplier due to the award of various reliefs including Small Business Rate Relief and other mandatory and discretionary rate reliefs.

G3. Tax Payers' Arrears & Provisions for Uncollectable Amounts

Provision has been made for uncollectable tax payers' debts. At 31 March the provisions on the Collection Fund were as follows:

	2017/18 £	2018/19 £	% of arrears
Council Tax	(446,707)	(541,943)	0.0%
National Non Domestic Rates	(437,355)	(387,657)	0.0%
	(884,062)	(929,600)	

G4. Business Rates – Disregarded Amounts

From April 2013 the Council was allowed to retain 100% of the growth from the business rates associated with renewable energy sites. All such growth is transferred to the Council's General Fund.

NOTES TO THE COLLECTION FUND

G5. Collection Fund Balance Sheet Apportionment

The apportionment of the balances on the Collection Fund as at 31 March is as follows:

	Cotswold District Council £	Gloucs. County Council £	Central Govt. £	Gloucs. P&CC £
Council Tax				
Debtors	200,242	1,255,961	n/a	230,856
Bad Debt Provision	(65,083)	(402,819)	n/a	(74,041)
Prepayments and Overpayments	(179,893)	(1,113,410)	n/a	(204,654)
(Surplus) / Deficit at 31 March	(84,444)	(522,652)	n/a	(96,068)
Business Rates				
Debtors	595,416	595,416	0	n/a
Bad Debt Provision - Tax Payers	(193,829)	(193,829)	0	n/a
Bad Debt Provision - Appeals	(2,063,795)	(2,063,795)	0	n/a
Prepayments and Overpayments	(342,158)	(342,158)	0	n/a
(Surplus) / Deficit at 31 March	991,444	511,973	799,123	n/a

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 Best Value 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 developed and approved a Code of Corporate Governance, which is consistent with the core principles and sub-principles as set out in the CIPFA/SOLACE “Delivering Good Governance in Local Government: Framework (2016)” (‘the Framework’). This statement explains how the Council has complied with the code and also meets the requirements of Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 (England) which requires the Council to conduct a review at least once a year on the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts.

In addition to this, CIPFA issued its “Statement on the Role of the Chief Finance Officer in Local Government (2015)”. 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 (Section 151 Officer).

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled including activities through which it 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, 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

The governance framework has been in place at Cotswold District Council for the year ended 31st March 2019 and up to the date of approval of the Annual Statement of Accounts.

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;
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;
- Reviewing and updating Financial Rules, Contract Rules, Constitution, 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 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 (2015);
- 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; and
- 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 the key evidence of delivery, are set out below, under the headings of the core principles and sub-principles from the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- Behaving with Integrity
- Demonstrating strong commitment to ethical values
- Respecting the rule of the law

- 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 sets out guidelines as to behaviour and practical issues.
- Declarations are made at meetings by Members, and Officers, where appropriate and are recorded in the minutes of the meeting. The Members Code of Conduct requires Members to make declarations of interest when necessary, these are also recorded.
- Registers of Interest are completed annually by Members and Officers and a Register of Gifts and Hospitality is maintained. Members are reminded quarterly to update the Register of Interests.
- The Monitoring Officer and Section 151 Officer report directly to the Head of Paid Service and are members of the Corporate Leadership Team.
- Internal audit reviews are designed to ensure services are complying with internal and external policies and procedures and all legislation. Where non-compliance is identified, this is reported to Management and to Members via the Council's Audit Committee.
- Whistleblowing policies have been ratified by Cabinet. A Gloucestershire wide Counter-Fraud unit is hosted by this Council to help prevent and detect fraud and corrupt practices, including misuse of power. This service reports to Audit Committee twice a year.

B. Ensuring openness and comprehensive stakeholder engagement

- Openness
- Engaging comprehensively with institutional stakeholders
- Engaging with individual citizens and service users effectively

- Annual accounts are published in a timely manner to help communicate the Council's financial position and performance.
- An Annual Report is published each year, which summarises financial and other performance over the previous financial year and sets out the Corporate Plan for the current year.
- All Committee, Cabinet and Council reports clearly outline their purpose, so the community can understand what the Council is trying to be achieve. Reports also address financial legal, equalities, risk and sustainability implications to aid understanding of the potential impact of their recommendations.
- The roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions are defined in the Council's Constitution
- A Scheme of Delegation for officers is included within the Constitution
- Communication channels with staff include one-to-one meetings, a weekly update email, an intranet site.
- A Customer Feedback form is available publicly for handling comments, complaints and compliments.
- The Council maintains clear channels of communication with all sections of the Community and other Stakeholders
- The ability for Members of the Public to ask questions at Cabinet meetings, Overview and Scrutiny Committee meetings and meetings of the Full Council.
- A report is produced annually regarding the performance of the council and the achievement of its aims and objectives. The report is published on the Council's website.
- The Council publishes Transparency data on its website which includes, supplier payments, Senior Management Structure Charts, Annual Pay Policy Statement. Where data is not available in the published data sets, instructions are available on how to make a Freedom of Information Request and the procedure that will be followed to answer the request.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

- Defining outcomes
- Sustainable economic, social and environmental benefits

- The Council's vision is contained within the Corporate Strategy 2016-19, which also states the Aim and Priorities of the organisation. Corporate and Service Plans are drafted and updated annually to support the delivery of the Council's Aim and Priorities.
- Key tasks identified in Service Plans feed into individual work plans/appraisals.
- The Corporate Strategy deals with the Council's approach to environment and sustainability issues. Detailed proposals arising from the Corporate Strategy are Individually assessed as they are developed and are included within decision making reports to Members.
- The financial implications of delivering against the Council's Aim and Priorities are included within the Council's Medium Term Financial Strategy, Revenue Budgets and Capital Programme, Capital Strategy, Investment Strategy and Treasury Management Strategy. These key financial documents are updated annually in advance of the forthcoming financial year.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

- Determining interventions
- Planning interventions
- Optimising achievement of intended outcomes

- The Council has, with three other Councils, created a company, Publica Group (Support) Ltd (Publica), to deliver more efficient and improved services. Where possible, processes have/are being aligned to ensure consistency across the partner Councils. However, the Councils have retained decision making powers over service policies, outcomes and standards. Publica is the Council's most significant contractor. In recognition of this, the Council will monitor the contractor's performance by:
 - Considering Publica's Annual Report at Council;
 - Considering Publica's draft Business Plan annually at the Overview and Scrutiny Committee and Cabinet in February/March each year;
 - Requiring, as appropriate, representatives from Publica to attend relevant Scrutiny Committee(s) to support discussion on quarterly performance reports;
 - Receiving monthly "Keeping You Connected" updates by email from Publica to all Members;
 - Meeting informally with Cabinet Members together with invited Members from other parties/scrutiny representatives on a regular basis (at least every six months) to discuss: progress against the Business Plan; identify any key risks and challenges outside of the company or Council control; budget monitoring and service delivery matters;
 - Develop informal mechanisms to share best practice, learning and Councillor development.
- In addition to the creation of Publica, the Council continues to secure savings through its procurement processes.
- The Council has processes in place to identify and respond to external changes, for example: changes to legislation and regulation, emerging risks and opportunities. Corporate processes such as risk management, development and delivery of Corporate and Service Plans, performance management processes, budget monitoring and other management processes are designed to capture and incorporate these external factors and to enable the Council to respond appropriately.
- Corporate and Service risk registers are discussed and reported quarterly.
- Key Performance Indicators are identified and included in the Service Delivery Plans for each service, these are reported quarterly.
- Budgets are prepared annually in accordance with objectives, strategies and the Medium Term Financial Strategy, following consultation with customers, stakeholders and officers.
- The Medium Term Financial Strategy (MTFS) is a live document and can be reviewed, updated and reported as necessary, to respond to the changing environment.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

- Developing the entity's capacity
- Developing the capability of the entity's leadership and other individuals

- One of the reasons behind the creation of Publica is to increase capacity across the four partner councils by sharing common processes and procedures and eliminating (as far as possible) single points of failure. By working in partnership, the Councils are able to share the cost of commissioning bespoke, specialist advice.
- The move to provision of services via wholly owned companies is providing the opportunity to engage with a number of Non-Executive Directors that bring a wealth of experience from a range of different economic sectors.
- There is a Scheme of Delegation at Member level covering the Council, Cabinet, Individual Cabinet Members and Other Committees. Similarly, there is a Scheme of Delegation for officer decisions delegated to them. These are reviewed and revised as structures at Council and Officer level change.
- Financial Rules were published in 2012; minor changes to the Rules to reflect operational practice were made by the Council's Chief Finance Officer in July 2015 and reported to the Cabinet. The Financial Rules are due to be reviewed and updated during 2019/20 to reflect changes resulting from the introduction of the new service delivery company and any other operational updates.
- An induction programme is available to new employees and members alike. Training is also provided for both Members and Officers on an on-going basis as appropriate and necessary. Members on certain Committees (e.g. Planning and Licensing) are required to undertake training before attending the Committee meetings.
- Officers undertake regular 121 meetings with their line manager. As part of these 121 meetings, Offices discuss work plans/tasks and any training requirements associated with the successful delivery of the work plan. Officers are encouraged to complete Continuing Professional Development as relevant to their professional qualifications and service areas hold budgets to ensure that training can be undertaken to maintain skills and knowledge.
- The Head of Paid Service, the Section 151 Officer, the Monitoring Officer and The Leader of the Council have clear roles and responsibilities and these are contained within the Constitution along with the Member/Officer Protocol.

F. Managing risks and performance through robust internal control and strong public financial management

- Managing risk
- Managing performance
- Robust internal control
- Managing data
- Strong public financial management

- Responsible officers are required to maintain Service / Operational Risk Registers and Senior Officers review the Strategic Risk Register on a quarterly basis. The Strategic Risk Register is reported to Members and Cabinet on a regular basis.
- Risks are identified when undertaking Internal Audit reviews and reported when necessary.
- Performance Management, measures the quality of service for users to ensure services are delivered in accordance with the Council's objectives and represent best use of resources.
- Performance is measured on a regular basis and reported to Overview and Scrutiny Committee and Cabinet.
- Minutes of meetings are published and highlight the challenge made by Members to Officers/Cabinet Members.
- The Internal Audit service is provided by SWAP Internal Audit Services and is run in partnership with other local authorities. The internal audit team provide the internal audit service to both the Council and Publica Group (Support) Ltd which strengthens the Council's oversight of Publica as its most significant contractor.
- A risk-based Audit Plan is drafted annually following consultation with Officers, Members and the Section 151 Officer. The Audit Plan is approved at Audit Committee prior to the financial year.
- Audit reports, once completed are discussed with the service manager. Executive summaries, including findings, and progress on the Annual Plan are reported to Audit Committee, on a quarterly basis.
- Recommendations made in audit reports are followed up 6 months after the completion the audit and findings reported to Audit Committee.
- The Audit Committee's Terms of Reference are contained within the Constitution. Members of the Committee have experience of scrutinising financial and audit reports. Training is provided as appropriate.
- A County Wide Counter Fraud Unit is hosted by this Council and supports all the Gloucestershire Local Authorities, West Oxfordshire District Council and other third parties. Where investigations identify possible improvements to the internal control framework the Counter Fraud Unit will liaise with the Internal Audit team to ensure the improvements are followed up and implemented by Management.
- An ICT Audit and Compliance Manager has responsibility for Data Protection policies and ensuring officers are informed.
- The Council is part of the Gloucestershire Information Sharing Partnership. This will enable data to be shared when necessary.
- Audit reviews ensure data is held securely whether electronic or hard-copy.
- The MTFS is reviewed and updated on a regular basis to ensure the Section 151 Officer, Directors and Members are aware of the financial standing of the Council.

G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

- Implementing good practice in transparency
- Implementing good practices in reporting
- Assurance and effective accountability

- The Council publishes an Annual Report which reports on the Council's activities for the previous financial year. Data in respect of transparency is published on the Council's website.
- The Council's Statement of Accounts is produced and published annually in accordance with statutory requirements. Aligned with this is the production of the Annual Governance Statement which identifies how the Council has met its governance reporting obligations
- External Audit recommendations are reported to Audit Committee, following the completion of their annual audit process, follow-ups of recommendations are also reported.
- Internal Audit processes ensure compliance with Public Sector Internal Auditing Standards. Internal Audit recommendations are followed-up and reported to Audit Committee, further follow-up is planned if recommendations have not been actioned in full.

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 Internal Audit, the officer Corporate Governance Group and comments made by the external auditors, other review agencies and inspectorates.

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

Senior Managers within Public and the Council complete an Annual Assurance Statement 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 Section 151 Officer and the Monitoring Officer) review the Corporate Risk Register on a quarterly basis and Service Risk Registers being maintained by management.

The SWAP Assistant Director (Head of Internal Audit) provides 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 the Monitoring Officer and an Independent Person(s).

Induction processes are carried out for newly elected members.

The Section 151 Officer ensures training and awareness sessions are carried out for the Audit Committee periodically.

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

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

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

The Audit Committee review the Annual Governance Statement.

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

Full Council approves the annual budget, reviews and approves the Treasury Management Strategy, Capital Strategy, and Investment Strategy following recommendations from the Audit Committee.

Internal Audit monitors the quality and effectiveness of systems of internal control. Audit reports include 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 management.

The Annual Internal Audit Opinion for 2018/19, in respect of the areas reviewed during the year, was ‘TBC’.
To be updated in final approved Annual Governance Statement in July 2019.

The Council’s Financial Rules and Contract Rules are kept under review and revised periodically.

Other explicit review/assurance mechanisms, such as the Annual Report from the Local Government Ombudsman and reports from SWAP or Grant Thornton.

5. SIGNIFICANT GOVERNANCE ISSUES DURING 2018/2019

In preparing this statement and reviewing the effectiveness of the governance arrangements a number of areas have been identified where the Council needs to focus attention and improve arrangements 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	Member induction following elections	The Council will be holding elections in May 2019 and will need to ensure that Members, particularly new Members, receive appropriate support and training to enable them to fulfil their role effectively.
2	Update Corporate Strategy	Following elections in May 2019, the Council will need to produce a new Corporate Plan, setting out its aims and objectives for the next four years.
3	Publica Ltd	The Council needs to embed the governance arrangements relating to Publica. This includes implementing new Service Delivery Plans which will enable improved performance reporting using a new set of Key Performance Indicators and new arrangements for engagement between Publica and Council Members.
4	General Data Protection Regulation (GDPR)	The Data Protection Regulatory framework changes in May 2018. The Council has an approved action plan which it needs to ensure is implemented in a timely manner to ensure it is compliant with the new requirements.

ANNUAL GOVERNANCE STATEMENT [DRAFT]

The Annual Internal Audit Opinion, as drafted by the SWAP Assistant Director (Head of Internal Audit), lists **number** pieces of audit work being conducted during 2018/19, which includes consultancy and advisory services. **Number** assurance reviews were completed during the year (**to be completed**).

Internal Audit follow-up reviews were conducted during 2018/19 on areas where weaknesses were identified in the previous year. **Internal Audit to complete**.

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:

To be approved and signed in July 2019

Councillor Joseph Harris
Leader of the Council

xx July 2019

Nigel Adams
Head of Paid Service

xx July 2019

INDEPENDENT AUDITOR'S REPORT

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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 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 [Defined Benefit Pension Scheme]

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.

Billing Authority

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

Business Rates (NNDR/NDR)

Rates payable on business (non-domestic) premises based on their Rateable Value.

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.

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

A local tax on domestic properties, set by the billing and precepting authorities. The level is determined by the revenue expenditure requirements for each authority divided by the tax base for the year.

Council Tax Base

The amount calculated by each billing authority from which the entitlement of its share is derived.

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 Service Cost [Defined Benefit Pension Scheme]

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 [Defined Benefit Pension Scheme]

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.

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.

Events After the Balance Sheet Date

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 authorised for issue 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.

Expected Return on Assets [Defined Benefit Pension Scheme]

For a defined benefit scheme, this is a measure of the return on the investment assets held by the plan for the year. It is not intended to reflect the actual realised return by the plan, but a longer term measure based on the value of assets at the start of the year taking into account movements in assets during the year and an expected return factor.

Finance Lease

A lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Under a finance lease, the present value of the lease payments would equate to the fair value of the asset.

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.

General Fund (GF)

The main revenue fund used to meet day-to-day spending on providing Council services.

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 ("Specific") or to support the revenue spend of the Authority ("Non-Specific").

Impairment

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

Infrastructure Assets

A class of asset whose life is of indefinite length and which are usually not capable of being sold, such as highways and footpaths.

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.

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.

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.

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.

Net Book Value (NBV)

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

Net Interest on the Net Defined Benefit Liability [Defined Benefit Pension Scheme]

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-Current Liabilities

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

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.

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.

Past Service Costs [Defined Benefit Pension Scheme]

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.

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.

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.

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.

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.

Revenue Expenditure

Day to day spending on the running of Council services including salaries, wages, contract payments, supplies and capital financing costs.

Revenue Expenditure Funded by Capital Under Statute (REFCUS)

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

GLOSSARY

Revenue Support Grant

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

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.

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.

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.

CIPFA (Chartered Institute of Public Finance and Accountancy)

CIPFA is the professional institute for accountants working in the public sector and the body that publishes the Code of Practice.

IFRS (International Financial Reporting Standards)

IFRS is a set of accounting standards developed by an independent, not-for-profit organisation called the International Accounting Standards Board.

IPSAS (International Public Sector Accounting Standards)

IPSAS are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

MHCLG (Ministry of Housing, Communities and Local Government)

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