COTSWOLD
DISTRICT COUNCIL

AUDIT COMMITTEE AGENDA

Thursday 26th September 2019, 10.00 a.m.

Council Chamber, Trinity Road, Cirencester

Trinity Road, Cirencester, Gloucestershire, GL7 1PX Tel: 01285 623000 www.cotswold.gov.uk

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 Democratic Services on 01285 623210/3236.

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

18th September 2019

AUDIT COMMITTEE : 26th SEPTEMBER 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:-

Minutes of the Meeting of the Committee held on 25th July 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) **Private Water Supplies**
(Environmental & Regulatory Services**)**

To provide an oral update on the progress of addressing the issues highlighted in the Position Statement and follow up Audit.

Officer Ref: Kristina Wood (01285 623424)

(9) **Statement of Accounts 2018/19**
(Chief Finance Officer)

This report presents the Council's audited Statement of Accounts for the period 1st April 2018 to 31st March 2019 to enable the Committee to consider and approve the Council's accounts.

Officer Recommendations

(a) That the Grant Thornton Audit Findings report for Cotswold District Council report be noted.

(b) The Statement of Accounts 2018/19 be approved.

(c) That the Chief Finance Officer and the Chairman of the Audit Committee be authorised to write a letter of representation on behalf of the Committee and Council to Grant Thornton to enable the opinion to be issued.

Officer Ref: Jenny Poole (01285 623313)

Other Matters

(10) **Date of Next Meeting** - Thursday 24th October 2019, 10.00 a.m.

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

(END)

COTSWOLD DISTRICT COUNCIL

AUDIT COMMITTEE

25th JULY 2019

Present:

Councillor Patrick Coleman	Chair
Roly Hughes	Richard Morgan (left 12.30 pm)
Nick Maunder	Stephen Andrews

Substitutes:

Councillor Stephen Andrews

Apologies:

Councillor Ray Theodoulou

AUD.1 SUBSTITUTION ARRANGEMENTS

Councillor Stephen Andrews substituted for Councillor Ray Theodoulou.

AUD.2 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.3 MINUTES

RESOLVED that:

(i) **the Minutes of the Meeting of the Committee held on 16th April 2019 be noted;**

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

(ii) **the Minutes of the Meeting of the Committee held on 14th May 2019 be confirmed.**

Record of Voting - for 4, against 0, abstention 1, absent 0.

AUD.4 CHAIR'S ANNOUNCEMENTS

There were no announcements from the Chair.

AUD.5 PUBLIC QUESTIONS

No public questions had been received.

AUD.6 MEMBER QUESTIONS

No Member questions had been received.

AUD.7 UBICO LIMITED – GOVERNANCE OVERVIEW AND BUSINESS PLAN - UPDATE

The Managing Director and Commercial Director of UBICO attended the meeting to give Members an update.

They explained that they were always looking for improvements to the company and have highlighted issues such as; improving transparency on how the company operates; reporting finance and performance information; opening shareholders events to all Members; managing risk; more board meetings; recruitment of independent non-executive directors, including an independent chair; widening engagement with authorities, including Section 151 Officer; overview of the current governance structure.

In response to Members' questions Officers explained the following:

(i) Ubico grew very quickly, with seven Gloucestershire authorities; there were no current plans to expand the business with other authorities. The company would be concentrating on current contracts such as the Council's redesign.

(ii) Managing financial risks and governance is important, there is more work to do. A finance team is now in place to manage the business and mitigate risks, improving accuracy and in future factoring in the hire of vehicles when needed. The Council's Section 151 Officer will continue to meet regularly with Ubico officers.

(iii) Redesigning the budget setting process and looking at future years to forecast the growth to the end of the Local Plan, assessing the lifetime of vehicles, factoring this into the financial model.

(iv) It is crucial to work in partnership with issues such as the climate change emergency and how to meet the financial challenge.

(v) The need to set clear outcomes for Ubico is important, being a strong commissioner, scrutinising and asking questions.

(vi) The budget setting process will be reported to Members as part of the Medium Term Financial Plan.

(vii) Information on sharing best practices such as recycling rates and financial cost savings and value for money will be provided to Members in future.

(viii) Discussion of the Joint Waste Committee for Gloucestershire will take place at Cabinet and Council in the autumn.

(ix) Risk of the new service being implemented is highlighted on the risk register as a 'red' risk. The work on this will be reported to Members at a future meeting.

The Chair thanked the Ubico Officers for attending the meeting and bringing Members up to date.

RESOLVED that the report and comments made be noted.

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

AUD.8 CYBER SECURITY UPDATES

The ICT Audit and Compliance Manager attended Committee to update Members on progress of the action plan and cyber risks, explaining that there was a robust framework to mitigate the risks of a cyber attack. Work is being carried out to develop a framework to ensure business continuity for the Council, Publica and Ubico.

Across the partnership councils work is being carried out to rationalise computer systems for the future to be able to work on one platform.

RESOLVED the report be noted

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

AUD.9 EXTERNAL AUDIT REPORT

The representative from Grant Thornton explained the reason for the audits not being carried out on time. The impossible timetable for public sector audits meant that audits had to be assessed on the readiness of the client to carry out their audits. As the Council were having discussions regarding accounting for the Local Government Pension Scheme Grant Thornton had to take the decision to delay the audit. They apologised to Members and highlighted that they had been in touch with the PSSA indicating this.

The Chair confirmed he had received a letter from the PSSA accepting that the audit of the Council's accounts would be delayed.

A detailed audit report would be presented to Committee in September 2019.

The Chief Finance Officer indicated that discussions regarding accounting for the Local Government Pension Scheme for former council employees were ongoing; this was in relation to Cotswold District Council employees being transferred to Publica.

RESOLVED that the Committee note the content of the report

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

AUD.10 INTERNAL AUDIT OPINION REPORT

The Assistant Director of SWAP Internal Audit Services presented the report explaining that the annual opinion feeds into annual governance statement.

Officers responded to Member questions:

(i) Members were concerned regarding issues with Section 106 monies and asked that the Cabinet Member for Finance is made aware of the situation. The Chief Finance Officer explained that the Committee could ask officers dealing with S106 monies to address Committee to explain in detail. There has been a lack of resources to monitor these monies and recruitment for officers to monitor CIL has taken place. Information on how monies have been allocated should be reported to Members and be visible on the Council's website.

(ii) Members were concerned over the audit of Private water supply and health risks involved. Officers would be asked to attend a future meeting of the Committee to explain to Members.

(iii) Concern was expressed over the audit for Safeguarding and training in this area of work. Officers and Members should be trained. Officers were asked to clarify the situation with training.

(iv) Satisfaction surveys for disability grants are not undertaken and officers have been asked to ensure that satisfaction certifications are obtained after completion of the work. A follow up on this will be reported to Committee in due course.

(v) Members considered they would like to hear more of how SWAP operates. The Assistant Director of SWAP Internal Audit Services indicated that there was an event being held in Gloucester, and she would circulate information to Members.

RESOLVED that:

(i) **the Committee notes the report;**

(ii) **Concern was noted on the lack of progress of Section 106 monitoring, drawing Cabinet Members attention to this issue with the recommendation to Cabinet that progress of Section 106 agreements is regularly reported to all Members and placed on the Council's website.**

(iii) **Officers to be invited to a future Committee to update Members on the audit of Private Water Supply.**

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

AUD.11 CORPORATE RISK REGISTER UPDATES

The Chief Finance Officer presented the report to Committee and explained that the risk registers are updated to the end of Quarter 4.

Member questions were responded to:

(i) Work is being carried out on Business Rates reform with colleagues across the county. It is unlikely that the scheme will change for 2020/21.

(ii) As the new corporate plan is being developed and consultation on this will take place, there will be new initiatives that need to be delivered and new risks which will need to be addressed. The new corporate plan will be presented to Cabinet in September, with consultation to take place following this.

(iii) The corporate risk register should take account of the corporate plan and the risk associated with the climate change emergency decision of Full Council.

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

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

AUD.12 ANNUAL TREASURY MANAGEMENT REVIEW 2018/19

A presentation was given to Members by Phiroza Katrak, the Client Director of Arlingham Close. She explained to Members the reasons for short term borrowing and lending, identifying and managing risks, effectively controlling them and getting the value for money. The latest Treasury Management Code was introduced in 2017, which widened the definition of investments including all financial assets.

Members questioned and debated the process of investments, borrowing, income and the need for funding day to day running of the Council.

The Chair thanked Phiroza for attending the meeting and noted the Committee's appreciation of the work carried out on their behalf.

RESOLVED that any comments be forwarded to Full Council.

Record of Voting – for 4, against 0, abstentions 0, absent 1.

AUD.13 STATEMENT OF ACCOUNTS

Members received the draft Statement of Accounts for 2018/19 to consider and approve for publication.

The Chief Financial Officer explained that Committee did need to approve the draft accounts by 31 July 2019. They would change as the issue regarding the Local Government Pension Scheme was to be resolved. A different set of papers would be presented to Committee in September.

Officers answered Member questions and reiterated that there would be new challenges ahead as the new administration sets out their programme.

RESOLVED that:-

(i) **the Committee note the Accounting Policies that have been applied in producing the Statement of Accounts (pages 56 to 67 of Appendix A).**

(ii) **The draft unaudited Statement of Accounts 2018/19 be approved (as attached at Appendix A).**

(iii) **That the key balances and messages from the Statement of Accounts 2018/19 be noted.**

Record of Voting – for 4, against 0, abstentions 0, absent 1.

The Chair thanked officers for all their work on the Statement of Accounts.

AUD.14 DATE OF NEXT MEETING

An additional meeting will take place on 26 September 2019 at 10.00 am to discuss the Statement of Accounts.

AUD.15 OTHER BUSINESS

There was no other business that was urgent.

The Meeting commenced at 10.00 a.m. and closed at 1.07 p.m.

Chair

(END)

COTSWOLD
DISTRICT COUNCIL

Council name	**COTSWOLD DISTRICT COUNCIL**
Name and date of Committee	**AUDIT COMMITTEE - 26TH SEPTEMBER 2019**
Report Number	**AGENDA ITEM (09)**
Subject	**STATEMENT OF ACCOUNTS 2018/2019**
Wards affected	All
Accountable member	Cllr. Mike Evemy Deputy Leader and Cabinet Member for Finance
Accountable officer	Jenny Poole, Chief Finance Officer Tel: 01285 623313 Email: jenny.poole@cotswold.gov.uk
Summary/Purpose	This report presents the Council's audited Statement of Accounts for the period 1st April 2018 to 31st March 2019 to enable the Committee to consider and approve the Council's accounts.
Annexes	Annex A - Grant Thornton report - "The Audit Findings for Cotswold District Council" Annex B - Statement of Accounts 2018/19 Annex C - Letter of Representation
Recommendation/s	*(a) That the Grant Thornton Audit Findings for Cotswold District Council report be noted.* *(b) The Statement of Accounts 2018/19 be approved.* *(c) That the Chief Finance Officer and the Chairman of the Audit Committee be authorised to write a letter of representation on behalf of the Committee and Council to Grant Thornton to enable the opinion to be issued.*
Corporate priorities	To be recognised as the most efficient Council in the country.
Key Decision	No
Exempt	No
Consultees/ Consultation	N/A

1. BACKGROUND

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. On 31st May, the statement of accounts is submitted to the Council's auditors, Grant Thornton, to undertake the formal audit of the accounts.

1.2. It is the role of Audit Committee to formally approve the Statement of Accounts, along with the Grant Thornton Audit Findings Report, on behalf of the Council, following the completion of the audit process.

1.3. 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. MAIN POINTS

2.1. In previous years the audited Statement of Accounts, along with the Grant Thornton Audit Findings Report, would have been presented to the Audit Committee for formal approval prior to 31st July. Due to resourcing issues within Grant Thornton the 2018/19 audit was not complete by the end of July and the draft (unaudited) accounts were presented to the Committee to review and approval.

2.2. The audit is now complete. Attached to this report at Annex A is the Audit Findings Report for Cotswold District Council. The report details all of the work that Grant Thornton has undertaken as part of their formal audit of the accounts. It outlines the key findings and matters arising from the statutory audit process.

2.3. The Statement of Accounts attached to this report represents the audited accounts following the completion of the audit and incorporate a number of changes that are required following review by Grant Thornton.

Summary of changes resulting from the audit

2.4. The main changes resulting from the audit related to the pension fund and asset revaluations, as follows:

<u>McCloud Judgement (Pensions)</u>

2.5. 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 transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling is expected to apply to other pension schemes, such as the Local Government Pension Scheme (LGPS), where transitional arrangements have been implemented on changing benefits.

2.6. 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). 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 [valuation] 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 (from the McCloud adjustment and calculations based upon the actual return on assets rather than estimated returns). The effect of the re-calculation has been applied in full to the Statement of Accounts. The 'net worth' of the Council has decreased by £750,000 as a result of the changes.

Accumulated Depreciation on Asset Revaluations

2.7. When assets are formally revalued any depreciation balance that has accumulated since the last revaluation is written-out of the accounts and asset values are effectively 'reset'. The accumulated depreciation balance written-out on the 2018/19 revaluations was incorrectly transferred from the *Capital Adjustment Account (CAA)*, to the *Comprehensive Income and Expenditure Statement* (CIES) and reversed through the *Movement on Reserves Statement (MiRS)*, to the *Revaluation Reserve (RR)*. The transactions should not have been transferred in this way (and should have gone directly from the *CAA* to the *RR*) and had the effect of netting-down the depreciation charge shown for the year. The incorrect entries have been reversed and the correct balances are now shown in the accounts.

2.8. The adjustment was for £1,080k and had had the effect of increasing the *Surplus on the Provision of Services* figure in the *CIES*. The adjustments however do not change the surplus for the year on the General Fund, or the 'net worth' of the Council, as the reversing *MiRS* entry has also been deleted.

Misclassification and disclosure changes

2.9. A small number of other misclassification and disclosure changes have been 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 and the correction of spelling mistakes) to improve the quality of disclosures in the accounts. These are detailed in the 'audit adjustments' section of the Grant Thornton report (p.28) at Annex A. Although a number of changes have been made, they do not affect the 'net worth' of the Council.

The letter of representation

2.10. 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.

2.11. The Chairman of the Audit Committee and the Chief Finance Officer are asked to sign the Letter of Representation, under Recommendation (c) to this report. Grant Thornton are not able to issue their opinion on the accounts until the letter of representation has been received.

3. FINANCIAL IMPLICATIONS

3.1. 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 the Grant Thornton Audit Finding Report. Grant Thornton have claimed for additional audit fees of £4,500 as a result of the McCloud case impact upon the pension fund disclosures and enhanced work and documentation relating to the valuation of property, plant and equipment. The Council's contract for external audit services was procured as part of the Public Sector Audit Appointment Ltd (PSAA) national procurement. As the additional fees requested are based upon changes imposed upon the external auditor at a national level, the increased fees will be referred to PSAA for consideration. Grant Thornton will need to justify the fee increase to PSAA.

4. LEGAL IMPLICATIONS

4.1. The Council is required to approve its Statement of Accounts in order to comply with the Accounts and Audit Regulations 2015.

5. RISK ASSESSMENT

5.1. If the Audit Committee do not approve the audited Statement of Accounts the Council will not comply with the Accounts and Audit Regulations 2015.

5.2. The Auditor is not able to certify the Statement of Accounts 2018/19 until signed copies of the legal agreement between Gloucestershire County Council, Cotswold District Council and Publica have been received. The wording of the legal agreement has been agreed by the Council's Chief Finance Officer, the Finance Director of Publica and the Pension's team at Gloucestershire County Council. At the time of preparing this report the Agreement is in the process of being formally signed by the three parties.

6. BACKGROUND PAPERS AND RELATED DECISIONS

6.1. The following decisions are related to the report:

- 20th February 2018 - Council approved the 2018/19 budget.
- 1st July 2019 - Cabinet approved the Revenue Outturn 2018/19 report.
- 25th July 2019 - Audit Committee reviewed and approved the draft Statement of Accounts.

(END)

Grant Thornton

The Audit Findings for Cotswold District Council

Year ended 31 March 2019

17 September 2019

Contents

Your key Grant Thornton team members are:

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Appendices

A. Action plan

B. Follow up of prior year recommendations

C. Audit adjustments

D. Fees

E. Audit Opinion

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Cotswold District Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements: • give a true and fair view of the financial position of the Council and Council's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work was completed on site between July and September. Our findings are summarised on pages 4 to 15. We have identified two adjustments to the financial statements that have resulted in an £1.8m adjustment to the Council's Comprehensive Income and Expenditure Statement and Balance Sheet. These adjustment have no impact on the Council's General Fund position. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix E) or material changes to the financial statements, subject to the following outstanding matters; - receipt of signed variation to Publica pension agreement; - Review of impact of IFRS 9 - a small number of outstanding queries - receipt of management representation letter; and - review of the final set of financial statements. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited. Our anticipated audit report opinion will be unqualified
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. We have concluded that Cotswold District Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 17 to 21.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice (‘the Code’). Its contents have been discussed with management and the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you on 29 January 2019. The scope of our work has broadened in response to the outcomes of the McCloud court ruling, as set out further on page 8.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 26 September 2019, as detailed in Appendix E. These outstanding items include:

- receipt of signed variation to Publica pension agreement;
- review of impact of IFRS 9;
- receipt of management representation letter;
- completion of a small number of outstanding queries; and
- review of the final set of financial statements.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our assessment of the value of materiality for the financial statements has been adjusted to reflect the actual gross expenditure disclosed in the draft accounts. We detail in the table below our determination of materiality for Cotswold District Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	812,900	• This equate to 2% of your gross expenditure
Performance materiality	569,000	• This equates to 70% of materiality
Trivial matters	40,645	• ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.
Materiality for Senior Officer Remuneration	20,000	• Senior Officers’ Remuneration are balances which require a lower materiality due to the sensitive nature of these balances.

Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
1	**Improper revenue recognition** Under ISA 240 (UK) there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	**Auditor commentary** Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Cotswold District Council, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Cotswold District Council. Our audit work has not identified any issues in respect of revenue recognition.
2	**Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of controls as a risk requiring special audit consideration.	**Auditor commentary** We have performed the following work in respect of this risk: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determine the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Following a recommendation raised in 2017/18, our testing of journals identified that journals raised by the Deputy S.151 Officer should be subject to review and approval by the Chief Finance Officer. Our testing identified that although the majority of journals raised by the Deputy S.151 officer were reviewed by the Chief Finance Officer, 2/15 had not been subject to review and evidence of approval could not be located for one. Further details are provided in Appendix B. We set out later in this section of the report our work and findings on key accounting estimates and judgements. Our audit work has not identified any other issues in respect of management override of controls.

Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
3	**Valuation of property, plant and equipment** The Authority revalues its land and buildings on a rolling five year basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations, as a significant risk, as one of the most significant assessed risks of material misstatement.	**Auditor commentary** We have performed the following work in respect of this risk: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • communicated with the valuer to confirm the basis on which the valuations were carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested revaluations made during the year to ensure they have been input correctly into the Council's asset register • evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. Our audit work has not identified any issues in respect of valuation of property, plant and equipment
4	**Valuation of investment property** The Authority revalues its investment properties on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statement date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£4.8m) and the sensitivity of this estimate to changes in key assumptions. Management have engaged the services of a external valuer to estimate the current value as at 31 March 2019. We therefore identified valuation of investment properties, particularly revaluations as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Auditor commentary** We have performed the following work in respect of this risk: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • communicated with the valuer to confirm the basis on which the valuations were carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested revaluations made during the year to ensure they have been input correctly into the Council's asset register Our audit work has not identified any issues in respect of valuation of investment properties

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
5 **Valuation of pension fund net liability** The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements. We identified the valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Auditor commentary** We have performed the following work in respect of this risk: • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; • obtained assurances from the auditor of the Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data; and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. The Council requested an estimate from its actuary of the potential impact of the 'McCloud' ruling and GMP equalisation changes. The actuary's estimate was of a increase in pension liabilities of £310,000 (£237,000 and £73,000 respectively). A revised IAS 19 report was issued in July which also included actual rather than estimated return on investment value resulting in an overall increase of net pension liabilities of £750,000.The Council has adjusted for this in the final version of the statement of accounts. See further details on page 8. Our audit work has not identified any issues in respect of the Pension Fund net liability.

Significant findings - other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

	Issue	Commentary	
1	**Potential impact of the McCloud judgement** The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy. The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits.	Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies. The Council requested an estimate from its actuary of the potential impact of the 'McCloud' ruling and GMP equalisation changes. The actuary's estimate was of a increase in pension liabilities of £310,000 (£237,000 and £73,000 respectively). A revised IAS 19 report was issued in July 2019 which also included actual rather than estimated returns on investment value resulting in an overall increase of net pension liabilities of £750,000. We recognise that the adjustment of £750,000 is close to our materiality level of £812,000. Management took the decision to amend the statement of accounts to reflect the estimated increase in pension liability.	The Council has agreed to incorporate the revised actuarial valuation into its 2018-19 financial statements. We have assessed the reasonableness of the adjustment and are satisfied that the approach and assumptions used by the actuary in the calculation of the estimate are reasonable. We have reported this as an adjustment within Appendix C.
2	**Publica Pension Liability** We recommended in 2017/18 that In order to support the Council's position that it retains liabilities in relation to staff transferred to controlled companies, it should ensure that the tripartite admission agreements between the Council, its controlled entities and Gloucestershire Pension Fund are clarified to more clearly emphasise that that the Council bears the risks in relation to changes in actuarial assumptions. We highlighted that the Council should review its tripartite agreements to ensure that its controlled entities are not unintendedly exposed to any actuarial or financial risks in relation to pensions obligations of staff transferred under TUPE arrangements.	The Council was unable to amend the tripartite agreement. An alternative legal agreement is in the process of being finalised between the Council, Publica and Gloucestershire Pension Fund which agrees that a fixed LGPS contribution rate is in place with Publica and that the impact of triennial valuations will be the responsibility of the Council. The wording has been agreed by all three parties and a legal document has been drafted. The document is now in the process of being signed by the parties.	**Auditor view** Given the significance of the transactions involved, we are unable to issue our opinion until the supplementary agreement between Publica, the Council and Gloucestershire Pension Fund is received. We continue to monitor progress with officers.

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Provisions for NNDR appeals - £2.063m	The Council is responsible for repaying a proportion of successful rateable value appeals. A provision of £2.063m has been estimated for Cotswold District Council for 2018/19 (£1.043m in 2017/18). The Council's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. 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 appeal process. The provision in relation to the 2017 is calculated at 4.7% of net business rates payable. This percentage has been based on guidance provided to Councils nationally by the Institute for Fiscal Studies in partnership with CIPFA. The Council is yet to see the settling of any appeals against the 2017 list and therefore the provision has been increased to reflect the potential claims.	• From our review of the Provision for NNDR appeals, no issues were identified in regard to the valuation basis. • Overall we consider management's process and key assumptions to be reasonable. • We have requested that management update note E8 – Assumptions and Other Major sources of estimations to consider the assumptions and uncertainty in respect of the NNDR appeals provision.	● Green
Publica Group (Support) Ltd	Judgement applied when decision taken not to prepare group accounts in respect of Publica (Group) Support Limited. Judgement applied when including pension liability of Publica on balance sheet of the Council	• Overall we consider management's process and key assumptions to be reasonable. • The estimate is adequately disclosed in the financial statements	● Green

Assessment
- ● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Leases	In assessing the classification of leases in accordance with the Code, the Council has made a number of judgements to establish the nature of such leases.	• Overall we consider management's process and key assumptions to be reasonable. • The estimate is adequately disclosed in the financial statements.	● Green

Assessment

- ● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other - £65.9m	The Council revalues its land and buildings on a rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements. Other land and buildings comprises £59.3m of assets. The council formally re-values its land and buildings on a rolling programme to ensure they are revalued at least every five years, however in accordance with the Code all land and building values are reviewed annually for material changes and re-valued at 31st March if necessary. Valuations have been carried out by the Council's internal valuer as at 31 March 2019. Valuations of land and buildings were carried out using the methodologies and bases of estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council holds a number of specialised assets which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. Surplus assets (£6.6m) are valued at their "highest and best use" and are deemed to be level 2 Valuations. Investment Properties of £4.8m are valued annually at fair value. Valuations have been carried out by the external valuers Carter Jonas as at 31 March 2019. Valuations were carried out using the methodologies and bases of estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. 71% of Other Land and Buildings were revalued during 2018/19, by value. Management have considered the year end value of non-valued properties, and the potential valuation change in the assets revalued by considering national indices to determine whether there has been a material change in the total value of these properties, and have considered other local factors. Management's assessment of assets not revalued has identified no material change to the property values. The total year end valuation of Other land and buildings was £59.2m, a increase of £9.9m from 2017/18 (£50.6m)	• From our review of management's processes and assumptions for the calculation of the estimate, no issues were identified in regard to the valuation basis. • We evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. • Overall we consider management's process and key assumptions to be reasonable. • The estimate is adequately disclosed in the financial statements.	Green

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Net pension liability – £46.8m	The Authority's net pension liability at 31 March 2019 is £46.8m before adjustments (PY £39.18m) comprising the Local Government Pension Scheme. The Council uses the actuary firm Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a remeasurement of the net defined benefit liability of (£6.7m) before adjustments during 2018/19. .	• From our review of management's processes and assumptions for the calculation of the estimate, no issues were identified in regard to the valuation basis. • Overall we consider management's process and key assumptions to be reasonable. • The estimate is adequately disclosed in the financial statements. • We have undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary PWC (as auditor's expert) and performing any additional procedures suggested within the report. • We have obtained assurances from the auditor of Gloucestershire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data.	Green

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.4%	2.4-2.5%	Green
Pension increase rate	2.5%	2.4-2.5%	Green
Salary growth	2.8%	Dependent on employer	Green
Life expectancy – Males currently aged 45 / 65	24.0/22.4	23.7-24.4 / 21.5-22.8	Green
Life expectancy – Females currently aged 45 / 65	26.4/24.6	26.2-26.9 / 24.1-25.1	Green

- Overall we consider management's process and key assumptions to be reasonable.
- The estimate is adequately disclosed in the financial statements.

Assessment
- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Going concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern commentary

Management's assessment process	Auditor commentary
Management have set out their consideration of the appropriateness of the adoption of the going concern assumption in a assessment provided in September 2019. Officers have a reasonable expectation that the Council will continue in existence for the foreseeable future, based on cashflow projections and level of useable reserves (£4.9m general fund balance and £8.3m earmarked reserves balance at 31 March 2019. For this reason, they continue to adopt the Going Concern basis in preparing the financial statements.	• The disclosure in the accounts that they have been prepared on the assumption that the Council is a going concern. is considered appropriate • Management's assessment of the use of going concern basis of accounting is appropriate. • Management processes in respect of the going concern assessment is sufficient.
Work performed	**Auditor commentary**
We have reviewed the Council's assessment, including the Medium Term Financial Strategy 2019/20 – 2028/29, and the 2019/20 budget, and are satisfied that the going concern basis is appropriate for the 2018/19 financial statements.	• We have not identified a material uncertainty in relation to management's assessment of the use of the going concern basis of accounting.
Concluding comments	**Auditor commentary**
	• The CIPFA Code of Practice sets a presumption that the accounts are prepared on a Going Concern basis. Our audit opinion will be unmodified in this respect.

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	• We are not aware of any related parties or related party transactions which have not been disclosed
3	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	**Written representations**	• A letter of representation has been requested from the Council.
5	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to the Council's bank and investment institutions. This permission was granted and the requests were sent. All of these requests were returned with positive confirmations. • We requested from management permission to send confirmation requests to the pension fund auditor. This permission was granted and the requests were sent. We have received the final response from the pension fund auditor and have not identified any issues in respect of the Pension Fund net liability.
6	**Disclosures**	• Our review identified a number of disclosure omissions that have been amended by management. Further details are set out in Appendix C.
7	**Audit evidence and explanations/significant difficulties**	• All information and explanations requested from management was provided • We did not experience any significant difficulties during the course of the audit.

Other responsibilities under the Code

	Issue	Commentary
1	**Other information**	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect – refer to appendix E.
2	**Matters on which we report by exception**	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters
3	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. This work is not required as the Council does not exceed the threshold.
4	**Certification of the closure of the audit**	We intend to certify the closure of the 2018/19 audit of Cotswold District Council in the audit opinion, as detailed in Appendix E.

Value for Money

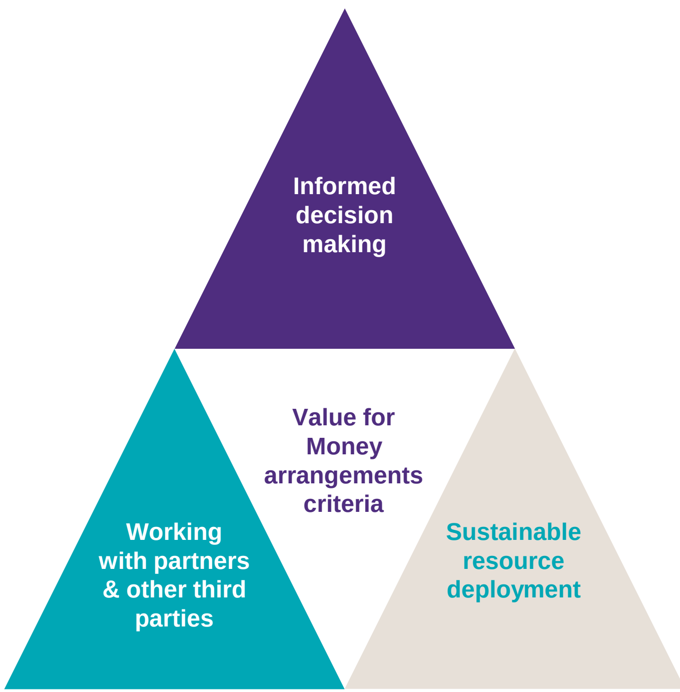
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January 2019 and identified two significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated January 2019

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Council’s Medium Term Financial Strategy
- Monitoring, governance and communication arrangements in place between the Council and Publica Group (Support) Ltd.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 18 to 21.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed a recommendation for improvement.

Our recommendation and management's response to this can be found in the Action Plan at Appendix A.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings and Conclusions
1	**Medium Term Financial Strategy (MTFS)** • The Authority has been required to deliver substantial savings since 2010/11 and forecast continued significant savings requirements going forward. The current MTFS indicates that the Authority has identified that it needs to find savings of £2.1m between 2019/20 and 2021/22. The Authority may need to use the General Fund Working Balance in order to balance the budget from 2020/21 onwards unless further savings of £1.5m can be identified.	• Our detailed review of the assumptions underpinning the MTFS concludes that they are satisfactory and reasonable. • The Council has a strong track record of delivering balanced budgets and identifying required savings. Savings for 2018/19 have been achieved including £307k in respect of underspend on the Publica Contract achieved through a combination of vacancies, efficiencies and pension cost savings from marginally higher than expected staff turnover. The Council has delivered an underspend of £491k during the year, allowing the Council to transfer £490k to the 'Council Priorities Fund' Earmarked Reserve and £1.4k to the general fund. • The underspend was largely a result of a financial gain from the Gloucestershire 100% Business Rates Retention Pool Pilot, which exceeded budget by £497k . Operationally the Council underspent against budget by £153k which was similar to the underspend reported at quarter 3 of £135k. There were no material variances to budget. • The Council's ten year MTFS was approved by Council in February 2019. Following over ten years of stable Council tax levels, the Council approved proposals to increase Council tax by 2%. • Savings are monitored by Finance on a monthly basis. Savings are built into the base budget, and are therefore monitored through the variances reported in quarterly revenue budget monitoring. The savings for 2019/20 of £314k have been identified and can be attributed to specific plans, such as the forecast transformational change programme to be delivered through Publica. Savings through the transformational programme of £664k are forecast to 2022/23. • Due to changes to central government funding from 2020/21, cumulative additional savings of £2m will need to be delivered in the period to 2022/23, including savings of £1m to be achieved in 2020/21. Assuming these savings are deliverable, the MTFS forecasts that the Council will also need to use a significant amount of the General Fund to balance the budget in 2019/20 to 2021/22. To avoid using the general fund working balance savings of £1m (£500k in both 2021/22 and 2022/23) would need to be delivered in 2020/21. The MTFS forecasts that £1.563m of General Fund balance would be used between 2019/20 and 2022/23, comprising £164k in 2019/20, £988k in 2020/21 with the remainder in the period to 2022/23. • At the end of the MTFS period (2028/29), the Council plans to hold approximately £1.9m in General Fund Working Balance and £3.1m in earmarked reserves. The chief finance officer considers that this level of reserves is adequate and in excess of the minimum level calculated of £1.5m • **We recommend that Members and Officers should work together as part of the 2020/21 Budget and MTFS planning process to identify and develop further plans to resolve the funding gap.** • **We concluded that the risk was sufficiently mitigated and the Council has proper arrangements for planning finances effectively to support the sustainable delivery of strategic priorities.** **Management response** Work is already taking place with the new Administration to develop both a contingency plan to address likely reductions to central government funding, which will now take effect from 2021/22, and to increase income to fund activity to support the priorities of the new Administration. The Council will consider the contingency plans and income generation plans as part of the updated MTFS and detailed budgets for 2020/21 in February 2020.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings and Conclusions
2 **Publica Group (Support) Ltd** • In our Audit Plan dated January 2019 we identified the following significant risk: • Publica is a Council owned employment company which delivers shared services between Cotswold, West Oxfordshire, Forest of Dean and Cheltenham Borough Council. 2018/19 is the first full year of operation for Publica. The success of Publica is critical to the medium term financial strategy of the Authority.	**Background** • The company, Publica Group was registered in the latter part of 2016/17. Executive and Non-Executive Directors were appointed to the Board in March 2017, and the first monthly Publica Board meeting took place in April 2017.The majority of staff transferred to the Company on the 1st November 2017. • For three of the member councils, including Cotswold District Council, Publica directly manages public services. Publica provides reduced-scope services to Cheltenham Borough Council which include ICT, HR and finance functions. • The Council hold 25% of the voting rights of Publica, and service delivery is managed within the company in accordance with the service contracts agreed by the Council. **Contract monitoring processes in place to ensure performance and quality standards are delivered in line with the original Business Plan** • The company provides a mechanism to bring employees from across the partner Councils under a single employment arrangement. The company is independent of individual councils but accountable equally to all partners. As part of the establishment of Publica a number of items were identified as reserved matters for council approval to ensure that member councils retained an element of control over their company. The reserved matters were approved in September 2016 as part of the governance principles underpinning the establishment of Publica. • Frequent informal and formal reporting is provided by Publica to enable the Councils to monitor performance and quality standards (including, for example, standards around data protection). This also includes informal, regular meetings and correspondence with the s151 Officer at the Council; providing an additional platform for issues to be discussed. A joint management team comprising management from Publica and the partner Councils has been introduced. A Design Authority Working group is also in place which deals with transformation and other appropriate matters. • Cabinet and the Overview and Scrutiny Committee continue to receive quarterly performance and finance reports which provide members with an understanding of the performance and quality of services delivered. Any underperformance issues would be addressed and challenged at these key meetings. Members have also received briefings during the year from the Publica management team at regular Member Liaison briefings, Full Council briefings, and specific Publica Scrutiny briefings. • Reports provided by Publica also provide a review of outturn against budget which include savings to be achieved through Publica. Explanations are provided for significant under and over spends. The Council has also included a risk around Publica service delivery within their corporate risk register which is reported to Audit Committee. The Shared Risk Management Group (SRMG) for Cotswold District Council, West Oxfordshire District Council and Forest of Dean District Council comprises staff from Publica and retained staff from all three partner Councils. Corporate risks are reviewed by the SRMG. The group also has oversight of Publica's strategic risk register and high scoring risks from the Transformation Programme risk register. • New Performance managements metrics have been created, which went live in quarter 1 of 2019/2020 and have been reported to the Publica Board. **We concluded that the Council has appropriate arrangements in place to monitor Publica's performance against quality standards in line with the original Business Plan.**

Significant risk	Findings and Conclusions
2 **Publica Group (Support) Ltd (cont)**	**The arrangements in place at the Council to ensure Publica is delivering required financial savings while maintaining agreed service standards** • Publica's business plan includes a number of objectives, ambitions and key tasks against which their performance (and in particular, delivery of financial targets) can be measured and highlights the importance of providing robust data and performance metrics to the Councils' to that they can track their performance. The 2019/20 Business Plan was presented to Cabinet in March 2019. • Cabinet and the Overview and Scrutiny Committee continue to receive quarterly performance and finance reports which provide members with an understanding of the performance and quality of services delivered. Reports also provide a review of outturn against budget which include savings to be achieved through Publica. • The year end performance report identified that over 93% of KPIs are on or exceed target. The Plan notes that Publica delivered £0.48m of savings across the 2018/19 financial year for all four Councils in total against a target of £0.43m. These savings are in addition to the contract underspend referred to on page 18. Publica have an overall savings target of £0.93m for 2019/20, good progress has been made during 2019/20 with 70 per cent of these savings reported as delivered at the close of quarter one. For the Council, savings plans are significant for 19/20, with £0.346m attributable to the transformational change programme delivered through Publica. • Overall, this demonstrates the process by which the Council hold Publica to account through the Overview and Scrutiny Committee (which is responsible for monitoring performance, quality and improvement). Weekly meetings are held between officers of the Council and Publica, and briefings are provided to members on a regular basis. **We concluded that the Council has appropriate arrangements in place to ensure Publica is delivering required financial savings while maintaining agreed service standards.**

	Significant risk	Findings and Conclusions
2	**Publica Group (Support) Ltd (cont)**	**The Council's Governance arrangements to provide appropriate oversight as one of the partnering organisations, including how members of the Council are kept informed of any issues and the outcomes of remedial action required to address any issues identified.** • We have considered the Governance arrangements of the Council over Publica, to provide appropriate oversight as one of the partnership organisations. In September 2016, the Council agreed the detailed governance principles applicable to Publica. These principles were incorporated within the Company's Articles and Association and the Members' Agreement, providing Councillors with rights to monitor the operational performance of the company. • The 2019/20 Publica Business Plan was presented by the Publica Managing Director to Cabinet for consideration by members. This plan is based upon the principles and targets set out in business case which was approved by Council in 2016. • Internally, the Council hold to account the managing director of Publica, and monitor the partnership through the Overview and Scrutiny Committee – this Committee is responsible for monitoring performance, quality and improvement. Weekly meetings are held between officers of the Council and Publica and briefings are provided to members. • A Member Group comprised of the Chairmen of the Overview and Scrutiny Committees, representatives of the Cabinet and the Leaders of the Political Groups had been established to review the work of Publica, agreed as part of the year end performance meeting in May 2018.This Group represents a member platform for queries and discussions around Publica's performance and operations. • In 2017/18 we raised a recommendation that arrangements for Council members to formally liaise and communicate with Publica should be agreed following the year anniversary of the operation of Publica. We understand that the first meeting has taken place in January 2019. • We note that the Council has made progress in terms of the formal liaison and communication arrangements in place. We recommend that the progress of these arrangements should be monitored, and in this way the council can continue to develop clarity on respective roles and responsibilities, and continue to strengthen the communication process with Publica Group (Support) Ltd officers. **We concluded that the Council has appropriate arrangements in place to provide appropriate oversight as one of the partnering organisations, including how members of the Council are kept informed of any issues and the outcomes of remedial action required to address any issues identified.**

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related			
None			
Non-audit related			
CFO insights	3,750	Self-Interest (because this is a recurring fee)	We have provided subscription services only; any decisions are made independently by the Council. The work is undertaken by a team independent to the audit team.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. None of the services provided are subject to contingent fees.

Action plan

We have identified two recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on this recommendation during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	Medium	As a result of changes to central government funding from 2020/21, the Council's MTFS identifies an additional savings requirement of £2m to 2022/23, including savings of £1m in 2020/21. There is a risk that further pressures will be placed on the Council's reserves if sufficient savings plans are not developed or achieved. To meet these additional financial challenges going forward, it is important that members work closely with officers to identify alternative income generation and cost savings measures to address the expected funding gap.	• Members and Officers should work together as part of the 2019/20 Budget and MTFS planning process to identify and develop further plans to resolve the funding gap. **Management response** • Work is already taking place with the new Administration to develop both a contingency plan to address likely reductions to central government funding, which will now take effect from 2021/22, and to increase income to fund activity to support the priorities of the new Administration. The Council will consider the contingency plans and income generation plans as part of the updated MTFS and detailed budgets for 2020/21 in February 2020.
2	Medium	Our review of journal controls identified that the Deputy Section 151 Officer posted two accrual journals which were not subject to review or approval. We would expect these accruals to be authorised given his key role in preparing the financial statements.	• All journals posted by the Deputy Section 151 Officer, including accruals should be subject to review and approval by the Chief Finance Officer. **Management response** • The process for identifying journals processed by the Deputy S.151 Officer is manual and onerous. Therefore, we will comply with this recommendation as far as is reasonably practicable.

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of Cotswold District Council's 2017/18 financial statements, which resulted in five recommendations being reported in our 2017/18 Audit Findings report. We have followed up on the implementation of our recommendations and note one is still in progress and one is partially completed.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	In progress	In order to support the Council's position that it retains liabilities in relation to staff transferred to controlled companies, it should ensure that the tripartite admission agreements between the Council, its controlled entities and Gloucestershire Pension Fund are clarified to more clearly emphasise that that the Council bears the risks in relation to changes in actuarial assumptions. The Council should review its tripartite agreements to ensure that its controlled entities are not unintendedly exposed to any actuarial or financial risks in relation to pensions obligations of staff transferred under TUPE arrangements.	• The pension regulations prevent the Council being able to amend the tripartite agreement. An alternative legal agreement is in the process of being finalised between the Council, Publica and Gloucestershire Pension Fund which agrees that a fixed LGPS contribution rate in place with Publica and that the impact of triennial valuations will be the responsibility of the Council. • The wording has been agreed by all three parties and a legal document has been drafted. The document is now in the process of being signed by the parties.
2	In progress	Our review of journal controls identified that the Deputy S.151 Officer posted a number of adjustment journals which were not subject to review or approval. We would expect these journals to be authorised given his key role in preparing the financial statements. All journals posted by the Deputy S.151 Officer should be subject to review and approval by the Chief Finance Officer.	• The majority of journals raised by the Deputy S 151 officer are now subject to review. We did however identify that accrual journals raised by the Deputy s151 officer were not subject to approval by the Chief Finance Officer. • Our testing identified that 2/15 journals had not been subject to approval and evidence of approval could not be located for one journal. • Recommendation included in action plan at Appendix A.
3	✓	A formal lease is not in place between Ubico and Cotswold District Council for arrangements to lease recycling and refuse vehicles from the Council to Ubico. We recommend that a lease between Ubico and Cotswold District Council is formalised to support the accounting treatment within the financial statements and to ensure that the Council is not exposed to any unintended financial risks.	• A formal lease between Ubico and Cotswold District Council is now in place. • The lease supports the accounting treatment within the financial statements.

Assessment
✓ Action completed
X Not yet addressed

Follow up of prior year recommendations

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
4	✓	A number of IT deficiencies were identified as part of our 2017/18 IT review. The Council should implement the recommendations arising from our IT review	• No ongoing issues identified. Recommendations from 2017/18 implemented appropriately.
5	✓	Formalise liaison and communication arrangements between members and Publica to ensure members have the opportunity to challenge and scrutinise Publica's performance.	• Liaison and communication arrangements now in place between members and officers which enables them to challenge and scrutinise Publica's performance. See review of Publica arrangements at p19-22.

Assessment
✓ Action completed
X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

	Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
1	Accumulated depreciation which was written off to zero on revaluation of Property, Plant and Equipment was incorrectly used to reduce the depreciation cost for the year charged to the income and expenditure account.	Cost of services 1,080 Adjustments between Accounting basis and funding Basis under regulation (1,080)		1,080
2	The Authority requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was a possible increase in pension liabilities of £310k, including £73k in respect of an adjustment for the impact of GMP. A £440k adjustment will also be made to reflect the actual investment performance in the financial year of the fund (the original IAS 19 calculation was based on an estimate). The Authority has agreed to incorporate the revised actuarial valuation into its 2018-19 financial statements.	Cost of services, 310 5 Net Interest on net defined benefit pension liability, 5 Remeasurement of the net defined benefit liability (Other comprehensive income and expenditure), 435	Pension Liability (750) Penson Reserve 750	750
	Overall impact	**£1,830**	**£(750)**	**£1,830**

Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which officers have agreed to amend in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations
Movement in Reserves Statement	• The statement should be amended to present the transfer of the available for sale financial instrument reserve balance on transition to IFRS9 as an adjustment to the opening balance 1 April 2018 rather than to the closing balance at 31 March 2018	• Amendment required
Note B2, Expenditure and Income Analysed by Nature	• Investment interest and similar income did not include net investment property income of £445k as disclosed in note B4.	• Amendment required
Note B7, External Audit Costs	• Prior year audit fee to be adjusted to reflect fee variation of £8,000. • Note to be added to highlight that KPMG deliver Housing Benefit audit in 2018/19.	• Amendment required
Note C1, Note B8 and D9	• These notes include a number of inconsistencies in relation to capital receipts and grant funding	• Amendment required
Note E2, Pension Liability	• The narrative note should be updated to reflect the impact of the McCloud judgement	• Amendment required
Note E3, Financial Instruments	• Finance lease incorrectly included as a reconciling items within note	• Amendment required
Note E7, Critical Judgements	• This note should be updated to reflect the fact that a formal lease in now in place with Ubico	• Amendment required
Note E8 – Assumptions and Other Major Sources of Uncertainty	• No disclosure made in respect of assumptions in relation to housing benefit provision for impairment (where 100 per cent of outstanding debt is provided for) • No disclosure made in respect of the assumptions and uncertainty in respect of the NNDR appeals provision.	• Amendment required
Note E10, Contingent Assets	• The contingent asset note in relation to right to buy clawback can be removed as amounts involved unlikely to be material.	• Amendment required
Note E12, Events after the Balance Sheet Date	• This note should be updated to reflect the impact of the McCloud pension judgement	• Amendment required

Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations
Note G5, Collection Fund balance Sheet Apportionment	• Comparative note to be included.	• Amendment required
Prior year comparators	• A small number of typographical and casting errors were identified when agreeing prior year comparator notes to figures included in the audited 2017/18 financial statements.	• Amendment required
Other minor amendments	• There were a number of other minor presentational adjustments made to improve the quality of disclosure in the accounts.	• Amendment required

Audit Adjustments

Impact of unadjusted misstatements
We did not identify any adjustments which have not been made within the final set of financial statements

Impact of prior year unadjusted misstatements
We did not identified any prior year adjustments which have not been made within the final set of financial statements

Fees

We confirm below our proposed fees for the audit and provision of non-audit services.

Planned Audit Fees

Our Audit Plan included a PSAA published scale fee for 2018/19 of £34,557 and assumes that the scope of the audits does not significantly change. Our audit approach, including the risk assessment, is continually reviewed throughout the year and fees are reviewed and updated as necessary as our work progresses.

Update to our risk assessment – additional work in respect of the audit code

The table below sets out the additional work which we have undertaken to complete the audit, along with the impact on the audit fee where possible. Please note that these proposed additional fees are estimates based on our best projection of work and will be subject to approval by PSAA in line with the Terms of Appointment.

Additional Audit Fees

Area of work	Comment	£
Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statements along with any audit reporting requirements. This included consultation with our own internal actuary in their capacity as an auditor expert.	1,500
Pensions – IAS 19	The Financial Reporting Council has highlighted that the extent of work by audit firms in respect of IAS 19 needs to be enhanced across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this. This additional work has involved areas including: - Additional testing of data provided to the actuary and Gloucestershire pension fund to inform the IAS19 valuation. - Further scrutiny and review of the assumptions used by the Council's actuary to determine its valuation for reasonableness and changes to previous years.	1,500
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to enhance its work and documentation around its review of PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this. This additional work has included: - Additional sample testing of valuations carried out during the year to understand reasons for valuation changes and key assumptions informing these valuations - Additional review and testing of information and finance and asset data provided to the valuer used to inform their valuation exercise - Enhanced scrutiny and challenge around those assets not subject to formal valuation during the period to support management's view that these are materially stated within the financial statements	1,500

Fees

We confirm below our proposed fees for the audit and provision of non-audit services.

As a result of the variation to fees set out on page 30, we propose the revised fee for the audits will be £39,057 excluding VAT. This compares with an actual fee charged for the 2017/18 audit of £52,879 excluding VAT. The revised fee provides a reduction of £13,822 (or 26%) on the prior year fee. In light of the additional work performed to provide the statutory audit opinion compared to that performed in the prior year, we believe the revised fee still provides value for money.

Total Audit Fees

	Actual fee 2017-18	Proposed 2018-19 fee	Final 2018-19 fee
Council Audit	52,879	34,557	34,557
Additional Audit fees proposed (see analysis per page 30)	-		4,500
Total audit fees (excluding VAT)	**£52,879**	**£34,557**	**£39,057**

Non Audit Fees

Fees for other services	Fees
Non Audit services • CFO Insights	3,750
	£3,750

Audit opinion

We anticipate we will provide the Council with an unmodified audit report

Independent auditor's report to the members of Cotswold District Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cotswold District Council (the 'Authority') for the year ended 31 March 2019 which comprise, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts other than the financial statements, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Audit opinion

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Financial Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 7, 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 Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

Audit opinion

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of Cotswold District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Audit opinion

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature to be added

Julie Masci, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Date to be added

COTSWOLD
DISTRICT COUNCIL

STATEMENT OF ACCOUNTS
2018/2019

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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.

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.

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 Ltd. 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 Ltd. contract costs have exceed 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.

EXPENDITURE	OUTTURN 2018/19 £000	MTFS 2019/23 £000
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**

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 Ltd. 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

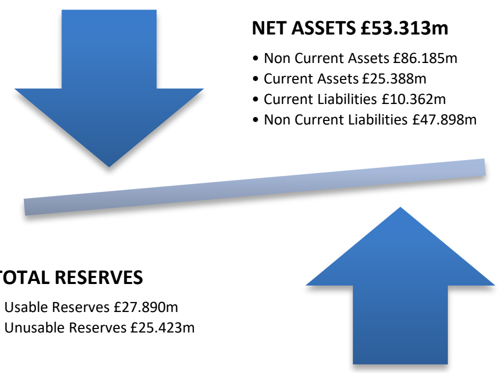
The pensions liability as at 31 March 2019 was £47.541m. Whilst a significant sum, this is the net value of what the Council owes across all future years offset against assets invested in the Local Government Pension Scheme.

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 £2.885m on last year's positon.



Significant movements were:

- £9.555m upward valuation 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
- £8.352m increase in pension liability

Facing the Challenges Ahead

The UK's departure from the EU has been the focus of central government activity throughout 2018/19. The delay of the departure date from 29th March 2019 to 31st October 2019 has been the subject of much media attention. More recently, the change of Prime Minister and the prorogation of Parliament have increased uncertainty on the way forward..

While the domestic focus has been on the potential impact of the UK's exit from the EU 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 was due to be implemented from the 2020/21 financial year. The government has delayed the Spending Review 2019 until 2020 and will instead announce a one-year Spending Round in September which will set Departmental spending levels for 2020/21 only. 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 Spending Round in 2019, will set Departmental spending levels, how the Ministry for Housing and Local Government will allocate its share of the funding from Spending Round 2019 to individual authorities is unknown. However, it is likely that there will be a roll forward of current funding as there is unlikely to be sufficient time for meaningful consultation on significant changes;

- the Government will implement the outcome of the Local Government Fairer Funding Review. It is now considered unlikely that this will take place in 2020/21 as previously planned;

- the new 75% Business Rates Retention system will come into effect. It is unlikely that this will take place in 2020/21 as previously planned;

- 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. It is unlikely that this will take place in 2020/21 as previously planned;

- the Government will have completed a new Spending Review to establish its spending priorities post 2021.

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 the UK's departure from the EU. The Council updated its Medium Term Financial Strategy (MTFS) in February 2019 to include the forecast implications at that time and will continue to keep the Strategy under review as further information becomes available. It is now highly likely that some of the changes will be delayed from 2020/21 to 2021/22 and the MTFS will be updated accordingly.

In order to maintain the current level of General Fund reserve over the longer term, it is likely 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 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.

J Poole

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

In accordance with regulation 10(3) Accounts and Audit Regulations 2016, the statement of accounts is approved by the Chair of the Audit Committee, on behalf of Cotswold District Council.

____ Date: ________________

Cllr. Patrick Coleman
Chairman of the Audit Committee

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2017/2018 Gross Expenditure £	2017/2018 Gross Income £	2017/2018 Net Expenditure £		Note	2018/2019 Gross Expenditure £	2018/2019 Gross Income £	2018/2019 Net Expenditure £
			Joint Committee / Shared Services				
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		1,468,366	(773,055)	695,311
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
			Strategic Directors				
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		8,213,132	(4,673,727)	3,539,405
2,321,755	(578,128)	1,743,627	Leisure and Communities Services		2,127,937	(919,514)	1,208,423
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		1,533,503	(476,405)	1,057,098
46,963,459	**(32,371,293)**	**14,592,166**	**Cost of Services**		**42,018,934**	**(28,034,704)**	**13,984,230**
2,778,973	(415,028)	2,363,945	Other Operating Expenditure	*B3*	2,960,269	(1,072,967)	1,887,302
1,239,862	(959,626)	280,236	Financing and Investment Income and Expenditure	*B4*	1,650,092	(1,117,379)	532,713
0	(15,131,714)	(15,131,714)	Taxation and Non-Specific Grant Income	*B5*	0	(16,041,932)	(16,041,932)
50,982,294	**(48,877,661)**	**2,104,633**	**(Surplus) / Deficit on Provision of Services**	*B1/B2*	**46,629,295**	**(46,266,982)**	**362,313**
		(583,694)	(Surplus) / deficit on revaluation of non current assets				(10,459,988)
		(16,486)	(Surplus) / deficit on revaluation of available for sale financial assets				0
		(3,232,000)	Remeasurement of the net defined benefit liability				7,212,000
		(3,832,180)	**Other Comprehensive Income and Expenditure**				**(3,247,988)**
		(1,727,547)	**Total Comprehensive Income and Expenditure**				**(2,885,675)**

MOVEMENT IN RESERVES STATEMENT

	Note	Usable Reserves						
		General Fund - Unallocated £	General Fund - Earmarked £	Capital Receipts Reserve £	Capital Grants Unapplied £	Total Usable Reserves £	Unusable Reserves £	TOTAL RESERVES £
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**
Movements in reserves 2018/19		811,658	(811,658)	0	0	0	0	**0**
Total Comprehensive Income and Expenditure		362,313	0	0	0	362,313	(3,247,988)	**(2,885,675)**
Adjustments between accounting basis & funding basis under regulations	*C1*	(1,183,143)	50,000	(2,308,661)	0	(3,441,804)	3,441,804	**0**
(Increase) / Decrease in Reserves 2018/19		**(78,173)**	**(761,658)**	**(2,308,661)**	**0**	**(3,148,492)**	**262,817**	**(2,885,675)**
Balance at 31 March 2019		**(4,910,148)**	**(8,308,574)**	**(14,611,759)**	**(59,749)**	**(27,890,230)**	**(25,423,293)**	**(53,313,523)**

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
21,680	Inventories		15,867
6,224,374	Debtors	*D5*	5,170,264
2,772,753	Cash and Cash Equivalents	*E3*	7,011,910
32,136,440	**Current Assets**		**25,387,847**
(2,000,701)	Borrowing	*E3*	0
(5,614,675)	Creditors	*D6*	(6,412,216)
(1,895,749)	Creditors - s.106 balances	*D6*	(1,885,901)
(1,043,094)	Provisions	*D7*	(2,063,795)
(10,554,219)	**Current Liabilities**		**(10,361,912)**
(39,189,000)	Other Non-Current Liabilities	*E2*	(47,541,000)
0	Finance Lease Liabilities	*E5*	(86,365)
(320,296)	Capital Grants Receipts in Advance	*B9*	(269,883)
(39,509,296)	**Non-Current Liabilities**		**(47,897,248)**
50,427,848	**Net Assets**		**53,313,523**
(24,741,738)	Usable reserves	*C2*	(27,890,230)
(25,686,110)	Unusable Reserves	*C3*	(25,423,293)
(50,427,848)	**Total Reserves**		**(53,313,523)**

These financial statements were certified by the Chief Finance Officer on 26th September 2019.

Jenny Poole
Chief Finance Officer

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 £
Joint Committee						
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	695,311	(159,804)	0	535,507	99,930	635,437
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
Strategic Directors						
Democratic Services	1,010,788	(100,617)	0	910,171	15,850	926,021
Environmental Services	3,539,405	(500,170)	0	3,039,235	316,559	3,355,794
Leisure and Communities Services	1,208,423	(643,669)	0	564,754	892,955	1,457,709
Planning and Strategic Housing Services	1,816,362	(379,815)	0	1,436,547	46,282	1,482,829
Other Retained Services	1,057,098	1,200,469	811,658	3,069,225	(1,555,262)	1,513,963
Corporate Resources	0	0	0	0	0	0
Cost of Services	**13,984,230**	**(1,468,549)**	**811,658**	**13,327,339**	**(27,805)**	**13,299,534**
Other Income and Expenditure	(13,621,917)	285,406	0	(13,336,511)	27,805	(13,308,706)
(Surplus) / Deficit on Provision of Services	**362,313**	**(1,183,143)**	**811,658**	**(9,172)**	**(0)**	**(9,172)**
Opening General Fund Balance (Unallocated) at 1 April				(4,900,976)		
(Surplus) / Deficit for the year				(9,172)		
Closing General Fund Balance (Unallocated) at 31 March				**(4,910,148)**		

	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 £
Joint Committee						
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
Strategic Directors						
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)**		

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 £
Joint Committee							
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	(99,930)	(59,874)	0	(159,804)	99,930	0	99,930
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
Strategic Directors							
Democratic Services	(15,850)	(84,767)	0	(100,617)	15,850	0	15,850
Environmental Services	(450,346)	(49,824)	0	(500,170)	316,559	0	316,559
Leisure and Communities Services	(579,968)	(63,701)	0	(643,669)	892,955	0	892,955
Planning and Strategic Housing Services	(46,282)	(333,533)	0	(379,815)	46,282	0	46,282
Other Retained Services	(92,408)	1,292,877	0	1,200,469	(1,504,438)	(50,824)	(1,555,262)
Corporate Resources	0	0	0	0	0	0	0
Cost of Services	**(1,387,549)**	**(81,000)**	**0**	**(1,468,549)**	**(30,097)**	**2,292**	**(27,805)**
Other Income and Expenditure	1,082,773	(1,059,000)	261,633	285,406	30,097	(2,292)	27,805
(Surplus) / Deficit on Provision of Services	**(304,776)**	**(1,140,000)**	**261,633**	**(1,183,143)**	**0**	**0**	**(0)**

	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 £
Joint Committee							
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
Strategic Directors							
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**

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	2,867,877
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	1,507,348
Interest payments and similar expense	1,073,751	1,060,882
Precepts and Levies	2,778,973	2,960,269
Other expenditure	1,397,354	1,471,257
Total Expenditure	**50,982,294**	**46,629,295**
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**	**362,313**

B3. Other Operating Income & Expenditure

	2017/18 £	2018/19 £
(Gains) / losses on disposal of non current assets	(43,750)	0
Unattached capital reciepts	(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)	(428,306)
Net interest on the net defined benefit pension liability	1,073,000	1,059,000
	280,236	**532,713**

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)**

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	0
Fee variation	8,000	0
	57,829	**34,557**

Most disclosures within the Statement of Accounts give additional details about the amounts receivable and payable included in the core statements. The amounts for External Audit Costs are disclosed in accordance with annually agreed audit fee schedules. The comparative figures shown above have been amended from those originally published to include an £8,000 fee variation in relation to additional services auditing the 2017/18 Statement of Accounts; this amount was paid in 2018/19.

The Council has accrued £4,950 at 31 March 2019 to cover the cost of grant claim certification but this work will not be carried out by Grant Thornton LLP and is therefore omitted from the table above.

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 (2017/18 - £3,750).

B8. Officer Remuneration

Senior Officer Remuneration

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

Post	Salary, allowances & other benefits £	Compensation for loss of office £	Total remuneration excl. pension contributions £	Pension Contributions £	Total Remuneration £
			2018/2019		
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	Salary, allowances & other benefits £	Compensation for loss of office £	Total remuneration excl. pension contributions £	Pension Contributions £	Total Remuneration £
			2017/2018		
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**

[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

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 £
Revenue grants credited to Cost of Services		
Housing Benefit Subsidy	18,132,876	15,568,936
Housing Benefit Administration Subsidy	274,723	248,072
	18,407,599	**15,817,008**
Revenue grants credited to Taxation and Non Specific Grant Income		
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**
Capital grants credited to Cost of Services in the Comprehensive Income and Expenditure Statement		
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)**

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

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				
Reversal of entries included in the CI&ES relating to Capital Expenditure				
Charges for depreciation, amortisation and impairment	(1,507,348)			
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)			
Adjustments between Capital & Revenue Resources				
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 Reciepts	1,072,967		(1,072,967)	
Adjustments to Capital Resources				
Use of capital reciepts reserve to finance new capital expenditure			(921,525)	
Transfer from Deferred Capital Receipts on reciept 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 prinipal			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	(1,140,000)			
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			
	(1,183,143)	**50,000**	**(2,308,661)**	**0**

	2017/2018 General Fund - Unallocated £	2017/2018 General Fund - Earmarked £	2017/2018 Capital Receipts Reserve £	2017/2018 Capital Grants Unapplied £
Capital Adjustments				
Reversal of entries included in the CI&ES relating to Capital Expenditure				
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)			
Adjustments between Capital & Revenue Resources				
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 Reciepts	371,278		(371,278)	
Adjustments to Capital Resources				
Use of capital reciepts reserve to finance new capital expenditure			1,084,198	
Transfer from Deferred Capital Receipts on reciept 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**

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 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)	(42,921,262)
Capital Adjustment Account	(30,963,546)	(29,214,061)
Pension Reserve	39,189,000	47,541,000
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)	**(25,423,293)**

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)	(11,213,384)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	5,060,438	753,396
Surplus / deficit on revaluation of non current assets not posted to the Surplus/Deficit on the Provision of Services	*(583,694)*	*(10,459,988)*
Difference between fair value and historic cost depreciation	707,721	508,917
Amount written off to the Capital Adjustment Account	*707,721*	*508,917*
Closing Balance - 31 March	**(32,970,191)**	**(42,921,262)**

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)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation of non current assets	1,721,008	1,507,348
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	2,574,745
Adjusting amounts written out of the Revaluation Reserve		
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**	**2,065,828**
Capital financing applied in year		
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)**	**(29,214,061)**

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)	(1,633,000)
Remeasurement of the net defined benefit liability	(2,019,000)	8,845,000
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	4,071,000
Employers' pension contributions	(2,976,000)	(2,931,000)
Closing Balance - 31 March	**39,189,000**	**47,541,000**

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)**

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 calcuated 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**

D1. Property, Plant and Equipment

Movements in 2018/19	Land & Buildings £	Vehicles, Plant & Equipment £	Community Assets £	Surplus Assets £	Assets Under Con-struction £	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**

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**

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 3-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.

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	173,924
Net (gains) / losses from fair value adjustments	(40,025)	214,400
	(534,495)	**(213,906)**

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.

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 £
Asset Cost or Valuation		
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**
Amortisation		
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.

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	296,727
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	6,667,655
Less impairment allowance for doubtful debts:		
Council Tax / NNDR payers (CDC share)	(55,063)	(258,912)
Housing Benefit recovery	(798,915)	(784,456)
Sundry Debtors	(479,263)	(454,023)
	6,224,374	**5,170,264**

D6. Creditors

	2017/18 £	2018/19 £
Government Departments	(773,170)	(1,116,748)
Other Local Authorities	(2,249,017)	(3,101,940)
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)	(176,945)
- Sundry Creditors	(696,792)	(173,873)
	(5,614,675)	(6,412,216)
S106 Balances	(1,895,749)	(1,885,901)
	(7,510,424)	**(8,298,117)**

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)**
	(1,043,094)	**(1,074,670)**	**53,969**	**0**	**(2,063,795)**

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.

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
	2,327,500	1,640,850
Sources of finance		
Capital Reciepts	1,083,698	156,475
Better Care Funding/Disabled Facilities Grants	565,942	785,201
Other grants & external funding	193,782	362,761
Earmarked Reserves	234,078	50,000
Direct Revenue Contributions	250,000	254,306
	2,327,500	1,608,743
Net increase / (decrease) in Capital Financing Requirement	**0**	**32,107**
Closing Capital Financing Requirement	**0**	**32,107**

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.

Category	Financial Instrument(s)	carrying value at 31 March 2018 Non-Current £	Current £	SPPI*	Business Model	IFRS9 Classification	carrying value at 1 April 2018 Non-Current £	Current £	Expected Credit Loss Basis	£
Loans & Receivables	UK/Foreign Bank Deposits	2,007,178	12,020,671	Y	Hold to collect	Amortised Cost	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				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 Acounts the Council continues to carry this invesment 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 mangement advisors as at 31st March 2018 are deemed immaterial and therfore 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:

	2017/18 £	2018/19 £
Comprehensive Income & Expenditure Statement		
Cost of Services:		
Current Service Cost	2,930,000	2,623,000
Past Service Cost	145,000	389,000
Financing and Investment Income & Expenditure:		
Net Interest Expense	1,073,000	1,059,000
Net Charge to Surpluse or Deficit on Provision of Services	**4,148,000**	**4,071,000**
Other post employment benefit charged to Comprehensive Income & Expenditure Statement		
Remeasurment of the net defined benefit liability comprising:		
Return on Plan Assets	(1,213,000)	(1,633,000)
Actuarial (gains) / losses arising on changes in financial assumptions	(2,020,000)	8,765,000
Experience (gains) / losses	1,000	80,000
	(3,232,000)	7,212,000
Total post employment benefits charged to the Comprehensive Income & Expenditure Statement	**916,000**	**11,283,000**
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)**	**(4,071,000)**
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**

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)	(118,978,000)
Present value of unfunded obligations	(2,823,000)	(2,920,000)
Fair Value of Plan Assets	70,426,000	74,357,000
Net liability arising from defined benefit obligation	**(39,189,000)**	**(47,541,000)**

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	1,633,000
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**	**74,357,000**

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)	(2,964,000)
Contributions from Scheme Participants		(496,000)	(440,000)
Past Service Cost		(145,000)	(389,000)
Remeasurement Gains / (Losses)		2,019,000	(8,845,000)
Benefits Paid		2,782,000	2,843,000
Unfunded Benefits Paid		127,000	135,000
Closing Balance 31 March		**(109,615,000)**	**(121,898,000)**
	Funded	(106,792,000)	**(118,978,000)**
	Unfunded	(2,823,000)	**(2,920,000)**

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%	7,596.3	0.0	7,596.3	10%
Corporate Bonds (non investment grade)	254.1	0.0	254.1	0%	316.5	0.0	316.5	0%
UK Government	5,101.1	0.0	5,101.1	7%	2,340.8	0.0	2,340.8	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	164.1	164.1	0%
Real Estate								
UK Property	3,431.9	1,100.9	4,532.8	6%	4,715.3	1,582.4	6,297.7	8%
Overseas Property	0.0	382.1	382.1	1%	0.0	459.5	459.5	1%
Investment Funds and Unit Trusts								
Equities	2,797.1	31,792.6	34,589.7	49%	4,484.4	41,777.2	46,261.6	62%
Bonds	4,258.6	395.2	4,653.8	7%	5,943.1	0.0	5,943.1	8%
Other	0.0	2,724.0	2,724.0	4%	0.0	3,619.0	3,619.0	5%
Derivatives								
Foreign Exchange	39.5	0.0	39.5	0%	-17.6	0.0	-17.6	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%	1,368.5	0.0	1,368.5	2%
	33,852.2	**36,573.8**	**70,426.0**	**100%**	**26,754.8**	**47,602.2**	**74,357.0**	**100%**

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%	12,093,000
0.5% increase in salary increase rate	1%	1,571,000
0.5% increase in pension increase rate	8%	10,334,000

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

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E3. Financial Instruments

Categories of Financial Instruments

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

2017/2018 Non-Current £	2017/2018 Current £		2018/2019 Non-Current £	2018/2019 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 Debtors £	Current Debtors £	Current 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)**

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
£	£	£		£	£	£
			Financing & Investment Income and Expenditure			
(119,724)	(79,150)		Interest / dividend income	(133,969)	(324,526)	
	0		Changes in fair value		198,594	
		751	Interest expense			658
		0	Fee expense			0
(119,724)	**(79,150)**	**751**	**Net (Gains) / Losses for the Year**	**(133,969)**	**(125,932)**	**658**

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 £
Fair Value through Profit or Loss		
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.

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 rest of changes in such measures as interest rate movements.

<u>Overall procedures for managing risk</u>

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.

<u>Credit Risk</u>

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 Councils web-site.

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

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 +
Internally managed funds				
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
Externally managed funds				
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.

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).

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 liabilites:		
Current	0	23,741
Non Current	0	86,365
Finance costs payable in future years	0	15,690
Mimimum 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**

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.

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

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.

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)

<u>Financial Assets at Amortised Cost</u>
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.

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].

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 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 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 polices applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

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

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

The Authority as lessor

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

Lease rentals receivable are apportioned between:

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

Any gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement on Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the “Other Operating Expenditure" line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (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.

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 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.

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 Ltd.. Ubico operates separate operating practices and management structure, the application of majority-voting on the Ubico Ltd. 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 Ltd. 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 Ltd.. Ubico Ltd. 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 Ltd. contracts where necessary). Ubico Ltd. 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 formal lease has been agreed on this basis.

- 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.

- 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
Provision for Impairment (Trade Debtors)	Trade debtors on the balance sheet assume an 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&ES 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.
Provision for Impairment (HB Overpayments)	Where it has been found that Housing Benefit has been overpaid the Council is able to recover the overpayment from ongoing benefit. A 100% provision against such overpayments has been established due to the difficulty surrounding recovering such debts from individuals who are already short of money. Potential changes in the delivery of Housing Benefit with a possible transfer of the service to Central Government (with changes to Universal Credit), there is a risk that the Council will be left with all outstanding debt at the point of transfer.	If the Council has overprovided then the income to the revenue account will have been understated. A share of the provision will then need to be written-back to the Income & Expenditure account.

Item	Uncertainties	Effect if actual result differs from assumption
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. 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 require 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.

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 Ltd. board do not constitute any means of joint-control over the company. The Council's interest is therefore classed as an investment in Ubico Ltd.

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).

E11. 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.

- In December 2018 the Court of Appeal upheld a ruling that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.

  In June 2019 the Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.

  The legal ruling around age discrimination (McCloud – Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits.

  As a result a revised IAS19 report was issued in July 2019 with a revised estimate of the pension liabilities which also included actual rather an estimated returns on investment value resulting in an overall increase of the net pension liabilities of £750,000.

CASH FLOW STATEMENT

	Note	2017/18 £	2018/19 £
Net surplus or (deficit) on provision of services		(2,104,633)	(362,313)
Adjustments to net surplus or (deficit) on the provision of services to exclude non-cash movements	*F1*	93,075	6,640,535
Adjustments for items included in the net surplus or (defecit) on the provision of services that are investing or financing activities	*F2*	(472,533)	(798,045)
Net cash flows from Operating Activites		**(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**

NOTES TO THE CASH FLOW STATEMENT

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	1,730,635
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	1,140,000
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	**6,640,535**

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 (reciepts) / 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)**

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 Business Rates £	2017/2018 Council Tax £	2017/2018 Total £		Note	2018/2019 Business Rates £	2018/2019 Council Tax £	2018/2019 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)**
			Apportionment of previous year's surplus				
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
			Precepts, Demands and Shares				
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
			Charges on the Collection Fund				
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**

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
** adjusted for discounts and exemptions*				**40,297.79**

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.

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	£89,133,812	£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)	32.1%
National Non Domestic Rates	(437,355)	(387,657)	32.6%
	(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.

G5. Collection Fund Balance Sheet Apportionment

The apportionment of the balances on the Collection Fund as at 31 March 2019 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

Comparative balances as at 31 March 2018 were as follows:

	Cotswold District Council £	Gloucs. County Council £	Central Govt. £	Gloucs. P&CC £
Council Tax				
Debtors	163,935	986,569	n/a	179,443
Bad Debt Provision	(55,063)	(331,372)	n/a	(60,272)
Prepayments and Overpayments	(170,632)	(1,026,877)	n/a	(186,774)
(Surplus) / Deficit at 31 March	(155,705)	(937,046)	n/a	(170,436)
Business Rates				
Debtors	506,398	126,600	632,997	n/a
Bad Debt Provision - Tax Payers	(174,942)	(43,736)	(218,677)	n/a
Bad Debt Provision - Appeals	(1,043,095)	(260,774)	(1,303,870)	n/a
Prepayments and Overpayments	(488,132)	(122,033)	(610,165)	n/a
(Surplus) / Deficit at 31 March	1,480,866	370,216	1,851,084	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, ensuing 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 it's 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 Section151 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 'Reasonable Assurance'.

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.
5	Ubico Ltd	A review to be carried out of the current governance arrangements with Ubico Ltd. and how this can be strengthened.
6	S106 Agreements and Funds	To implement internal audit recommendations relating to service area consultation as part of negation of S106 Agreements, lack of monitoring of S106s, timelines of income and payments to third parties, reporting of S106s.

The Annual Internal Audit Opinion, as drafted by the SWAP Assistant Director (Head of Internal Audit), lists 34 pieces of audit work being conducted during 2018/19, which includes consultancy and advisory services. 18 assurance reviews were completed during the year.

Internal Audit follow-up reviews were conducted during 2018/19 on areas where weaknesses were identified in the previous year. Good progress has been made on implementing the recommendations. There were 66 recommendations from 2017/18, as at July 2019 there were 2 “Priority 2” recommendations and 8 “Priority 3” recommendations outstanding or where implementation has been delayed. 1 recommendation remains subject to a follow up review.

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:

Joe Harris
Leader of the Council

Date:

Nigel Adams
Head of Paid Service

Date:

Independent auditor's report to the members of Cotswold District Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cotswold District Council (the 'Authority') for the year ended 31 March 2019 which comprise, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts other than the financial statements, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Financial Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 7, 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 Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements – Certificate

We certify that we have completed the audit of the financial statements of Cotswold District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Julie Masci, Key Audit Partner
For and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

Date:

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

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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COTSWOLD
DISTRICT COUNCIL

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

26 September 2019

Dear Sirs

Cotswold District Council
Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of Cotswold District Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects 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.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

vi. Surplus assets are reported in the financial statements at their highest and best use. Where assets have not been formally valued at 31 March 2019 we are satisfied that these are materially correct.

vii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

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viii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

x. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

xi. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xvi. We have communicated to you all deficiencies in internal control of which management is aware.

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 26 September 2019.

Yours faithfully

Jenny Poole ______________________________ Date ________________

Chief Finance Officer

Cllr. Patrick Coleman ______________________________ Date ________________

Chairman of the Audit Committee

Signed on behalf of the Audit Committee