COTSWOLD
DISTRICT COUNCIL

STATEMENT OF ACCOUNTS
2013/2014

Cotswold District Council

Statement of Accounts 2013/2014

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Explanatory Foreword

The Statement of Accounts which follows this foreword has been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 ('the Code'). This foreword has been written to provide a concise and understandable guide for the reader of the accounts of the most significant aspects of the authority's financial performance, cash flows and year-end financial position.

1. The 'core' statements

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

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

The Comprehensive Income & Expenditure Statement (CI&E)

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

The Movement in Reserves Statement

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

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

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

The Balance Sheet

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

- Usable reserves, which (as the name suggests) include revenue and capital resources which are available for use, and can be used to meet future expenditure.
- Unusable reserves which are primarily adjustment accounts which absorb the difference between the outcome of applying proper accounting practices and the requirement of statutory arrangements for funding expenditure. These accounts do not represent balances that can be spent.

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

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

2. Service expenditure compared to budget.

The outturn for the year compared to budget is shown below.

Service Directorate	**Budget £**	**Actual Outturn £**	**(under) / overspend vs. budget**
Chief Executives	1,136,910	1,068,948	(67,962)
Corporate Management	1,515,745	1,557,077	41,332
Corporate Resources	276,434	246,021	(30,413)
Waste Management	3,645,775	3,575,760	(70,015)
Parking Services & Public Conveniences	(1,158,955)	(1,066,087)	92,868
Other Environmental Services	1,775,047	1,618,415	(156,632)
Leisure & Cultural Services	1,990,924	2,284,307	293,383
Planning	1,402,685	1,146,829	(255,856)
Sustainable Communities & Housing	1,442,039	1,392,458	(49,581)
Interest from Investments Income	(178,270)	(241,184)	(62,914)
Other accounting adjustments	(1,479,486)	(1,680,833)	(201,347)
Net revenue budget	10,368,848	9,901,711	(467,137)
RSG	(2,466,458)	(2,466,458)	0
Business Rates Retention	(1,642,589)	(1,669,467)	(26,878)
NNDR Levy & Compensation Grant	0	(529,597)	(529,597)
New Homes Bonus and new burdens grant	(1,402,508)	(1,405,512)	(3,004)
Council Tax Income [Council share]	(4,857,293)	(4,857,293)	0
	0	(1,026,616)	(1,026,616)

At the Cabinet meeting of 5th June the Cabinet noted the underspend and resulting increase in the General Fund balance.

For a breakdown of the key variances please refer to the "Summary Finance/Service Performance Report 2013/14 – Year End", which was presented to Cabinet on 5th June 2014 (Cabinet agenda item 10). All Committee papers are available from the Council website at: www.cotswold.gov.uk

3. Material Assets and Liabilities acquired during the year.

No material assets or liabilities have been acquired during the 2013/14 year.

4. Pensions liability

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

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

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

	£000
Fair value of employer assets	49,896
Present value of defined benefit obligation	(85,504)
Surplus / (deficit) on the pension fund	(35,608)

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

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

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

Changes in the valuation of pension fund liabilities

The Council's pension fund liability is calculated by the actuary in accordance with International Accounting Standard 19 (IAS 19). The liability in the pension fund has increased by £5.1m over the past year. The movement is largely due to changes in actuarial assumptions such as life expectancy, returns on assets and inflation assumptions.

Retained business rates and revenue support grant

From 2013/14 the national council tax benefit scheme changed to a local council tax support scheme. Local council tax support is shown as a discount on council tax payers' accounts as opposed to a cash payment onto the account. As a result, the cost of the local council tax support scheme is now reflected in the Council Tax Base – i.e. the Council receives a lower yield from council tax income than in previous years. Accounting arrangements for the Council tax benefit subsidy grant has also changed. In previous years a cash grant was payable to the "billing authority" (this Council) to offset the cash payment on the tax payers account. Under the new arrangements, as the council tax base is reduced which impacts upon all of the precepting authorities, grant is now passed to individual precepting bodies (i.e. the County Council, the Police and Crime Commissioner and to this Council) through Revenue Support Grant (or equivalent).

From 2013/14, local government core funding from national government has changed from a cash grant allocation (Revenue Support Grant and Non-Domestic Rates Grant) to a combination of retained business rates (known as the Business Rates Retention Scheme) and Revenue Support Grant. For 2013/14 each local authority was allocated with a "Start-Up Funding Assessment" which set the national funding position for each authority. The Start-Up Funding Assessment for this Council was £4,107,668. National government established a baseline funding position from retained business rates of £1,641,004; with the balance of £2,466,664 to be funded from Revenue Support Grant.

The introduction of the Business Rates Retention Scheme shifted some of the risk of business rate yield on to local government. For authorities that are not part of business rates pooling arrangements, if business rate yield is lower than "baseline funding level" set for the Council by national government, the financial risk rests with the Council. The government makes additional funding available (via a Safety Net payment) should the shortfall be greater than 7.5% of the baseline.

In January 2014 it was estimated that for 2013/14 the Council would report a business rates deficit of £728,996. The estimated deficit is accounted for as part of the 2014/15 budget process. The deficit has occurred largely as a result of the government's decision to award a higher level of small business rate relief in 2013/14 and to fund the resulting loss of business rates income to the Council as a grant which is payable to the General Fund rather than to the Collection Fund where the business rates income would have been received. The business rate deficit has been carried forward into 2014/15 but the compensating grant (£514,744) has to be recognised in the Council's General Fund for 2013/14. This means there is a surplus in the General Fund at the end of 2013/14 which will be applied in 2014/15 to offset the 2013/14 business rates deficit. The outturn position on business rates has improved slightly since the January estimated position and the reported position is a deficit of £656,107.

For 2013/14, the Council was part of the Gloucestershire Business Rates Pool, which means that the safety net applied to whole of the Gloucestershire pool. The pool governance arrangements provide for each authority to be initially funded to be in no better or worse position than it would be outside of the pool (i.e. the safety net payment will be met by the Gloucestershire Pool). It is only after this first criteria is satisfied that any pool gains or losses are apportioned to the local authorities or are made available to support initiatives that will enable growth in businesses in Gloucestershire.

At the end of the first year of the new Business Rates Retention Scheme, this Council's share of retained business rates was below the baseline funding level to such an extent that the Council was entitled to a safety net payment of £14,854 from the Gloucestershire Pool. Overall the Pool made a surplus and this Council is entitled to £25,156 as its share of the Pool membership.

A summary of the major influences on the revenue account is as follows:

Description	2012/13 £	2013/14 £
Expenditure:		
Staff salaries (including NI and pension costs)	8,646,548	8,822,328
Housing benefit payments	20,376,004	20,257,739
Council tax benefit payments	4,679,041	0
Income:		
Housing benefit subsidy grant	(20,121,370)	(19,990,792)
Council tax benefit subsidy grant	(4,735,783)	0
Revenue support grant [RSG]	(71,897)	(2,466,458)
Non-domestic rates allocation	(3,708,936)	(1,669,467)
Council tax receipts [CDC share]	(5,491,880)	(4,857,293)

6. Significant changes in accounting policy

From 2010/11 the statement of accounts has been prepared based upon International Financial Reporting Standards, in accordance with the local authority adaptation of the standards, documented within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'). The Council's accounting policies are based upon the requirements of the Code.

Paragraph 5 (above) sets out significant changes in accounting and presentation as a result of the implementation of Local Council Tax Support and the Retained Business Rates Retention Scheme. There have been no other significant changes in accounting standards or accounting policy during 2013/14.

7. Major changes in functions

No major changes in functions have taken place during 2013/14.

During the year the Council transferred responsibility for two of its dual-use leisure facilities to the local schools (Sir William Romney's School in Tetbury and Farmors School in Fairford). In addition, the Council entered into a management contract for other leisure facilities and the museum service.

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

During the year the Council purchased and disposed of a number of assets. The Council's purchases of non-current assets, capital enhancement works and asset disposals during 2013/14 can be summarised as follows:

Class of asset	Purchases [cost] £	Disposals [NBV] £
Property, Plant and Equipment (PPE)	433,553	2,672,537
Assets held for sale	0	0
Investment Property	0	415,000
Intangible assets [ICT software]	93,939	0
Total	527,492	3,087,537

On 1st January 2014 the Council transferred its interests in Tetbury Leisure Centre and Fairford Leisure Centre to Sir William Romsey School (Tetbury) and Farmors School (Fairford) respectively. The schools have each taken over their centres and are now fully responsible for the facilities. As a result of the transfer the Council cancelled its dual-use lease agreements to use the two sites as leisure centres. The transfers account for £2.2m of the disposal figure shown above.

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

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

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

Funding source [reserves]	31st March 2013 £	31st March 2014 £
General Fund balance	1,813,081	2,839,697
Earmarked reserves	4,903,351	4,146,133
Capital grants unapplied account	323,478	206,943
Capital receipts	8,726,433	7,941,163
	15,766,343	15,183,936

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

10. Significant provisions or contingencies

At 31st March the Council has £507,821 set aside in provisions. £467,077 is a result of new arrangements for the retention of business rates that came into effect as at 1st April 2013, whereby local authorities assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. The provision represents the Council's potential share of the outstanding liability at the balance sheet date.

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

11. Events after the reporting date

The Council's management team has been restructured with effect from April 2014. There are now eight Heads of Service which are fully-shared with West Oxfordshire District Council and one Head of Service which is shared with West Oxfordshire District Council, Cheltenham Borough Council and Forest of Dean District Councils. The remaining two Heads of Service, responsible for Democratic Services and Planning Services respectively, are not shared and remain working solely for Cotswold District Council.

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

Overall, core Government funding (referred to as the Settlement Funding Assessment) will reduce by 10.5% in 2014/15 and 15% in 2015/16. These cuts have been incorporated within the Council's Medium Term Financial Strategy which was approved in February 2014. The strategy contained the following savings targets:

	2014/15	2015/16	2016/17	2017/18
Savings targets	£316,000	£351,000	£334,000	£274,000

The Council plans to achieve these savings targets through its One Team Change Programme. A number of projects have been identified to deliver the savings targets. The projects are predicted to deliver savings as profiled below:

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Leisure and Museum Procurement (balance of full year savings)	130	11	34	24
Further Joint Working	150	200	150	100
Generating new income streams or further savings in partnership with Ubico Ltd		100	100	100
Review of Wards		40		
Cash collection contract - procurement saving	36			
Gloucestershire Business Rates Pool			50	50
Total	**316**	**351**	**334**	**274**

Further joint working savings are planned to be delivered by increasing the shared services between this Council and its “GO Partners” (West Oxfordshire District Council, Cheltenham Borough Council and Forest of Dean District Council). In June 2014, the four Councils have approved a vision document “2020 Vision for Joint Working” which sets out the outline business case for extending joint working.

The Business Rates Retention Scheme was introduced on 1st April 2013. Under the Scheme, the Council retains some of the business rates raised locally. The business rates yield is divided - 50% locally and 50% to the Government. The Government’s share is paid into a central pool and redirected to local government through other grants. Of the 50% local share, the Council’s share has been set at 80%, with the County Council’s share being 20%. A tariff is applied to reduce the local share to a baseline funding level set by the Government. Where the value of retained business rates exceeds the baseline funding level, 50% of the surplus is paid over to the Government as a levy; the remaining 50% can be retained by the Council.

In order to maximise the value of business rates retained within Gloucestershire, the Council is a member of the Gloucestershire Business Rates Pool. Being a part of the Pool has the benefit of reducing the levy from 50% to 19%. Any surpluses generated by the Pool will be allocated in accordance with the governance arrangements agreed by the Gloucestershire Councils.

However, 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 2010/11 financial year which reduces the business rates yield in the year in which the refund is made.

The Autumn Statement included an extension to the Small Business Rate Relief from 50% to 100% for a further year, as well as introducing a new £1,000 discount for small business with a rateable value below £50,000. A commitment has been made to fully compensate local government for lost business rates. This compensation will be paid by a specific grant from DCLG.

The Gloucestershire Chief Finance Officers reviewed the viability of the Business Rates Pool for 2014/15 and recommended to the Gloucestershire Leaders and Chief Executives that the Pool continues in its current form. Given the Government’s statement that local authorities will be fully compensated for the impacts of the announcements in the Autumn Statement, the Chief Finance Officers took a pragmatic view to continue with the Pool in 2014/15, in line with the recommendation made to Leaders and Chief Executives in the autumn. Any sustainable surpluses from the Pool will contribute towards the savings targets set out in the Council’s Medium Term Financial Strategy.

As part of the Localism Bill the Government has again warned councils about “excessive” council tax increases and indicated that any tax rise in excess of 2% will automatically trigger a local referendum. Whilst this is not an issue for the forthcoming year as the Council has reduced its council tax by 3%, it is a point to be considered when the Council considers its updated medium term financial strategy later this year. Parishes and Town Councils have once again been excluded from this requirement in respect of 2013/14 but may fall under the legislation in the future

The Council has responded very proactively to the reductions in Government funding and other financial challenges, such as reduced income as a result of the economic situation of recent years, and has implemented significant changes which have enabled it to develop a balanced budget for 2014/15. The 2014/15 budget includes a target to deliver savings of £316,000. Plans are already in place to deliver these savings.

13. Further information

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

Jenny Poole CPFA
Chief Finance Officer

The Comprehensive Income & Expenditure Statement

2012/13 Gross Expenditure £	2012/13 Income £	2012/13 Net Expenditure £		2013/14 Gross Expenditure £	2013/14 Income £	2013/14 Net Expenditure £	Note
[*restated]		[*restated]					
4,747,513	(2,755,072)	1,992,441	Cultural and related service	3,894,611	(1,256,633)	2,637,978	
7,519,818	(2,325,071)	5,194,747	Environmental and regulatory services	7,653,827	(2,573,007)	5,080,820	
3,742,332	(1,593,146)	2,149,186	Planning services	3,295,046	(1,583,927)	1,711,119	
1,412,439	(2,821,380)	(1,408,941)	Highways, Roads and Transport Services	992,599	(2,361,905)	(1,369,306)	
23,105,543	(21,655,609)	1,449,934	Housing Services	22,786,199	(21,231,403)	1,554,796	
1,361,523	(16,620)	1,344,904	Corporate and Democratic Core	1,432,156	(218,753)	1,213,403	
219,000	0	219,000	Non Distributed Costs	860,397	0	860,397	
6,319,629	(5,401,835)	917,794	Central Services to the Public	4,247,507	(3,749,176)	498,331	
48,427,797	(36,568,732)	11,859,065	**Cost of Services - continuing operations**	45,162,343	(32,974,804)	12,187,539	
2,146,716	(467,297)	1,679,419	Other Operating Expenditure	4,781,300	(728,212)	4,053,088	9
1,605,769	(899,871)	705,898	Financing and Investment Income and Expenditure	1,825,206	(858,815)	966,391	10
0	(12,349,465)	(12,349,465)	Taxation and Non-Specific Grant Income	10,496,672	(23,123,802)	(12,627,130)	11
52,180,282	(50,285,365)	**1,894,917**	**(Surplus) or Deficit on Provision of Services**	62,265,521	(57,685,633)	**4,579,889**	
		(634,474)	(Surplus) or deficit on revaluation of non current assets			(2,863,733)	
		(30,956)	(Surplus) or deficit on revaluation of available for sale financial assets			(2,456)	
		3,991,000	Remeasurement of the net defined benefit liability			4,608,000	
		0	Other (gains) and losses			0	
		3,325,569	**Other Comprehensive Income and Expenditure**			1,741,811	
		5,220,486	**Total Comprehensive Income and Expenditure**			**6,321,700**	

* Changes to *IAS19 Employee benefits* requires the restatement of the 12/13 Comprehensive Income & Expenditure Statement. The changes affect the *Financing and Investment Income and Expenditure* and *Remeasurement of the net defined benefit liabilty* lines of the statement. For more information on the changes please refer to note 47 to the accounts

Movement in Reserves Statement 2012/13
[restated]

	General Fund Balance £	Earmarked Reserves £	Capital Grants Unapplied £	Capital Receipts Reserve £	Total Usable Reserves £	Unusable Reserves £	Total Authority Reserves £
Balance at 31 March 2012	**1,813,082**	**4,557,434**	**392,236**	**10,796,518**	**17,559,271**	**15,383,836**	**32,943,107**
Surplus/(deficit) on provision of services (accounting basis)	(1,894,917)	0	0	0	(1,894,917)	0	**(1,894,917)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	(3,325,569)	**(3,325,569)**
Total Comprehensive Income & Expenditure	**(1,894,917)**	**0**	**0**	**0**	**(1,894,917)**	**(3,325,569)**	**(5,220,487)**
Adjustments between accounting basis & funding basis under regulations [see Note 7 to the Accounts]	2,240,834	0	0	0	2,240,834	(688,041)	**1,552,793**
Other movements in reserves	0	0	(68,758)	(2,070,085)	(2,138,843)	584,170	**(1,554,672)**
Net Increase / (Decrease) in GF balance before Transfers to Earmarked Reserves	**345,917**	**0**	**(68,758)**	**(2,070,085)**	**(1,792,926)**	**(3,429,440)**	**(5,222,366)**
Transfers (to) / from earmarked reserves	236,763	(236,763)	0	0	**0**	**0**	**0**
Appropriations (to) / from earmarked reserves	(582,679)	582,679					
Increase / (Decrease) in Year	**(0)**	**345,917**	**(68,758)**	**(2,070,085)**	**(1,792,926)**	**(3,429,440)**	**(5,222,366)**
Balance at 31 March 2013	**1,813,082**	**4,903,351**	**323,478**	**8,726,433**	**15,766,345**	**11,954,396**	**27,720,740**

Movement in Reserves Statement 2013/14

	General Fund Balance £	Earmarked Reserves £	Capital Grants Unapplied £	Capital Receipts Reserve £	Total Usable Reserves £	Unusable Reserves £	Total Authority Reserves £
Balance at 31 March 2013	**1,813,082**	**4,903,351**	**323,478**	**8,726,433**	**15,766,345**	**11,954,396**	**27,720,740**
Surplus/(deficit) on provision of services (accounting basis)	(4,579,889)	0	0	0	(4,579,889)	0	**(4,579,889)**
Other Comprehensive Expenditure and Income	0	0	0	0	0	(1,741,811)	**(1,741,811)**
Total Comprehensive Income & Expenditure	**(4,579,889)**	**0**	**0**	**0**	**(4,579,889)**	**(1,741,811)**	**(6,321,700)**
Adjustments between accounting basis & funding basis under regulations [see Note 7 to the Accounts]	5,399,287	0	0	0	5,399,287	(1,160,235)	**4,239,051**
Other movements in reserves	0	(500,000)	(116,535)	(785,270)	(1,401,805)	(2,837,247)	**(4,239,051)**
Net Increase / (Decrease) in GF balance before Transfers to Earmarked Reserves	**819,398**	**(500,000)**	**(116,535)**	**(785,270)**	**(582,407)**	**(5,739,293)**	**(6,321,700)**
Transfers (to) / from earmarked reserves	207,218	(207,218)	0	0	**0**	**0**	**0**
Increase / (Decrease) in Year	**1,026,616**	**(707,218)**	**(116,535)**	**(785,270)**	**(582,407)**	**(5,739,293)**	**(6,321,700)**
Balance at 31 March 2014	**2,839,699**	**4,196,133**	**206,943**	**7,941,163**	**15,183,938**	**6,215,103**	**21,399,040**

Balance Sheet

31st March 2013 £		Note	31st March 2014 £
33,107,475	Property, Plant & Equipment	12	32,429,529
0	Assets under construction		0
17,000	Heritage Assets	51	17,000
5,761,999	Investment Property	13	5,185,499
593,486	Intangible Assets	14	493,867
2,000,000	Long Term Investments	15	0
2,409,062	Long Term Debtors	18	3,610,604
43,889,022	**Long Term Assets**		**41,736,499**
8,010,419	Short Term Investments	15	12,549,281
44,632	Inventories	16	12,907
5,502,398	Short Term Debtors	18	3,611,747
5,553,747	Cash and Cash Equivalents	19	4,315,159
631,875	Assets held for sale	20	486,487
19,743,071	**Current Assets**		**20,975,582**
0	Bank Overdraft		0
(4,134,956)	Short Term Creditors	21	(4,023,530)
(913,733)	Short Term Creditors - s.106 balances	21	(862,566)
(191,156)	Provisions	22	(507,822)
(5,239,845)	**Current Liabilities**		**(5,393,918)**
0	Long Term Creditors		0
(30,499,000)	Other Long Term Liabilities	33	(35,608,000)
(172,510)	Capital Grants Receipts in Advance		(311,124)
(30,671,510)	**Long Term Liabilities**		**(35,919,124)**
27,720,738	**Net Assets**		**21,399,039**
15,766,343	Usable reserves	23	15,183,937
11,954,395	Unusable Reserves	24	6,215,102
27,720,738	**Total Reserves**		**21,399,039**

Cash flow statement

	Note	2012/13 £000s	2013/14 £000s
Net (surplus) or deficit on the provision of services		1,618	4,480
Adjust net surplus or deficit on the provision of services to exclude non-cash movements		470	(5,982)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		0	783
Net cash flows from Operating Activities	25	2,088	(720)
Investing Activities	26	(2,078)	1,990
Financing Activities	27	22	0
Net (increase) or decrease in cash and cash equivalents		**32**	**1,270**
Cash and cash equivalents at 1st April		(5,586)	(5,569)
Cash and cash equivalents at 31st March		(5,553)	(4,299)

Notes to the Accounts

1. Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Authority's transactions for the financial year and its position at the 31st March year-end. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, those regulations which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom* and *the Service Reporting Code of Practice for Local Authorities (SeRCOP),* supported by International Financial Reporting Standards (IFRS).

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

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

(b) Accruals of Income and Expenditure

Activity is accounted for in the year it takes place, not simply when 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 and payable on borrowings 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. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected (bad debts).

(c) Acquisition and Discontinued Operations

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

(d) Cash and cash Equivalents

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

(e) Exceptional Items

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

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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

(g) Charges to Revenue for Non-Current Assets

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

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

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

(MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

(h) Employee Benefits

Benefits payable during employment

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

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 pensioner in the year, not the amount calculated according to the relevant accounting standards.

(i) Post employment benefits

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

The Local Government Pension Scheme

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

- The liabilities of the Gloucestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 6.9% (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
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains/losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - contributions paid to the Gloucestershire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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 appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the general Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

(j) Events After the Balance Sheet Date

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

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

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

(k) Financial Instruments

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

Financial assets are classified into two types:

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

Loans and receivables

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

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

Instruments entered into before 1 April 2006

The Council has not entered into any financial guarantees that are not required to be accounted for as financial instruments. These guarantees would be reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

(l) Foreign Currency Translation

The Council deals in sterling wherever possible.

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

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

(m) Government Grants and Contributions

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

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

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

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

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

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

(n) Intangible Assets

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

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

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

(o) Interests in Companies and Other Entities

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

The Council has such an interest in Ubico Ltd.

(p) Inventories and Long Term Contracts

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

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

(q) Investment Property

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

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

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

(r) Leases

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

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

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

The Authority as Lessee

Finance leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – 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 property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease.

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).

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

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

Operating leases

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

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(s) Overheads and Support Services

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

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

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

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

(t) 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.

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

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

<u>Measurement</u>
Assets are initially measured at cost, comprising:

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)

- all other classes of asset – fair 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used an estimate of fair 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 fair value.

Assets included in the balance sheet at fair value are revalued to ensure that their carrying amount is not materially different from their fair value at year-end. All land and buildings are revalued 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 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

<u>Impairment</u>

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Operational buildings and surplus property – depreciated on a straight-line basis, over a 40 year period (unless an asset life is deemed to be materially different to this by the Council's Valuer).
- 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 fair 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. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve.

(u) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

(v) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in 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 appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

(w) Revenue expenditure funded from capital under statute

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

(x) Heritage Assets

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 principally contains artefacts relating to 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 [FRS 30].

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

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

(y) Value Added Tax

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

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

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

Accounting standards have seen amendments to: IFRS13 *Fair Vale Measurement*, IFRS10 *Consolidated Financial Statements*, IFRS11 *Joint Arrangements*, IFRS12 *Disclosure of Interests in Other Entities*, IAS27 *Separate Financial Statements*, IAS28 *Investment in Associates and Joint Ventures*, IAS32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities.*

It is not anticipated that these changes to accounting standards (when adopted) will have a material impact upon the financial statements of the Council.

3. Critical judgements in applying accounting policies

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

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has plans in place that enable it to determine the requirement for savings which may need to be delivered by greater efficiency savings or reducing levels of service provision.

Under International Financial Reporting Standards (IFRS) assessments have been made as to the correct accounting treatment for a number of lease agreements which the Council has entered into. Categorising leases as either operating or finance leases does result in different accounting treatment. In each case, a lease is classified based upon criteria contained within the Code and the nature of the leasing arrangement in place.

A significant level of risk remains due to the volume of outstanding business rates appeals which are being processed by the Valuation Office. Where appeals are successful, refunds of business rates are generally repayable back to the 2010/11 financial year which reduces the business rates yield in the year in which the refund is made. This set of accounts includes a provision for appeal losses. The value has been assessed using information of outstanding appeals supplied by the valuation office, as at 31st March, and using experience of previous appeals rates.

4. Assumptions made

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

Item	Uncertainties	Effect if actual result differs from assumption
Property, Plant and Equipment	Operational assets are depreciated over the best estimate of an assets useful economic life. These asset lives are based upon assumed repairs and maintenance being carried out to maintain an asset. Asset lives are based upon information provided by the Council's valuers.	If the useful economic life of an asset is reduced, depreciation increases and the carrying value of an asset will fall.
Pension liability	The estimation of the pension liability is based upon a number of factors and judgements which need to be made by the scheme actuary.	The effect of changing assumptions will result in changes in the valuation of the pension funds assets and liabilities.
Bad debt provisions	Debtors on the balance sheet assume an element of bad debt (when debtors can not/will not settle their debt to the Council).	Income received will differ from that expected.

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

5. Prior-period adjustments

The Council has made no prior period adjustments to its Statement of Accounts.

6. Events after the balance sheet date

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

7. Adjustments between accounting basis and funding basis under regulations

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

Adjustments are made against the following reserves:

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

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

Capital receipts reserve

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

Capital grants unapplied

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

Adjustments between accounting basis and funding basis under regulations 2012/13

2012/13 Adjustments between accounting basis and funding under regulations	Usable Reserves General Fund Balance £	Earmarked Reserves £	Capital Grants Unapplied £	Capital Receipts Reserve £	Unusable Reserves £
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement					
Charges for depreciation and amortisation	(1,193,229)	0	0	0	1,193,229
Revaluation losses on PPE	0	0	0	0	0
Movements in the market value of Investment Properties	(68,000)	0	0	0	68,000
Application of grants credited to revenue	530,430	0	0	0	(530,430)
Revenue expenditure funded from capital under statute	(1,282,887)	0	0	0	1,282,887
Writing-out Revaluation Reserve balance on disposal of fixed assets	0	0	0	0	0
Writing-out balance on disposal of fixed assets	66,416	0	0	(470,888)	404,472
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment	22,259	0	0	0	(22,259)
Capital expenditure charged against the General Fund	0	0	0	0	0
Adjustments primarily involving the Capital Grants Unapplied Account					
Grants credited from the CI&E statement	0	0	0	0	0
Application of grants to CAA	0	0	68,758	0	(68,758)
Adjustments primarily involving Usable Capital Receipts					
Unattached capital receipts	400,881	0	0	(400,881)	0
Use of UCR to finance new expenditure	0	0	0	3,172,421	(3,172,421)
Use of UCR to contribute to cost of disposal [4% cap]	0	0	0	1,876	(1,876)
UCR to finance payments to Capital Pooling	(1,683)	0	0	1,683	0
Transfer from deferred capital receipts upon receipt of cash	0	0	0	(234,126)	234,126
Earmarked reserves	345,917	(345,917)	0	0	0
Adjustments primarily involving the pensions reserve					
Reversal of items relating to retirement benefits credited to CI&E	(2,526,000)	0	0	0	2,526,000
Employer's pensions contributions and payments to pensioners in year	2,083,000	0	0	0	(2,083,000)
Adjustments primarily involving the Collection Fund Adjustment Account					
Differences between CI&E and statutory requirments	33,838	0	0	0	(33,838)
Adjustments primarily involving the Accumulated Absences Account					
Amount by which officer remuneration in the CI&E on an accruals basis is different to the amounts chargeable under statutory requirements	(28,858)	0	0	0	28,858
Total adjustments:	**(1,617,919)**	**(345,917)**	**68,758**	**2,070,086**	**(175,008)**

Adjustments between accounting basis and funding basis under regulations 2013/14

2013/14 Adjustments between accounting basis and funding basis under regulations	Usable Reserves: General Fund Balance £	Usable Reserves: Earmarked Reserves £	Usable Reserves: Capital Grants Unapplied £	Usable Reserves: Capital Receipts Reserve £	Unusable Reserves £
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement					
Charges for depreciation and amortisation	(1,278,742)	0	0	0	1,278,742
Revaluation losses on PPE	(362,900)	0	0	0	362,900
Movements in the market value of Investment Properties	(161,500)	0	0	0	161,500
Application of grants credited to revenue	692,150	0	0	0	(692,150)
Revenue expenditure funded from capital under statute	(1,351,857)	0	0	0	1,351,857
Writing-out the asset NBV on disposal of fixed assets	(3,087,537)	0	0	0	3,087,537
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
Statutory provision for the financing of capital investment	0	0	0	0	0
Capital expenditure charged against the General Fund	0	500,000	0	0	(500,000)
Adjustments primarily involving the Capital Grants Unapplied Account					
Grants credited from the CI&E statement	7,131	0	(7,131)	0	0
Application of grants to CAA	0	0	123,666	0	(123,666)
Adjustments primarily involving Usable Capital Receipts					
Sale proceeds on asset disposals	590,778	0	0	0	(590,778)
Unattached capital receipts	728,212	0	0	(728,212)	0
Use of UCR to finance new expenditure	0	0	0	1,551,007	(1,551,007)
Use of UCR to contribute to cost of disposal [4% maximum]	(9,408)	0	0	9,408	0
UCR to finance payments to Capital Pooling	(396)	0	0	396	0
Transfer from deferred capital receipts upon receipt of cash	0	0	0	(47,329)	47,329
Adjustments primarily involving the pensions reserve					
Reversal of items relating to retirement benefits credited to CI&E	(501,000)	0	0	0	501,000
Adjustments primarily involving the Collection Fund Adjustment Account					
Differences between CI&E and statutory requirments	(659,235)	0	0	0	659,235
Adjustments primarily involving the Accumulated Absences Account					
Amount by which officer remuneration in the CI&E on an accruals basis is different to the amounts chargeable under statutory requirements	(4,982)	0	0	0	4,982
Total adjustments:	**(5,399,287)**	**500,000**	**116,535**	**785,271**	**3,997,481**

8. Transfers to and from earmarked reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the movements in earmarked reserves during the year.

2012/13

Earmarked reserves	Opening Balance	Transfers	Expenditure	Income	Closing balance
Council Priorities	(1,619,351)	(1,401,024)	117,945	(582,679)	(3,485,109)
Accumulated interest fund	(1,265,068)	1,359,068	0	(94,000)	0
Other earmarked reserves	(1,673,015)	41,956	469,518	(256,700)	(1,418,242)
	(4,557,434)	0	587,463	(933,379)	(4,903,351)

2013/14

Earmarked reserves	Opening Balance	Transfers	Expenditure	Income	Closing balance
Council Priorities	(3,485,109)	0	1,004,020	0	(2,481,089)
Other earmarked reserves	(1,418,242)	0	151,358	(448,160)	(1,715,044)
	(4,903,351)	0	1,155,378	(448,160)	(4,196,133)

9. Other operating expenditure

Other Operating Expenditure	2012/13 £	2013/14 £
(Gain) / loss on disposal of fixed assets	(66,416)	2,506,167
Unattached capital receipts	(400,881)	(728,212)
Payment to the Government Housing Capital Receipts Pool	1,683	396
Parish Council Precepts and Parish Council Tax support grant	2,145,033	2,274,737
Total	1,679,419	4,053,088

10. Financing and investment income and expenditure

Financing and investment income and expenditure	2012/13 £	2013/14 £
Interest payable and similar charges	264	0
Interest receivable and similar income	(281,305)	(228,450)
Investment property - income and expenditure and changes in asset fair values	(239,061)	(156,159)
Net interest on the net defined benefit liability	1,226,000	1,351,000
Total	705,898	966,391

11. Taxation and non-specific grant income

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

Taxation and non-specific grant income	2012/13 £	2013/14 £
Council tax income	(7,670,751)	(7,132,030)
National non-domestic rates redistribution (NNDR)	(3,708,936)	(1,644,311)
National non-domestic rates safety-net receipt	0	(14,854)
Distribution of surplus on the Gloucestershire Business rates Pool	0	(25,156)
Section 31 Grant	0	(514,743)
National non-domestic rates (surplus)/deficit	0	656,107
Revenue Support Grant (RSG)	(71,897)	(2,466,458)
Other non-ringfenced government grants	(897,881)	(1,478,544)
Capital grants and contributions	0	(7,131)
Total	(12,349,465)	(12,627,130)

12. Property, Plant and Equipment

2012/13	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	PP&E under construct-ion	Total
Asset Cost or Valuation						
Fixed Asset Values as at 31st March 2012	32,521,500	3,174,538	0	1,425,199	286,098	37,407,335
Additions	0	2,292,462	0	0	0	2,292,462
Revaluation increases / (decreases) to RR	98,000	0	0	20,601	0	118,601
Revaluation increases / (decreases) to Revenue	0	0	0	0	0	0
Derecognition - disposals	0	(2,405,170)	0	0	0	(2,405,170)
Transfers and reclassifications	0	0	0	0	(286,098)	(286,098)
31st March 2013	**32,619,500**	**3,061,830**	**0**	**1,445,800**	**0**	**37,127,130**

Depreciation						
Accumulated Depreciation 31st March 2012	(1,196,145)	(2,117,010)	0	(7,595)	0	(3,320,750)
Depreciation charge for year	(736,043)	(331,342)	0	(5,048)	0	(1,072,433)
Depreciation written out on revaluation	117,633	0	0	10,211	0	127,844
Derecognition - disposals	0	245,685	0	0	0	245,685
Transfers and reclassifications	0	0	0	0	0	0
31st March 2013	**(1,814,555)**	**(2,202,667)**	**0**	**(2,432)**	**0**	**(4,019,654)**

Net book Value of Assets at:

1st April 2012	31,325,355	1,057,528	0	1,417,604	286,098	34,086,585
31st March 2013	30,804,944	859,163	0	1,443,368	0	33,107,476

2013/14	Land & Buildings	Vehicles, Plant & Equipment	Community Assets	Surplus Assets	PP&E under construct-ion	Total
Asset Cost or Valuation						
Fixed Asset Values as at 31st March 2013	32,619,500	3,061,830	0	1,445,800	0	37,127,130
Additions	26,402	407,151	0	0	0	433,553
Revaluation increases / (decreases)	618,701	0	0	100,740	0	719,441
Derecognition - disposals	(2,467,000)	(538,093)	0	(142,200)	0	(3,147,293)
Transfers and reclassifications	0	0	0	0	0	0
31st March 2014	**30,797,602**	**2,930,888**	**0**	**1,404,340**	**0**	**35,132,831**

Depreciation						
Accumulated Depreciation 31st March 2013	(1,814,555)	(2,202,667)	0	(2,432)	0	(4,019,654)
Depreciation charge for year	(738,895)	(323,748)	0	(5,904)	0	(1,068,546)
Depreciation written out on revaluation	1,781,392	0	0	0	0	1,781,392
Derecognition - disposals	257,626	345,880	0	0	0	603,506
Transfers and reclassifications	0	0	0	0	0	0
31st March 2014	**(514,432)**	**(2,180,534)**	**0**	**(8,336)**	**0**	**(2,703,302)**

Net book Value of Assets at:

1st April 2013	30,804,944	859,163	0	1,443,368	0	33,107,476
31st March 2014	30,283,170	750,354	0	1,396,004	0	32,429,529

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

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

Capital Commitments

At the balance sheet date the Council had no significant commitments or schemes classified as work in progress.

Effects of changes in estimates

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

Revaluations

From 1st April 2009 the Council began a rolling programme to ensure that all land and property was revalued at fair value, over a 5-year period. Subsequent valuations have taken place as part of the rolling programme on an annual basis.

Until 2013/14 the Council's valuations of land and buildings were carried out by Jones Lang LaSalle (formally known as King Sturge LLP). The 2013/14 valuations and impairment review were undertaken by Mr. D. Thurlow BSc (Hons) MRICS, of West Oxfordshire District Council, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

In estimating asset values it has been assumed that:

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

13. Investment Properties

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

Investments Properties	2012/13 £	2013/14 £
Rental income from investment property	(614,290)	(630,365)
Net (gains)/losses from fair value adjustments in asset values	68,000	161,500
Direct operating expenses arising from investment property	307,229	312,706
Total	(239,061)	(156,159)

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

The 2013/14 Investment Property valuations were undertaken by Mr. D. Thurlow BSc (Hons) MRICS, of West Oxfordshire District Council, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

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

	2012/13 £	2013/14 £
Opening balance – 1st April	5,830,000	5,761,999
Additions		
Purchases	0	0
Construction	0	0
Subsequent expenditure	0	0
Disposals		
Disposals of Investment Property	0	(415,000)
Other adjustments		
Assets reclassified to/(from) Investment Property	0	0
Revaluations (downwards)/upwards [changes in market value]	(68,000)	(161,500)
Closing balance – 31st March	**5,762,000**	**5,185,499**

14. Intangible Assets

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

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

Movement in Intangible Fixed Assets

Intangible Assets	2012/13	2013/14
Balance at start of the year – 1st April		
- Gross carrying amounts	611,448	1,093,806
- Accumulated amortisation	(385,675)	(500,320)
Net carrying amount at start of year – 1st April	**225,772**	**593,486**
Movements in the year:		
Purchases and additions	482,359	93,939
Amortisation for the period	(114,645)	(193,558)
Asset derecognition – change in gross value	0	(319,576)
Asset derecognition – change in accumulated depreciation	0	319,576
Net carrying amount at end of year	**593,486**	**493,867**
Comprising:		
- Gross carrying amounts	1,093,806	868,170
- Accumulated amortisation	(500,320)	(374,303)
	593,486	**493,867**

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

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

15. Investments

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

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

	31st March 2013 £	31st March 2014 £
Long-term		
Long-term investments	2,000,000	0
	2,000,000	0
Short-term		
Short-term investments	7,935,461	12,465,846
Accrued investment interest	74,958	83,435
	8,010,419	12,549,281

Short-term investments relate to balances deposited for periods of less than one year (or those investments due to mature and therefore repayable to the Council within the coming 12-months). At 31st March the Council had a further £4,674,523 (£5,125,837 in 2012/13) of investments in bank 'call accounts' and other instant access investment types. These balances have been included as 'cash equivalents' on the balance sheet due to the highly liquid nature of the investments.

16. Inventories [stock]

	31st March 2013 £	31st March 2014 £
Opening balance	42,471	44,633
Movement in the year – increase/(decrease)	2,162	(31,725)
Closing balance	44,633	12,908

In 2013/14 the Council let a contract for its leisure and cultural services. The contractor acquired the existing stock upon commencement of the contract. Therefore there has been a significant reduction in stock levels.

17. Construction contracts and assets under construction

The Council has no assets under construction at the balance sheet date and no significant construction contracts underway.

18. Debtors

Debtors	31st March 2013 £	31st March 2014 £
Government Departments	1,374,725	357,537
Other local authorities	773,182	306,282
Collection Fund debtors (CDC share)	98,382	315,279
Housing benefit recovery	482,100	597,900
Sundry Debtors outstanding	2,817,285	1,927,622
Other debtors	470,890	346,170
Employee car loans #	17,104	0
Bromford Housing Association RTB receipts	312,332	675,179
Prepayments	258,098	156,919
	6,604,099	**4,682,888**
Less bad debt provisions:		
Council tax payers (CDC share)	(30,916)	(43,672)
Housing benefit recovery	(313,365)	(448,425)
Sundry Debtors	(757,419)	(579,044)
	5,502,398	**3,611,747**

Long-term Debtors	31st March 2013 £	31st March 2014 £
Starter Home initiative loans	160,800	160,800
Council mortgages & Housing Act Advances	26,898	23,841
Housing Associations	30,185	29,890
Charities	87,551	87,551
Housing Improvement Loans	72,216	79,719
Housing Strategy Loans	11,692	11,692
Finance leases – principal outstanding	1,997,681	1,842,839
Local Authority Mortgage Scheme	0	1,000,000
Employee car loans #	22,038	20,562
Loan to ‘Friends of the Cotswolds’	0	353,710
	2,409,061	**3,610,604**

In 2013/14 the total balance of Car loans debtors is being shown in long-term debtors.

19. Cash and Cash Equivalents

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

Cash and cash-equivalents	31st March 2013 £	31st March 2014 £
Cash and bank current accounts	427,910	(359,364)
Short-term liquid investments (money market funds, call accounts, and other highly-liquid investments that can be easily converted to cash if required)	5,125,837	4,674,523
	5,553,747	4,315,159

20. Assets held for sale

Assets Held for Sale	Current		Non-Current	
	31 March 2013 £	31 March 2014 £	31 March 2013 £	31 March 2014 £
Balance at 1st April	589,997	631,875	0	0
Assets classified as held for sale during year:				
- Property, Plant & Equipment	0	0	0	0
Depreciation charge for year	(6,151)	(16,638)	0	0
Revaluation of assets [upwards/(downwards)]	376,670	0	0	0
Depreciation written-out upon revaluation	11,359	6,250	0	0
Disposals during year [sales]	(340,000)	(135,000)	0	0
Balance outstanding at end of year	631,875	486,487	0	0

21. Creditors and receipts in advance

	31st March 2013 £	31st March 2014 £
Creditors		
Sundry Creditors	1,080,972	1,049,910
Other local authorities	815,120	323,875
Balances on the collection fund	927,540	843,718
Government departments	290,707	825,703
Section 106 balances	913,733	862,566
Total	**4,028,072**	**3,905,772**

	31st March 2013 £	31st March 2014 £
Receipts in advance		
Council tax payers	94,554	148,884
Other income received in advance	926,064	831,440
Total	**1,020,618**	**980,324**
Total of creditors and receipts in advance	**5,048,690**	**4,886,096**

22. Provisions

Provisions held at the balance sheet date are as follows:

	Provision for MMI insurance £	Provision for early retirements £	Exchange rate fluctuations provision £	Business rates appeals provision £	Total provisions £
Opening provision 1st April	15,307	146,231	29,618	0	191,156
Additional/new provisions made	0	0	0	467,077	467,077
Use of provision in year	(15,307)	(133,465)	0	0	(148,772)
Provisions returned to revenue	0	(1,640)	0	0	(1,640)
Closing provision 31st March	0	11,126	29,618	467,077	507,821

MMI Insurance
In 2012/13 Ernst & Young (who managed MMI's business affairs and assets) set a levy of 15% (£15,307) against clients/owners potential liabilities as an estimate of the amount that would be needed to achieve a solvent run-off. During 2013/14 the levy was called and the provision was applied. The likelihood and timing of any additional claims is unknown, but deemed unlikely at this stage.

Early retirements
Following a restructuring within the Council and the creation of GO Shared Services, provision was been made in 12/13 for redundancy/retirement costs following the restructure. The majority of the redundancies have now taken place and the provision applied to the costs incurred.

Exchange rate fluctuations
Provision has been made for possible exchange rate losses which may result from adverse currency movements in respect of the Council's investment with Glitnir bank which is held in Icelandic Krona.

Business Rates (NNDR) appeals
In 2013/14 new accounting arrangements for National Non-Domestic Rates (NNDR) were introduced. A provision has been set aside for the potential cost to the Council in relation to outstanding appeals against property valuations.

23. Usable reserves

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

24. Unusable reserves

Summary of Unusable Reserves	**31st March 2013 £**	**31st March 2014 £**
Revaluation Reserve	5,639,528	7,948,176
Capital Adjustment Account	34,721,409	31,900,780
Financial Instruments Adjustment Account	0	0
Pension Reserve	(30,499,000)	(35,608,000)
Deferred Capital Receipts Reserve	2,111,961	2,655,409
Collection Fund Adjustment Account	71,215	(588,020)
Accumulated Absences Account	(122,046)	(127,028)
Available for sale financial instruments reserve	31,328	33,784
Total Unusable Reserves	**11,954,395**	**6,215,101**

24a. Revaluation Reserve

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

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

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

Revaluation Reserve	**31st March 2013 £**	**31st March 2014 £**
Opening balance - 1st April	5,107,963	5,639,528
Upward revaluation of assets	713,120	2,885,986
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(78,646)	(22,253)
Writing-out revaluation gains on asset disposals to the Capital Adjustment Account	0	0
Balances written out on disposals	0	(437,027)
Historic cost depreciation adjustment	(102,910)	(118,058)
Balance at 31st March	**5,639,528**	**7,948,176**

24b. Capital Adjustment Account

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

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

	31st March 2013 £	31st March 2014 £
Opening balance 1st April	35,550,705	34,721,409
Revenue expenditure funded from capital under statute [REFCUS]	(1,282,887)	(1,351,857)
Grants applied in the year to fund REFCUS	599,188	815,815
Depreciation	(1,193,230)	(1,278,742)
Downward revaluation of non-current assets	(68,000)	(524,400)
Revenue funding – Local Authority Mortgage Scheme	0	500,000
Non-current assets written-out on disposal	(2,181,957)	(605,777)
Revaluation reserve balances written out re. disposals	0	(2,044,732)
Finance lease – principal payments	22,259	0
Historic cost depreciation adjustment	102,910	118,058
Capital expenditure	3,172,421	1,551,006
Balance as at 31st March	**34,721,409**	**31,900,780**

24c. Financial Instruments Adjustment Account

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

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

24d. Pensions Reserve

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

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

Pensions Reserve	**31st March 2013 £**	**31st March 2014 £**
Opening balance – 1st April	(25,788,000)	(30,499,000)
Actuarial gains or (losses) on pensions assets & liabilities	(4,268,000)	(4,608,000)
Reversal of charges relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	(2,526,000)	(2,563,000)
Employer's pension contributions & retirement benefits payable direct to pensioners	2,083,000	2,062,000
Balance at 31st March	(30,499,000)	(35,608,000)

24e. Deferred Capital Receipts Reserve

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

	Note	**2012/13 £**	**2013/14 £**
Mortgages on sales of Council houses		34,272	34,272
Loans issued – CHYP	1	80,008	80,008
Principal amounts on finance leases		1,997,681	2,187,419
Other deferred receipts		0	353,710
Balance on reserve at 31st March		2,111,961	2,655,409

Note:

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

24f. Collection Fund Adjustment Account

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

Collection Fund Adjustment Account	2012/13 £	2013/14 £
Balance at 1st April	39,256	71,215
Movement in year	31,959	(659,235)
Balance at 31st March	71,215	(588,020)

24g. Accumulated Absences Adjustment Account

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

Accumulated Absence Account	2012/13 £	2013/14 £
Balance at 1st April	(93,188)	(122,046)
Net movement in the year	(28,858)	(4,982)
Balance at 31st March	(122,046)	(127,028)

24h. Available for sale financial instruments reserve

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

Available for sale financial instruments reserve	2012/13 £	2013/14 £
Balance at 1st April	372	31,328
Net increase/(decrease) in unrealised gain	30,956	2,456
Balance at 31st March	31,328	33,784

25. Cash flow statement – operating activities

Cash flows for operating activities include the following:

Cash Flow Statement – Operating Activities	31st March 2013 £000	31st March 2014 £000
Interest received	(206)	(228)
Interest paid	0	0
Interest element of finance lease payments	0	0

26. Cash flow statement – investing activities

Cash Flow Statement – Investing Activities	31st March 2013 £000	31st March 2014 £000
Purchase of property, plant and equipment and other capital investment	2,489	527
Purchase of short-term & long term investments	41,150	15,200
Other payments for investing activities	1,283	1,000
Proceeds from the sale of property, plant & equipment, investment property & intangible assets	0	(338)
Proceeds from short-term & long-term investments	(47,000)	(12,700)
Other receipts from investing activities	0	(700)
Net cash flows from investing activities	(2,078)	1,990

27. Cash flow statement – financing activities

Cash Flow Statement – Financing Activities	31st March 2013 £000	31st March 2014 £000
Cash receipts of short-term borrowing	0	0
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases	22	0
Repayments of short and long-term borrowings	0	0
Other payments for financing activities	0	0
Net cash flows from financing activities	22	0

The Council has no borrowing and no finance leases, therefore no transactions falling under the heading of 'financing activities.'

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

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

- Services are grouped together by directorate, rather than by service area as prescribed by SERCOP
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year
- The cost of support services is represented [in Corporate Resources], rather than simply showing a '£0' net cost as the services are recharged out under SERCOP.

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

2012/13	Corporate Management £	Planning & Comminities £	Environmental Services £	Corporate Resources £	Other 0 £	Total 0 £
Fees, charges & other service income	(146,688)	(3,989,049)	(5,063,398)	(1,303,751)	(1,170,971)	**(11,673,858)**
Government grants	0	0	0	(26,246,826)	(966,899)	**(27,213,724)**
Total Income	(146,688)	(3,989,049)	(5,063,398)	(27,550,577)	(2,137,869)	**(38,887,582)**
Employee expenses	709,390	3,770,464	2,062,121	2,628,454	0	**9,170,429**
Direct Expenses	927,062	2,299,682	6,635,725	27,025,571	0	**36,888,041**
Indirect Expenditure	907,839	3,047,171	1,991,258	2,139,661	0	**8,085,929**
Less Recharges	(661,788)	(87,744)	(1,229,726)	(4,205,562)	0	**(6,184,820)**
Total operating expenses	1,882,503	9,029,573	9,459,379	27,588,124	0	**47,959,578**
Cost of Services	**1,735,815**	**5,040,523**	**4,395,980**	**37,547**	**(2,137,869)**	**9,071,996**

2013/14	Corporate Management £	Planning & Comminities £	Environmental Services £	Corporate Resources £	Other 0 £	Total 0 £
Fees, charges & other service income	(174,894)	(2,680,874)	(4,823,014)	(2,151,730)	(1,507,124)	**(11,337,636)**
Government grants	0	0	0	(20,594,380)	(230,009)	**(20,824,389)**
Total Income	(174,894)	(2,680,874)	(4,823,014)	(22,746,110)	(1,737,132)	**(32,162,024)**
Employee expenses	707,262	2,683,307	1,806,779	2,244,471	0	**7,441,820**
Direct Expenses	1,140,327	2,373,518	6,544,772	22,389,950	56,298	**32,504,865**
Indirect Expenditure	1,474,679	2,465,840	1,483,991	1,538,230	0	**6,962,739**
Less Recharges	(521,348)	(68,197)	(934,440)	(3,421,704)	0	**(4,945,688)**
Total operating expenses	2,800,919	7,454,469	8,901,102	22,750,947	56,298	**41,963,735**
Cost of Services	**2,626,025**	**4,773,594**	**4,078,088**	**4,837**	**(1,680,834)**	**9,801,711**

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

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

	2012/13 £	2013/14 £
Net expenditure in directorate management reports	9,071,996	9,801,711
Adjustments as part of the Audit	0	50,000
Plus any amounts not reported to management	1,588,685	2,289,326
Plus amount not reported to management re. IAS19	(506,000)	(601,000)
Less those amounts reported to management which are not included in the CI&E cost of services	1,704,384	647,502
Cost of services continuing operations in the CI&E statement	11,859,065	12,187,539

Reconciliation to subjective analysis

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

2012/13 **Reconciliation to subjective analysis of total income & expenditure**	**Service Analysis £**	**Not reported to mgt £**	**Not to be in NCS £**	**Net Cost of Services £**	**Corporate Amounts £**	**Total 0 £**
Fees, charges & other service income	(11,153,492)	0	0	(11,153,492)	0	**(11,153,492)**
Interest and investment income	(520,366)	0	520,366	0	(520,366)	**(520,366)**
Income from council tax	0	0	0	0	(7,670,751)	**(7,670,751)**
Government grants and contributions	(27,213,724)	(574,615)	969,778	(26,818,561)	(4,678,714)	**(31,497,275)**
(Gain) on asset disposals and other capital receipts	0	0	0	0	(467,297)	**(467,297)**
Total Income	**(38,887,582)**	**(574,615)**	**1,490,144**	**(37,972,053)**	**(13,337,128)**	**(51,309,181)**
Employee expenses	9,170,429	(477,142)	0	8,693,287	949,000	**9,642,287**
Other service expenses	32,604,329	(341,674)	236,763	32,499,418	0	**32,499,418**
Support Service recharges	6,184,820	0	0	6,184,820	0	**6,184,820**
Depreciation, amortisation and impairment	0	2,476,116	(22,523)	2,453,593	0	**2,453,593**
Interest Payments and exchange rate loss	0	0	0	0	264	**264**
Precepts & Levies	0	0	0	0	2,145,033	**2,145,033**
Payments to Housing Capital Receipts Pool	0	0	0	0	1,683	**1,683**
Total operating expenses	**47,959,578**	**1,657,300**	**214,240**	**49,831,118**	**3,095,980**	**52,927,098**
(Surplus) or deficit on the provision of services	**9,071,996**	**1,082,685**	**1,704,384**	**11,859,065**	**(10,241,148)**	**1,617,917**

2013/14 Reconciliation to subjective analysis of total income & expenditure	Service Analysis £	Post-Audit adjustments £	Not reported to mgt £	Not to be in NCS £	Net Cost of Services £	Corporate Amounts £	Total 0 £
Fees, charges & other service income	(10,817,270)	50,000	0	0	(10,767,270)	0	**(10,767,270)**
Interest and investment income	(520,366)	0	0	390,284	(130,082)	(390,284)	**(520,366)**
Income from council tax	0	0	0	0	0	(7,132,030)	**(7,132,030)**
Government grants and contributions	(20,824,389)	0	0	0	(20,824,389)	(6,144,076)	**(26,968,465)**
Investment property income and other capital receipts	0	0	0	0	0	(735,343)	**(735,343)**
Total Income	**(32,162,024)**	**50,000**	**0**	**390,284**	**(31,721,740)**	**(14,401,733)**	**(46,123,473)**
Employee expenses	7,441,820	0	(596,018)	0	6,845,802	1,351,000	**8,196,802**
Other service expenses	29,576,227	0	345,895	257,218	30,179,340	0	**30,179,340**
Support Service recharges	4,945,688	0	0	0	4,945,688	0	**4,945,688**
Depreciation, amortisation and impairment	0	0	1,938,449	0	1,938,449	0	**1,938,449**
NDR Deficit	0	0	0	0	0	656,107	**656,107**
Interest Payments and exchange rate loss	0	0	0	0	0	0	**0**
Precepts & Levies	0	0	0	0	0	2,274,737	**2,274,737**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	396	**396**
Loss on asset disposals	0	0	0	0	0	2,511,842	**2,511,842**
Total operating expenses	**41,963,735**	**0**	**1,688,326**	**257,218**	**43,909,279**	**6,794,082**	**50,703,361**
(Surplus) or deficit on the provision of services	**9,801,711**	**50,000**	**1,688,326**	**647,502**	**12,187,539**	**(7,607,651)**	**4,579,888**

29. Acquired, discontinued and transferred operations

Transferred operations

During 2013/14 the Council transferred the responsibility for running its Cirencester, Bourton and Chipping Campden leisure centres and the Corinium Museum to an external supplier. Sports and Leisure Management Ltd (SLM) undertook responsibility for running the facilities in July 2013 under a 10-year agreement.

On 1st January 2014 the Council transferred its interests in Tetbury Leisure Centre and Fairford Leisure Centre to Sir William Romsey School and Farmors School respectively. The schools have each taken over their centres and are now fully responsible for the facilities.

No significant operations have been acquired during the year.

30. Trading operations

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

31. Agency Services

Council Tax and NNDR

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

Business Rates income is collection on behalf of central government. However, 50% is paid over to central government and 50% is retained locally. Of the 50% local share, the Council retains 80% and 20% is paid across to Gloucestershire County Council

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

32. Material items of income and expense

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

33. Long-term liabilities

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

	31st March 2013 £	**31st March 2014 £**
Deficit on the pension fund	30,499,000	35,608,000
	30,499,000	35,608,000

34. Members Allowances

	2012/13 £	**2013/14 £**
Allowances	266,050	253,981
Expenses	16,749	14,769
Total	**282,799**	**268,750**

35. Officer Remuneration

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

Salary banding	**2012/13 Officers**	**2013/14 Officers**
£50,000 to £54,999	6	3
£55,000 to £59,999	6	3
£60,000 to £64,999	2	4
£65,000 to £69,999	1	1
£70,000 to £74,999	0	0
£75,000 to £79,999	1	1
£80,000 to £84,999	0	1
£85,000 to £89,999	0	1
£90,000 to £94,999	1	0

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

<u>Senior Employees</u>

Under the requirements of Statutory Instrument 2009 no. 3322 the Council is required to disclose information on the remuneration of its 'senior employees'. The Council's senior employees are those represented on the Council's Corporate Team and those Officers with a statutory responsibility.

The Council's Chief Executive and Strategic Director (Corporate Resources) are both employees of West Oxfordshire District Council. They are seconded for 50% of their time to Cotswold District Council. The figures included in the tables below have been obtained from West Oxfordshire District Council and represent the full salary, allowances and Pension Costs incurred by West Oxfordshire (as the employer).

The Council's Strategic Director (Environment) is also in a shared post, however, the Director is employed by Cotswold District Council and is seconded to West Oxfordshire for 50% of his time. The figure shown below is the full salary cost incurred by the Council before any income received for his secondment.

Chief Executive (& Head of Paid Service) [1]	2012/13 £	2013/14 £
Salary and allowances	116,691	116,691
Pension contributions made by the Council in respect of the Officer	16,837	16,865
Other benefits not covered above	5,383	5,336

Strategic Director – Environment [1]	2012/13 £	2013/14 £
Salary and allowances	90,727	88,752
Pension contributions made by the Council in respect of the Officer	12,883	12,603
Other benefits not covered above	0	0

Strategic Director – Community Services	2012/13 £	2013/14 £
Salary and allowances	75,813	75,813
Pension contributions made by the Council in respect of the Officer	10,765	10,765
Other benefits not covered above	5,040	6,702

Strategic Director – Corporate Resources [1]	2012/13 £	2013/14 £
Salary and allowances	84,010	84,010
Pension contributions made by the Council in respect of the Officer	11,904	11,904
Other benefits not covered above	4,335	3,224

Head of Legal & Property Services (Monitoring Officer)	2012/13 £	2013/14 £
Salary and allowances	55,630	57,504
Pension contributions made by the Council in respect of the Officer	7,894	8,166
Other benefits not covered above	3,645	3,941

Head of Finance & Audit Services (Chief Finance Officer)	2012/13 £	2013/14 £
Salary and allowances	66,251	67,729
Pension contributions made by the Council in respect of the Officer	9,407	9,618
Other benefits not covered above	0	0

Notes:

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

Exit Packages

The number and cost of exit packages [redundancies] at the Council during the year, by £20,000-band, was as follows:

Individual exit package redundancy band (£)	Exit packages - 2012/13		Exit packages - 2013/14	
	Number	Cost in £	Number	Cost in £
0 – 19,999	9	98,650	6	43,289
20,000 – 39,999	2	52,990	1	25,657
40,000 – 59,999	2	103,724	0	0
60,000 – 79,999	2	127,135	0	0
Total	**15**	**382,499**	**7**	**68,946**

A number of the 12/13 costs related to the establishment of GO Shared Services and were shared between the GO partner Councils. Of the seven redundancies in 2013/14, six were voluntary redundancies. The remaining departure (and payment) related to the redundancy due at the end of a fixed-term contract of employment.

36. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections, and to non-audit services provided by the authority's external auditors:

	2012/13 £	2013/14 £
External audit services carried out by the appointed auditor	58,938	58,938
Statutory inspection	0	0
Certification of grant claims and returns	12,803	6,600
Total	71,741	65,538

There is a difference to the fee quoted for 2013/14 which reflects changes to the Housing Subsidy claim requirements.

37. Financial Instruments

Categories of Financial Instruments

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

Categories of Financial Instruments	Long Term		Current	
	31 March 2013 £	31 March 2014 £	31 March 2013 £	31 March 2014 £
Investments				
Loans and receivables [cash equivalents]	0	0	5,125,837	4,674,523
Loans and receivables [investments]	2,000,000	0	5,979,091	10,047,228
Available-for-sale financial assets	0	0	2,031,328	2,035,872
Total investments	2,000,000	0	13,136,256	16,757,623
Cash				
Loans and receivables [cash]	0	0	427,910	(375,479)
Total cash	0	0	427,910	(375,479)
Debtors				
Loans and receivables	2,409,062	3,610,604	4,835,195	2,907,739
Total Debtors	2,409,062	3,610,604	4,835,195	2,907,739
Borrowings				
Financial liabilities at amortised cost	0	0	0	0
Total Borrowings	0	0	0	0
Other Long Term Liabilities				
Finance lease liabilities	0	0	0	0
Total Long Term Liabilities	0	0	0	0
Creditors				
Financial liabilities at amortised cost	0	0	(2,877,760)	(2,353,897)
Total Creditors	0	0	(2,877,760)	(2,353,897)

Items of income, expense, gains or losses

At 31st March the Council has two investments which were accounted for as available for sale financial assets. At the balance sheet date the assets showed a net unrealised gain of £35,872, based upon the balance sheet date valuation (£31,328 at 31st March 2013). The movement in the year (of £2,456) is reported as an 'unrealised gain' in the *Other Income & Expenditure* section of the Comprehensive Income & Expenditure Account.

Fair Values of Assets and Liabilities

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

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

Fair values loans and receivables

Available for sale assets are carried on the balance sheet at their fair value. These values are based upon public price quotations where there is an active market for the instrument. At the balance sheet date the Council had two investments which were classified as available for sale assets.

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

Soft Loans

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

Type of Loan	**31st March 2013 £**	**31st March 2014 £**
Housing Improvement Loans [0% interest]	72,216	79,689
Housing Strategy Loan [0% interest]	80,008	80,008
Other loans [BoE base rate + 1%]	11,691	11,691
	163,915	171,388

The Council is currently debt-free and does not have to borrow to finance its activities. Therefore the notional cost of granting these loans equates to the investment interest which the Council would have made if the balance had been available to invest as part of its other treasury management investing activity. As the average interest from our investments has now fallen to below 1%, the above loans are no longer soft.

38. Grant Income

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

Grant	2012/13 £	2013/14 £
Revenue Grants credited to Taxation and Non-Specific Grant Income:		
Revenue Support Grant (RSG)	71,897	2,466,458
Burdens Grant	16,420	16,402
Council Tax freeze grant	137,297	54,612
Area Based Grant	0	0
New homes bonus grant	744,164	1,388,080
Section 31 NDR Compensation Grant & Tariff	0	529,597
Total	**969,778**	**4,455,149**
Capital Grants credited to the Comprehensive Income & Expenditure Statement		
Disabled Facilities Grant	471,445	427,721
Environment Agency Grant [Flooding and land drainage]	44,185	0
Section 106 income credited to the CI&ES	0	20,389
Other grants	0	0
Total	**515,630**	**448,110**
Significant revenue grants credited within the cost of services		
Housing benefit subsidy grant	20,121,370	19,990,792
Benefit admin grant	464,976	421,176
Local services support grant	50,670	0
New burdens grant	113,957	40,375
Council tax benefit subsidy grant	4,735,783	0
Total	**25,456,756**	**20,452,343**

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

Grant	31st March 2013 £	31st March 2014 £
Capital Grants held as receipts in advance:		
Environment agency grant [for specific Land drainage works]	145,584	48,425
Other grant receipts in advance	26,925	262,699
	172,509	311,124

39. 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 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 (eg council tax bills, housing benefits). Details of any significant grants received in the year are listed under note 38 'Grant Income'.

Members of the Council

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2013/14 is disclosed in Note 34 to these accounts.

Upon their election to serve the authority all Members of the Council are required to complete a declaration of Members' interests form. The form requires any conflicting or relevant outside interests to be declared. If at any point a Council decision is required which impacts upon an individual or an organisation which they have an interest in, the Member is 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.

In addition to being District Council Members, as at 31st March 2014 four of the Council's Members are also Members of Gloucestershire County Council (four as at 31st March 2013). This number includes the Leader of Cotswold District Council, Cllr. Stowe.

Officers

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

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

West Oxfordshire District Council

Cotswold District Council shares a number of officers with West Oxfordshire Council under a joint working relationship. The senior officers working in a shared capacity as at 31st March are as follows:

Shared post:	Officer is employed by:
Chief Executive Officer	West Oxfordshire District Council
Strategic Director – Resources	West Oxfordshire District Council
Strategic Director – Environment	Cotswold District Council
Head of Revenues and Benefits	West Oxfordshire District Council
Head of Environmental Services	Cotswold District Council
Head of Business Improvement and Change	West Oxfordshire District Council
Head of Communications and Reception Services	Cotswold District Council
Head of Leisure and Tourism	West Oxfordshire District Council
Head of Public Protection	Cotswold District Council

In addition to those listed above, there is a number of additional operational staff which the Council shares in a bid to boost efficiency and reduce costs. Each shared officer has one ‘parent’ Council who employ them (and deal with all employment issues). The employing Council then bills the cost of the employee to the corresponding Council for any work done.

Although the officers named above are in senior positions, and have influence over operational activities, decisions on overall Council policy and the strategic direction of the Authority is still set by the Cabinet and Council.

Entities controlled or significantly influenced by the Authority

Ubico Ltd was formed 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. The Council has a 50% share in Ubico Ltd.

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

Transactions outstanding at 31st March:		**31st March 2013 £**	**31st March 2014 £**
Amounts owed to the Council by Ubico	[Debtors]	810,480	346,170
Amounts owed by the Council to Ubico	[Creditors]	(424,425)	0
Net debtor/(creditor) owed at year end:		386,055	346,170

Disclosures on the relationship with Ubico are included within the Group Accounts section of this statement.

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 Account.

40. Capital Expenditure and Capital Financing

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

	2012/13 £	2013/14 £
Capital Investment		
Property, Plant & Equipment	2,292,462	433,553
Assets under construction	0	0
Investment Properties	0	0
Intangible Assets	196,260	93,939
Local Authority Mortgage Scheme	0	1,000,000
Loans advanced (funded by capital resources)	0	14,853
Revenue Expenditure Funded from Capital under Statute	1,282,887	1,351,857
	3,771,609	2,894,202
Sources of Finance		
Capital receipts	3,172,421	1,578,387
Disabled facilities and decent homes grant funding	540,203	551,387
Other grants and external contributions	58,985	264,428
Earmarked reserves	0	500,000
Direct revenue contributions	0	0
Total financing of fixed assets	3,771,609	2,894,202

Capital Financing Requirement	2012/13 £	2013/14 £
Opening Capital Financing Requirement – 1st April	90,688	0
Movement in year	(90,688)	0
Closing Capital Finance Requirement – 31st March	0	0

41. Leases

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

Finance Leases

The Council has no assets acquired under finance lease arrangements.

Operating Leases

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

	31st March 2013 £	31st March 2014 £
Not later than one year	124,678	99,115
Later than one year & not later than five years	210,082	156,153
Later than five years	33,300	32,850
Total	368,060	288,118

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

	2012/13 £	2013/14 £
Lease payments	103,745	65,778

Authority as Lessor [leasing assets out]

Finance Leases

The Authority has three properties which it accounts for as finance leases and a number for 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.

	31st March 2013 £	31st March 2014 £
Present value of principal payments outstanding on non-current assets	1,997,661	1,842,826
Unearned finance income	3,046,525	2,995,339
Unguaranteed residual value of property/assets	0	0
Gross investment in the lease	5,044,186	4,838,165

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)	
	31st March 2013 £	**31st March 2014 £**	**31st March 2013 £**	**31st March 2014 £**
Not later than one year	403,815	420,538	343,702	362,666
Later than one year and not later than five years	1,159,568	1,128,233	963,226	940,028
Later than five years	3,480,802	3,289,394	690,733	540,132
	5,044,185	4,838,165	1,997,661	1,842,826

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 2013/14 the Council received £84,000 in contingent rents (£84,000 2012/13).

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

Operating Leases

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

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

	31 March 2013 £	31 March 2014 £
Not later than one year	428,873	408,001
Later than one year & not later than five years	1,442,131	1,294,116
Later than five years	1,988,863	1,676,943
Total	**3,859,867**	**3,379,060**

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

42. Private Finance Initiatives and Similar Contracts

The Council has no PFI or contracts with similar obligations.

43. Impairment Losses

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

44. Capitalisation of borrowing costs

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

45. Termination Benefits

Termination benefits shall be recognised as a liability and an expense (and charged in the Surplus or Deficit on the Provision of Services) when the Council is demonstrably committed to either:

- Terminate the employment of an employee or group of employees before the normal retirement date, or
- Provide termination benefits as a result of an offer made in order to encourage voluntary termination of employment.

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

46. Pension Schemes accounted for as defined contribution

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

47. Defined benefit pension scheme

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

A revised version of International Accounting Standard 19 *Employee Benefits Revised* (IAS19) was effective from 1st January 2013. The changes were adopted as part of the 2013/14 Code and therefore required the retrospective application and the re-statement of the 2012/13 comparative figures where the revisions to IAS19 would have resulted in different presentation of results, where the IAS have been always in existence.

IAS19 and the restatement of 12/13

Changes to IAS19 have resulted in the need to re-state the 12/13 accounts. The amendments to the standard has replaced the *Actuarial (gains)/losses on pension assets and liabilities* with a new *Remeasurement of the net defined benefit liability* group and the separate *expected return on assets* and *interest costs* elements of the defined benefit obligation have been replaced with a single 'net interest' component, termed the *net interest on the defined benefit liability* (asset).

The resulting presentational changes and updates to terminology have resulted in an increase in the *Financing and investment income and expenditure* line of the *Comprehensive Income & Expenditure Statement* of £277,000 and a corresponding decrease in the reversal entries made in the *Adjustments between accounting basis and funding basis under regulations* section of the *Movement on Reserves Statement*. Although the changes have amended the presentation of figures within the Comprehensive Income and Expenditure and Movement of Reserves Statements, the Council's balance sheet remains unchanged, with a pension fund deficit of £35,608,000 at 31st March 2013.

The following notes to the accounts show the re-stated comparative figures for 2012/13, as per the Hymans Robertson actuarial report of 31st March 2014.

Participation in pension schemes

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

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

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

Transactions relating to retirement benefits

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

The following transactions have been made in the Comprehensive Income & Expenditure account and General Fund Balance, via the MiRS, during the year:

Comprehensive Income and Expenditure Statement	**2012/13 £000**	**2013/14 £000**
Cost of Services:		
Service cost comprising:		
Current service cost	1,365	1,461
Past service costs	212	114
(Gain)/loss from settlements	-	(363)
Financing and Investment Income and Expenditure:		
Net Interest Expense	1,226	1,351
Total Post-Employment Benefits charged to the Surplus or Deficit on the provision of services	2,803	2,563

Other Post-Employment benefits charged to the CIES		
Re-measurement of the net defined benefit liability, comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(3,797)	(4,326)
Actuarial gains and losses arising on changes in demographic assumptions	-	1,584
Actuarial gains and losses arising on changes in financial assumptions	8,028	1,804
Other experience	(240)	5,546
Total Post-Employment benefits charged to the CIES	3,991	4,608

Movement in reserves statement	2012/13 £000	2013/14 £000
Reversal of net changes made to the Surplus or deficit on the Provision of Services for Post-Employment benefits in accordance with the Code	(2,803)	(2,563)
Actual amount charges against the General Fund Balance for pensions in the year:		
Employers contributions payable to the scheme	2,083	2,062

Assets and liabilities in relation to retirement benefits

Pension Assets and Liabilities recognised in the Balance Sheet	2012/13 £000	2013/14 £000
Present value of the defined benefit obligation [funded]	(73,374)	(82,819)
Present value of unfunded obligations	(2,597)	(2,686)
Fair Value of plan assets	45,472	49,896
Sub total	**(30,499)**	**(35,608)**
Other movements in the liability	-	-
Net liability arising from defined benefit obligation	**(30,499)**	**(35,608)**

Reconciliation of the fair value of the scheme assets:	2012/13 £'000	2013/14 £'000
Opening balance – 1st April	39,525	45,472
Interest Income	1,903	1,997
Service cost – effect of settlements		(1,759)
Remeasurement gain/(loss):		
Return on plan assets, excluding amounts in net interest	3,797	4,326
Other changes	0	
Contributions by the employer	1,959	1,936
Contributions in respect of unfunded benefits	124	126
Contributions by members	495	423
Benefits paid	(2,207)	(2,499)
Unfunded benefits paid	(124)	(126)
Closing balance – 31st March	45,472	49,896

Reconciliation of the present value of scheme liabilities [defined benefit obligation]:	2012/13 £000	2013/14 £'000
Opening balance – 1st April	(65,313)	(75,971)
Current service cost	(1,365)	(1,461)
Interest cost on defined benefit obligation	(3,129)	(3,348)
Contributions from scheme participants	(495)	(423)
Past service (cost) / gains, including curtailments	(212)	(114)
Remeasurement (losses) / gains:		
Changes in demographic assumptions	-	(1,584)
Changes in financial assumptions	(8,028)	(1,804)
Other experience	240	(5,546)
Effect of settlements	-	2,122
Benefits paid	2,207	2,499
Unfunded benefits paid	124	126
Closing balance – 31st March	(75,971)	(85,504)

The Local Government Pension Scheme assets comprised:

Asset category	Period Ended 31 March 2014 Quoted prices in active markets £(000)	Period Ended 31 March 2014 Quoted prices not in active markets £(000)	Period Ended 31 March 2014 Total £(000)	Period Ended 31 March 2014 Percentage of Total Assets	Period Ended 31 March 2013 Quoted prices in active markets £(000)	Period Ended 31 March 2013 Quoted prices not in active markets £(000)	Period Ended 31 March 2013 Total £(000)	Period Ended 31 March 2013 Percentage of Total Assets
Equity Securities:								
Consumer	2,863.3	-	2,863.3	6%	2,403.6	-	2,403.6	5%
Manufacturing	1,198.2	-	1,198.2	2%	987.4	-	987.4	2%
Energy and Utilities	1,642.3	-	1,642.3	3%	1,551.0	-	1,551.0	3%
Financial Institutions	2,491.6	-	2,491.6	5%	2,155.4	-	2,155.4	5%
Health and Care	557.6	-	557.6	1%	493.9	-	493.9	1%
Information Technology	77.9	-	77.9	0%	164.5	-	164.5	0%
Other	1,850.8	-	1,850.8	4%	1,555.7	-	1,555.7	3%
Debt Securities:								
Corporate Bonds (investment grade)	2,387.9	-	2,387.9	5%	2,393.0	-	2,393.0	5%
Corporate Bonds (non-investment grade)	159.2	-	159.2	0%	130.1	-	130.1	0%
UK Government	4,477.5	-	4,477.5	9%	4,740.8	-	4,740.8	10%
Other	362.2	-	362.2	1%	165.1	-	165.1	0%
Private Equity:								
All	-	167.1	167.1	0%	-	144.1	144.1	0%
Real Estate:								
UK Property	2,262.1	520.0	2,782.1	6%	2,105.4	297.3	2,402.7	5%
Overseas Property	-	173.5	173.5	0%	-	171.2	171.2	0%
Investment Funds and Unit Trusts:								
Equities	1,602.3	21,733.2	23,335.5	47%	1,722.4	19,330.7	21,053.1	46%
Bonds	2,151.6	50.3	2,201.8	4%	1,977.8	52.0	2,029.8	4%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	-	-	0%	-	-	-	0%
Other	-	2,316.1	2,316.1	5%	-	2,085.0	2,085.0	5%
Derivatives:								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	8.8	-	8.8	0%	0.1	-	0.1	0%
Other	(2.5)	-	(2.5)	0%	(3.6)	-	(3.6)	0%
Cash and Cash Equivalents:								
All	844.9	-	844.9	2%	848.9	-	848.9	2%
Totals	**24,935**	**24,960**	**49,896**	**100%**	**23,392**	**22,080**	**45,472**	**100%**

Basis for estimating assets and liabilities

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

Long-term expected rate of return on assets in the scheme:

Rate of return:	2012/13	2013/14
• Equity investments	4.5%	5.9%
• Bonds	4.5%	5.9%
• Property assets	4.5%	5.9%
• Cash	4.5%	5.9%

Mortality assumptions:

Life expectancy is based upon the Fund's Club Vita analysis which was carried out for the formal funding valuation as at 31st March 2013. Improvements have been applied that are in line with the CMI 2010 assuming the rate of longevity improvements has reached a peak and will converge to a long term rate of 1.25%. Based upon these assumptions, the average future life expectancies at age 65 are summarised as follows:

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

Financial assumptions:

Assumptions:	2012/13	2013/14
• Rate of inflation (CPI)	2.8%	2.8%
• Rate of increase in pensions	2.8%	2.8%
• Rate of increase in salaries*	4.6%	4.1%
• Discount rate	4.5%	4.3%

* Salary increases are assumed to be 1% until 31st March 2015, reverting to 4.1% thereafter.

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

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

Type of investment, at:	31st March 13	31st March 14
• Equity investments	75%	73%
• Bonds	17%	19%
• Property assets	6%	6%
• Cash	2%	2%

Sensitivity analysis – Pension Fund

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

Affect of change in assumption – re. 31st March 2014:	Approx. increase in liability (%)	Approx. increase in liability (£)
0.5% decrease in Real Discount Rate	10%	8,154,000
1 year increase in member life expectancy	3%	2,565,000
0.5% increase in the Salary Increase Rate	3%	2,340,000
0.5% increase in the Pension Increase Rate	7%	5,724,000

Scheme History

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Fair value of employer assets	35,600	38,479	39,525	45,472	49,896
Present value of liabilities	(78,124)	(59,176)	(65,313)	(75,971)	(85,504)
Surplus / (deficit)	(42,524)	(20,697)	(25,788)	(30,499)	(35,609)

The liabilities show the underlying commitment the authority has in the long term to pay retirement benefits. The net liability is recorded on the balance sheet of the authority, reducing the net worth of the Council. Statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy.

The estimated employer's contributions for the year to 31st March 2015 will be approximately £1,993,000

48. Contingent liabilities

At the balance sheet date a legal challenge has been lodged naming the Council (and all other local authorities in England) regarding charging for Land Charges personal search fees. If the complaint is upheld the Council may be liable to make repayment of its land charges personal search income. At present it is difficult to predict the timing or amount of any potential liability.

The Council has a potential liability in respect of the run-off of Municipal Mutual Insurance (MMI) to the value of £102,045. In 2012/13 the Council set-aside a provision [see note 22 to the accounts] for 15% of the potential liability. The provision was subsequently used in 2013/14. It is anticipated that this will be sufficient to meet any future liabilities. Liabilities will only materialise if the assets of the company do not cover the insurance claims yet to be settled.

In March 2012 the Council received repayments from the winding-up board of Glitnir bank in relation to investments the Council had at the bank at the time it ceased trading. Since the payments were made the Winding-up Board has determined that payments were made at the wrong exchange rates – rates applicable in 2009 when the bank ceased trading rather than using rates applicable at March 2012 when the distributions were actually made. The bank is seeking to reclaim the perceived overpayments. The potential impact for the Council is a net cost in the region of £30,000. The Council, with the Local Government Association and solicitors Bevan Brittan, are looking at its options. The timing and amount of any repayment is still far from clear and at present no provision has been made in the Council's accounts for any amounts due.

49. Contingent assets

Value Added Tax

The VAT debtor in the accounts at the balance sheet date represents the payment due to the Council for the year ending 31st March. In addition to this, the Council is pursuing a possible retrospective VAT claim regarding VAT on off-street car parking. The Council's claim is 'held' awaiting a ruling in the case of the "Isle of Wight County Council (and friends)".

As the issue is dependant upon a ruling by the Courts. The indications are that a decision will be made against the Councils. At this point no figure has been included in the accounts.

Right to buy clawback

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

50. 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.

Overall procedures for managing risk

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

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

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

Credit Risk

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

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

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

Rating	Investment Made £000
Fixed duration deals	
Fitch rating AA	2,000
Fitch rating AA-	0
Fitch rating A	8,000
Glitnir escrow account – original balance (not rated)	400
Call accounts and other 'cash-equivalent' investments:	
Fitch rating AA-	0
Fitch rating A	4,195
Pooled funds	
Non-rating agency rated pooled fund [separately approved by the Council's treasury management advisors]	2,444
	17,039

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

	Investment values in £000 - Maturing within:			
	0-3 months	3-6 months	6-12 months	1 year +
Internally managed funds:				
Call accounts	4,195			
UK banks	4,000	4,000		
UK building societies	2,000			
UK local authorities				
Externally managed funds:				
Pooled funds	2,444			
Glitnir escrow account #			400	
	12,639	4,000	400	-

Within the above 6-12 month figure is the remaining balance due to the Council from its investment with the Icelandic bank Glitnir. The balance of approximately £400,000, plus £47,000 of accrued interest, is currently held in an Escrow account in Iceland. Based upon LAAP 82 (update 7) the Council has opted to treat the balance as a short-term investment, although the precise timing of its return remains uncertain.

Liquidity Risk

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

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

Market risk – interest rate risk

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

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

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

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

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

	2013/14 **£**
Increase in interest payable on borrowing	0
Increase in interest received from investments	(112,427)
Impact on the Surplus / Deficit on the Provision of Services*	**(112,427)**

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

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

Foreign Exchange Risk

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

In 2013/14 the Council accounted for a gain of £2,093 on its investment, due to favourable changes in exchange rates between 1st April and 31st March. At the balance sheet date the escrow account was valued at 84,517,867 ISK, which converts to £447,255.

51. Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets. The Code has adopted the principles set out in Financial Reporting Standard (FRS) 30. Where assets have a value which can be reliably measured, the assets should be included on the Council's Balance Sheet. However, 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, the assets will not be recognised in the Balance Sheet.

Nature and scale of heritage assets held by the authority

The Council owns and operates the Corinium Museum in Cirencester. The museum and museum store (in Northleach) combined hold approximately 1-million objects, originating mainly from the Cotswold district and surrounding area. The collection can be classified into one of the following categories:

- The Pre-history collections
- The Romano-British collections
- The Anglo-Saxon collections
- The Medieval collections
- The Post-Medieval collections
- The agricultural collections
- The textile collections
- Photograph and paper ephemera collections
- Social history collections

The principal artefact on exhibit is a Hare Mosaic in the Romano-British collection. The mosaic is considered to be very rare. It depicts the hare in a seated position. The item however, is on loan to the Council, with the condition that the mosaic is available for the public to see.

Acquisition, preservation, management and disposal

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

The key purpose of the Cotswold Museum Service is:

To collect; record; care for; promote understanding and appreciation of; and support the history, culture and heritage of the Cotswolds for the benefit of local communities, schools, and visitors to the area.

The museum principally contains artefacts relating to Cirencester and the surrounding area and has one of most extensive Romano-British collections in the Country.

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

Assets not included on the Council's balance sheet

While many of the artefacts in the Museum collection would meet the newly adopted classification of Heritage Assets, any benefit to the user of the accounts of obtaining a (highly subjective) valuation of the assets has not been deemed worth the cost.

The Council has adopted a policy to not formally value or record the museum collection on the Council's Balance Sheet where no reliable value currently exists. The Council has taken the view that the artefacts have no monetary value, as any figure recorded on the balance sheet will never be realised. To the readers of the accounts, any balance could therefore be misleading and overstate the Council's net worth.

Where assets have been purchased or a purchase cost/valuation is readily available the assets have been included on the balance sheet at historic cost.

Other non-museum-related heritage assets

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

Movement in heritage assets 2009/10, 2010/11, 2011/12, 2012/13 and 2013/14

Non-current assets reported at historic cost

	2009/10 £	2010/11 £	2011/12 £	2012/13 £	2013/14 £
Opening balance – 1st April	17,000	17,000	17,000	17,000	17,000
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluations/impairments	0	0	0	0	0
Closing balance – 31st March	17,000	17,000	17,000	17,000	17,000

There have been no other acquisitions or disposals of assets, either by conventional means (purchase/sale) or by donation during this time.

The Council includes no other heritage assets on the Balance Sheet.

Group Accounts

The Group Accounts bring together the council's accounts with its share of those of Ubico Limited (the Company), in which the council has a 50% (£1) shareholding (the remaining 50% shares (£1) are owned by Cheltenham Borough Council).

The purpose of the Group Accounts is to reflect the full value of the Council's investments in companies within the council's financial statements, since the Council's shareholdings may not fully reflect its share of the company's assets and liabilities.

The Company has been categorised as Joint Venture as all decisions regarding the operating and financial policies of the company require the consent of another party in addition to Cotswold District Council. The company is in effect jointly controlled by Cotswold District Council and Cheltenham Borough Council.

The company's assets and liabilities have therefore been consolidated with the Council's in accordance with IAS 31, which requires the Gross Equity Method to be used when consolidating joint ventures. Under this method, the council's share of the operating result of the company before tax is reported as a separate line after the net surplus or deficit on the provision of services within the Group Comprehensive Income and Expenditure Statement. Any taxation is disclosed as a separate line.

In the Group Balance Sheet the Council's share of the company's net assets or liabilities is included as a long-term investment or liability, matched by the council's share of the company's reserves. There is no requirement to adjust for transactions carried out and balances held between the council and the company. The cash flows of the company are also not required to be shown with those of the council.

The company was established during 2011/12 and commenced operations on 1 April 2012, providing environmental services (street cleaning, refuse collection, recycling and grounds maintenance) to Cheltenham Borough Council for the full financial year 2012/13, and for Cotswold District Council from 6 August 2012. 2013/14 saw the first year where Ubico provided services to both Councils for the full year.

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). In these circumstances the company is treated as if it were an in house department and the shareholder Councils are able to enter into service contracts with the company without undertaking an EU compliant procurement process. The company must ensure that the percentage of work undertaken outside of the shareholder contracts is less than 10% of its total activity. The company also provides ad-hoc services to third parties and provides supplies and services to Tewkesbury Borough Council and Cheltenham Borough Homes.

The company (registration No. 07824292) is limited by guarantee and governed by its memorandum and articles of association. The liability in respect of the guarantee is set out in the memorandum of association and is limited to £1 per member of the company.

The company's accounts for the 12 months ending 31st March 2014 can be obtained from the Managing Director at the company's registered office – Central Depot, Swindon Road, Cheltenham GL51 9JZ.

Group Comprehensive Income and Expenditure Statement

This statement shows the cost in the year of providing group services, in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2012/13 Gross Expenditure £	2012/13 Income £	2012/13 Net Expenditure [restated] £		2013/14 Gross Expenditure £	2013/14 Income £	2013/14 Net Expenditure £	Note
4,747,513	(2,755,072)	1,992,441	Cultural and related service	3,894,611	(1,256,633)	2,637,978	
7,519,818	(2,325,071)	5,194,747	Environmental and regulatory services	7,703,827	(2,623,007)	5,080,820	
3,742,332	(1,593,146)	2,149,186	Planning services	3,295,046	(1,583,927)	1,711,119	
1,412,439	(2,821,380)	(1,408,941)	Highways, Roads and Transport Services	992,599	(2,361,905)	(1,369,306)	
23,105,543	(21,655,609)	1,449,934	Housing Services	22,786,199	(21,231,403)	1,554,796	
1,361,523	(16,620)	1,344,904	Corporate and Democratic Core	1,432,156	(218,753)	1,213,403	
219,000	0	219,000	Non Distributed Costs	860,397	0	860,397	
6,319,629	(5,401,835)	917,794	Central Services to the Public	4,247,507	(3,749,176)	498,331	
48,427,797	(36,568,732)	11,859,065	**Cost of Services - continuing operations**	45,212,343	(33,024,804)	12,187,539	
2,146,716	(467,297)	1,679,419	Other Operating Expenditure	4,786,975	(728,212)	4,058,763	
1,605,769	(899,871)	705,898	Financing and Investment Income and Expenditure	1,819,531	(858,815)	960,716	
0	(12,349,465)	(12,349,465)	Taxation and Non-Specific Grant Income	10,496,672	(23,123,802)	(12,627,130)	
52,180,282	(50,285,365)	**1,894,917**	**(Surplus) or Deficit on Provision of Services**	62,315,521	(57,735,633)	**4,579,889**	
		(12,548)	Share of (Surplus) or Deficit of Joint Ventures			(7,451)	
		0	Share of Tax expenses of Joint Ventures			0	
		1,882,369				**4,572,438**	
		(634,474)	(Surplus) or deficit on revaluation of non current assets			(2,863,733)	
		(30,956)	(Surplus) or deficit on revaluation of available for sale financial assets			(2,456)	
		3,991,000	Actuarial (gains) / losses on pension assets and liabilities			4,608,000	
		0	Other (gains) and losses			0	
		236,000	Share of other comprehensive income and expenditure of Joint Ventures			(137,500)	
		3,561,569	**Other Comprehensive Income and Expenditure**			1,604,311	
		5,443,938	**Total Comprehensive Income and Expenditure**			**6,176,749**	

Group movement on reserves statement 2013/14

GROUP Movement in Reserves Statement - 2013/14

This statement shows the movement in the year in the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement.

	General Fund Balance £	Earmarked Reserves £	Capital Grants Unapplied £	Capital Receipts Reserve £	Total Usable Reserves £	Unusable Reserves £	Total Authority Reserves £	[restated]* Share of Group Reserves £	[restated]* Total Group Reserves £
Balance at 31 March 2013	1,813,082	4,903,351	323,478	8,726,433	15,766,345	11,954,396	27,720,740	(223,452) *	27,497,288 *
Surplus /(deficit) on provision of services (accounting basis)	(4,579,889)	0	0	0	(4,579,889)	0	(4,579,889)	7,451	(4,572,438)
Other Comprehensive Expenditure and Income	0	0	0	0	0	(1,741,811)	(1,741,811)	137,500	(1,604,311)
Total Comprehensive Income & Expenditure	(4,579,889)	0	0	0	(4,579,889)	(1,741,811)	(6,321,700)	144,951	(6,176,749)
Adjustments between accounting basis & funding basis	5,399,287	0	0	0	5,399,287	(1,160,235)	4,239,051	0	0
Other movements in reserves	0	(500,000)	(116,535)	(785,270)	(1,401,805)	(2,837,247)	(4,239,051)	0	0
Net Increase / (Decrease) in GF balance before	819,398	(500,000)	(116,535)	(785,270)	(582,407)	(5,739,293)	(6,321,700)	144,951	(6,176,749)
Transfers (to) / from earmarked reserves	207,218	(207,218)	0	0	0	0	0	0	0
Increase / (Decrease) in Year	1,026,616	(707,218)	(116,535)	(785,270)	(582,407)	(5,739,293)	(6,321,700)	144,951	(6,176,749)
Balance at 31 March 2014	2,839,699	4,196,133	206,943	7,941,163	15,183,938	6,215,103	21,399,040	(78,501)	21,320,539

This statement shows the movement in the year in the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement.

A group movement on reserve statement for 2011/12 has not been included here as it does not differ from the single entity statement for 2011/12 which is shown earlier in this document.

	General Fund Balance £	Earmarked Reserves £	Capital Grants Unapplied £	Capital Receipts Reserve £	Total Usable Reserves £	Unusable Reserves £	Authority's share of Reserves of Joint Ventures	Total Group Reserves £
Balance at 31 March 2012	1,813,082	4,557,434	392,236	10,796,518	17,559,271	15,383,836	0	32,943,107
Surplus/(deficit) on provision of services (accounting basis)	(1,617,917)	0	0	0	(1,617,917)	0	12,548	(1,605,369)
Other Comprehensive Expenditure and Income	0	0	0	0	0	(3,602,569)	(220,999)	(3,823,568)
Total Comprehensive Income & Expenditure	(1,617,917)	0	0	0	(1,617,917)	(3,602,569)	(208,451)	(5,428,938)
Adjustments between accounting basis & funding basis under regulations	1,963,834	0	0	0	1,963,834	(411,041)	0	1,552,793
Other movements in reserves	0	0	(68,758)	(2,070,085)	(2,138,843)	584,170	0	(1,554,672)
Net Increase / (Decrease) in GF balance before Transfers to Earmarked Reserves	345,917	0	(68,758)	(2,070,085)	(1,792,926)	(3,429,440)	(208,451)	(5,430,817)
Transfers to / from Earmarked Reserves	(345,917)	345,917	0	0	0	0	0	0
Increase / (Decrease) in Year	(0)	345,917	(68,758)	(2,070,085)	(1,792,926)	(3,429,440)	(208,451)	(5,430,817)
Balance at 31 March 2013	1,813,082	4,903,351	323,478	8,726,433	15,766,344	11,954,396	(208,451)	27,512,289

Group Balance Sheet

This statement shows the value as at the balance sheet date of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by reserves held.

31st March 2013 £ (restated*)		Note	31st March 2014 £
33,107,475	Property, Plant & Equipment	12	32,429,529
0	Assets under construction		0
17,000	Heritage Assets	51	17,000
5,761,999	Investment Property	13	5,185,499
593,486	Intangible Assets	14	493,867
2,000,000	Long Term Investments	15	0
2,409,062	Long Term Debtors	18	3,610,604
43,889,022	**Long Term Assets**		**41,736,499**
8,010,419	Short Term Investments	15	12,549,281
44,632	Inventories	16	12,907
5,502,398	Short Term Debtors	18	3,611,747
5,553,747	Cash and Cash Equivalents	19	4,315,159
631,875	Assets held for sale	20	486,487
19,743,071	**Current Assets**		**20,975,582**
0	Bank Overdraft		0
(4,134,956)	Short Term Creditors	21	(4,023,530)
(913,733)	Short Term Creditors - s.106 balances	21	(862,566)
(191,156)	Provisions	22	(507,822)
(5,239,845)	**Current Liabilities**		**(5,393,918)**
0	Long Term Creditors		0
(223,450) *	Long Term Liabilities of Joint Ventures		(78,500)
(30,499,000)	Other Long Term Liabilities	33	(35,608,000)
(172,510)	Capital Grants Receipts in Advance		(311,124)
(30,894,960)	**Long Term Liabilities**		**(35,997,624)**
27,497,288	**Net Assets**		**21,320,539**
15,766,343	Usable reserves	23	15,183,937
11,730,945	Unusable Reserves	G1	6,136,602
27,497,288	**Total Reserves**		**21,320,539**

Restatement of the 2012/13 accounts

The Group Comprehensive Income & Expenditure Statement (CI&ES), Movement in Reserves Statement (MiRS) and Balance Sheet have been restated for 2012/13. The Audit of the accounts for Ubico Ltd created an increase in liabilities for Ubico, and therefore the Council.

The adjustment relates to £15,000 in actuarial losses reported by Ubico in 2012/13. It has led to a decrease in the *Share of comprehensive income and expenditure of joint entities* line in the CI&ES, the *Share of Group Reserves* in the MiRS and the *Long Term Liabilities of Joint Ventures* line on the Group Balance Sheet. As a result of the changes the 'net worth' of the Council's Group Balance Sheet is £15,000 less than reported in 2012/13. The 2012/13 figures have been restated to ensure the 2013/14 accounts accurately report 2013/14 transactions.

Notes to the Group Accounts

The one below relate specifically to the Group Accounts. The remaining note references from the Comprehensive Income & Expenditure and Balance Sheet relate back to the notes in the single entity accounts.

G1. Unusable reserves

The unusable reserves of the Group can be broken down as follows:

Summary of Group Unusable Reserves	**31st March 2013 £**	**31st March 2014 £**
Revaluation Reserve	5,639,528	7,948,176
Capital Adjustment Account	34,721,409	31,900,780
Financial Instruments Adjustment Account	0	0
Pension Reserve	(30,499,000)	(35,608,000)
Deferred Capital Receipts Reserve	2,111,961	2,655,409
Collection Fund Adjustment Account	71,215	(588,020)
Accumulated Absences Account	(122,046)	(127,028)
Available for sale financial instruments reserve	31,328	33,784
Joint Ventures [Ubico] Reserve	(223,450)	(78,500)
Total Unusable Reserves	**11,730,945**	**6,136,602**

The Collection Fund

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

2012/13 Restated £		Note	2013/14 £
	INCOME		
52,642,823	Council Tax	C1	54,464,951
	Transfers from General Fund:		
4,679,041	Council Tax Benefits		-
28,246,980	Non-Domestic Rates	C2	28,424,970
-	Transitional Protection Payments - non-domestic rates		165,585
85,568,844	**Total Income**		**83,055,506**
	EXPENDITURE		
	Precepts and Demands:		
41,480,090	Gloucestershire County Council		39,476,427
7,595,728	Gloucestershire Police Authority		7,373,277
7,636,913	Cotswold District Council		7,074,772
	Business rates:		
-	Shares to County Council and the Authority		14,356,095
-	Payment of central share to government		14,356,096
27,866,159	Payment to National Pool		-
178,778	Charge payable to General Fund for Costs of Collection		179,896
	Impairment of debts/appeals for Council Tax		
91,640	Write Offs		81,132
(3,280)	Increase / (decrease) in Provision		15,734
	Impairment of debts/appeals for non-domestic rates		
205,323	Write Offs		123,101
164,374	Increase in Provision		1,215,635
	Contributions towards previous year's surplus - council tax:		
-	Gloucestershire County Council		456,095
-	Gloucestershire Police Authority		85,519
-	Cotswold District Council		60,386
85,215,725	**Total Expenditure**		**84,854,165**
353,119	Surplus / (Deficit) for the Year		(1,798,659)
390,053	Fund Balance at 1st April		743,172
743,172	**Fund Balance at 31st March**	C3	**(1,055,487)**

Notes to the Collection Fund

Note C1 The Collection Fund

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

Collection fund income is as follows:

	2012/13 £	2013/14 £
Council Tax due from taxpayers	57,321,864	58,939,923
Council Tax benefits and transitional relief	(4,679,041)	(4,474,971)
	52,642,823	54,464,952

Council tax was introduced on 1st April 1993, and is a property based tax. A 25% reduction is made for single occupancy and a 50% reduction for void periods. The District Valuer valued all domestic property in the area and placed them into one of nine bands. A factor is then applied to each band so that the tax base can be expressed as a "Band D" equivalent (see below).

From 1st April 2004 the Council Tax Regulations have been amended to enable a charge of up to 90% of the full Council Tax (previously the limit was 50%) in respect of second homes and empty properties. This amendment was applied from 1st April 2004.

Band	Estimated number of properties in each band (adjusted for discounts)	Ratio	Band "D" Equivalents 2013/14
A-	6.3	5/9	3.5
A	2,761.5	6/9	1,841.0
B	4,011.7	7/9	3,120.2
C	8,821.9	8/9	7,841.7
D	4,402.0	1	4,402.0
E	5,083.5	11/9	6,213.2
F	3,815.3	13/9	5,511.0
G	3,746.7	15/9	6,244.5
H	629.5	18/9	1,259.0
	Contributions in lieu (South Cerney Barracks)		126.4
			36,562.3
less:	Adjustments for collection rates and for anticipated changes during the year for successful appeals against valuation bandings, demolitions, reliefs and exemptions, plus adjustments for new properties.		362.0
	(This amounts to 1% of the tax base)		
	Council Tax Base for 2013/14		**36,200.3**

Note C2 Income from Business Rates

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

	2012/13 £	2013/14 £
Non-domestic rateable value	33,890,514	34,376,057
Less: allowances and other adjustments	(5,643,534)	(5,951,087)
	28,246,980	28,424,970

The rateable value is based upon the following two multipliers:

- Higher multiplier for 2013/14 47.1p
- Lower multiplier [small business rating multiplier] for 2013/14 46.2p

Total non-domestic rateable value at 31st March was £74,492,872.

Note C3 Precepts and Demands

The following Precepts were paid during the financial year:

	2012/13 £	2013/14 £
Gloucestershire County Council	41,480,090	39,476,427
Gloucestershire County Council - Fund Surplus	0	456,095
Gloucestershire Police and Crime Commissioner	7,595,728	7,373,277
Gloucestershire Police and Crime Commissioner - Surplus	0	85,519
District Council Precept	5,491,880	4,965,233
District Council – Collection Fund Surplus	0	60,386
Parish Precepts	2,145,033	2,109,539
	56,712,731	54,526,476

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

Note C4 Provision for Uncollectable Amounts

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

	2012/13 £	2013/14 £
Council Tax	322,625	257,227
National Non-Domestic Rates (NNDR)	149,523	1,242,057
Total provision	472,148	1,499,284

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

	2012/13 £	2013/14 £
Opening balance on the provision	158,251	322,625
Write-offs during the year	(91,640)	(81,132)
Additional provision required	256,014	15,734
Total provision	322,625	257,227

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

	2012/13 £	2013/14 £
Opening balance on the provision	152,803	149,523
Write-offs during the year	(205,323)	(123,101)
Additional provision required	202,043	1,215,635
Total provision	149,523	1,242,057

Note C5 Collection Fund Surplus

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

Council Tax	**1st April 2013 £**	**Increase / (decrease) in year £**	**31st March 2014 £**
Gloucestershire County Council	566,204	(131,563)	434,641
Gloucestershire Police & Crime Commissioner	105,753	(23,699)	82,054
Cotswold District Council	71,215	(3,128)	68,087
Surplus / (deficit)	**743,172**	**(158,390)**	**584,782**

Non-domestic rates			
Central Government (50%)	-	(820,135)	(820,135)
Gloucestershire County Council (10%)	-	(164,027)	(164,027)
Cotswold District Council (40%)	-	(656,107)	(656,107)
Surplus / (deficit)	**-**	**(1,640,269)**	**(1,640,269)**

Collection Fund Balance	**743,172**	**(1,798,659)**	**(1,055,487)**

Statement of Responsibilities for the Statement of Accounts

The Authority's responsibilities

The Authority is required to:

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

The Chief Finance Officer's responsibility

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

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

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

The Chief Finance Officer has also:

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

I certify that the Statement of Accounts presented here gives a true and fair view of the financial position of the authority at the accounting date and of its income and expenditure for the year ended 31st March 2014.

Signed: ______________________ Date: ____________

Jenny Poole

Chief Finance Officer

In accordance with regulation 10(3) Accounts and Audit Regulations 2003, the statement of accounts is approved by Council on 23rd September 2014.

Signed: ______________________ Date: ____________

Cllr. Clive Bennett

Chairman of Cotswold District Council

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

Opinion on the financial statements
We have audited the financial statements of Cotswold District Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Cotswold District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

Opinion on accounting statements
In our opinion the accounting statements:

- give a true and fair view of the financial position of Cotswold District Council as at 31 March 2014 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters
In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception
We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those 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 2014.

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 form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Cotswold District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of Cotswold District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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

Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

September 2014

Annual Governance Statement 2013/14

1. Scope of responsibility

1.1. Cotswold District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Cotswold District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2. In discharging this overall responsibility, Cotswold District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

1.3. Cotswold District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the authority's code can be obtained from Internal Audit. This statement explains how the authority has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2. The purpose of the governance framework

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

2.2. The system of internal control is a significant part of that 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 ongoing process designed to identify and prioritise the risks to the achievement of Cotswold District

Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

2.3. The governance framework has been in place at Cotswold District Council for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

3. The governance framework

3.1. The Annual Governance Statement includes a brief description of the key elements of the governance framework that the authority has in place.

3.2. The Council is committed to the principles of good corporate governance and wishes to confirm its ongoing commitment and intentions through the development, adoption and continued maintenance of a Local Code of Corporate Governance. This document therefore sets out and describes the Council's commitment to corporate governance. The document identifies the arrangements that have been made and will continue to be made, to ensure its effective implementation and application in all aspects of the Council's work.

3.3. For the purpose of the Local Code, the Council has accepted the definition of Corporate Governance as follows:

> "Corporate governance is the system by which local authorities direct and control their functions and relate to their communities".

3.4. Cotswold District Council recognises that effective local government relies upon the public having a level of confidence in both elected Members and Officers of their local Council.

3.5. Setting high standards of self-governance provides a clear and demonstrable lead to both existing and potential partners.

3.6. This year the Council formally self-evaluated its current governance arrangements and produced this Annual Governance Statement. In order to review the current arrangements the Council:

- Considered the extent of compliance with the principles and requirements of good governance as set out in the Local Code of Corporate Governance
- identified systems, processes and documentation that provided evidence of compliance;

- identified the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation;
- Ensured that management and reporting arrangements were in place to monitor governance effectiveness;
- identified the issues that had not been addressed adequately and considered how they should be addressed;
- identified the individuals who were responsible for undertaking the actions required and plan accordingly;
- Ensured risk management arrangements were in place and were operating effectively; and
- Ensured that systems of control are working effectively.

3.7. The assurance framework ensured that continuous governance arrangements were in place. Assurance was obtained from a number of sources, for example, independent external inspection agencies, internal review functions and effective business management systems like performance and risk management. Maintenance and development of the assurance framework is overseen by the Audit & Scrutiny Committee.

3.8. Key supporting elements of the Council's Governance Framework are described below:

3.9. The Council's strategic and operational planning framework is determined by the Corporate Strategy and the Corporate Plan. The Corporate Strategy covers a four-year period with the Corporate Plan covering the plans for the next year. The Corporate Strategy and Corporate Plan is combined into one document which is an important reference source for staff, Councillors, stakeholders, partners and the public in that it sets out the Council's short and medium term plans.

3.10. Progress against the Corporate Plan is monitored and reported to Cabinet and Audit & Scrutiny Committee throughout the year. The quarterly finance/service performance report describes progress against the Council’s top tasks and efficiency measures, and key tasks that contribute to the achievement of the Council’s priorities, performance indicators, and risks identified during the service planning process. In addition, the report also contains an update on the Council’s finances, both revenue outturn and capital expenditure.

3.11. The Council's decision-making processes are set out in the Constitution. Committee meetings are open to the public except where exempt and/or confidential matters are discussed, and schedules of meetings, agendas, reports and minutes are available to the public on the Council's web site. A rolling Forward Plan is also available which details key decisions to be made in the coming four-month period and members of the public are able to make representations about any of these matters.

3.12. Staff working in the Democratic Services team, support Members in ensuring the requirements of the Constitution are adhered to. The Council's Monitoring Officer ensures compliance with established policies, procedures, laws and regulations, and Internal Audit further supports this through a risk assessed programme of planned audit work covering financial, non-financial and ICT systems. The Council's External Auditor also comments on the Council's procedures for delivering value for money.

3.13. Risk registers are now well established both at service level and at corporate level. The Service Risk Registers have been developed as an integral part of the service planning process and form part of the Service Delivery Plans. The Corporate Risk Register has six dimensions relating to different types of risks; these are overarching strategic risks, finance, customers, business processes, organisational learning and longer term risks. Risk management is well embedded with risk issues being discussed at Corporate Team/Strategic Management Team meetings. The Corporate Governance Group reviews the risk management process and reports on its adequacy to the Audit and Scrutiny Committee. The Audit and Scrutiny Committee receives the full Corporate Risk Register and key risks (primary) on the Service Risk Registers as part of the quarterly finance/service performance report. Key risks are also reported to the Cabinet. The Risk Management Group meets regularly to review the risk registers in detail. The risk registers are at two levels; corporate and service. The Service Risk Registers include service risks, capital risk and programme risks. If any of these service risks are scored 12 or higher they are escalated to the Corporate Risk Register. This escalation allows decisions or actions to be taken at Corporate Team level where individual Heads of Service or the relevant Programme Board does not have the authority or resources to implement. Risk management procedures continue to be closely aligned to the performance monitoring function.

3.14. The Council employs a Performance and Policy analyst to co-ordinate the performance management process and ensure accurate and timely performance information is produced to inform Corporate Team, Audit & Scrutiny Committee and Cabinet. This ensures that underperformance is identified early and remedial action is considered. All tasks and performance indicators as set out in the Service Delivery Plans are attributed to individual Heads of Service and Portfolio Holders to ensure direct accountability. Progress and performance is monitored using the Council's corporate performance management system, and reported on a quarterly basis.

3.15. The Council has good financial management mechanisms in place for monitoring and reporting against the Medium Term Financial Plan and approve the budget for the year. A full review of cost centres is carried out each quarter with key variances being investigated and explained. The change programme "One Team" was introduced in 2009/10. Budget reports are provided to the Programme Team so that efficiency targets can be monitored and performance reported to the Board. Capital expenditure, which is linked to the Corporate Plan and the Medium Term Financial Plan, is also monitored and reported to Members. The availability of Financial Rules and Contract Procedure Rules on the intranet, the advice and support provided by the Accountancy Section and the ongoing provision of training on financial matters ensures officers have the information and support they need to maintain a sound financial framework. The Financial Rules and Contract Procedure Rules are also available to Members and members of the public via the Constitution on the Council's website. In addition to publishing all accounts and Annual Audit Letters in accordance with legislative requirements, the Council also publishes a summary of its financial statements in a user friendly format. The Council has embedded the core principles the Government's Transparency Agenda into its operations and has decided to publish all its financial spend (not just that which exceeds the thresholds of £500 (initial) and £250 (subsequent) contained in Government guidance) on its website on a monthly basis, and responds to any questions arising from this.

3.16. During 2013/14, the Council's senior management was made up of a Shared Chief Executive with West Oxfordshire District Council, three Directors (two of which are shared with West Oxfordshire District Council) and eleven Heads of Service (of which four are shared with West Oxfordshire District Council and one is shared with West Oxfordshire District Council, Cheltenham Borough Council and Forest of Dean District Council). Further shared management arrangements will be put in place for 2014/15.

4. Review of effectiveness

4.1. Cotswold District 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 executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2. Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

4.3. It comprises the systems and processes and cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate, leads its communities.

4.4. The Local Code of Corporate Governance has been developed in accordance with and is consistent with the "Delivering Good Governance in Local Government: Framework" issued by the CIPFA/SOLACE Joint Working Group in December 2012.

4.5. The core governance principles of the Council are:

1) focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;

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

3) promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

4) taking informed and transparent decisions which are subject to effective scrutiny and managing risk;

5) developing the capacity and capability of members and officers to be effective; and

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

4.6. The six core principles are each supported by a number of principles, which in turn have a range of specific requirements that apply across the Council's business. The Local Code of Corporate Governance sets out how Cotswold District Council ensures compliance with these corporate governance principles.

1.	**Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**	
	Supporting Principles	*Practice at Cotswold District Council*
1.1	Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users.	The Council has a Corporate Strategy and Corporate Plan spanning three years (2012- 2015) which outlines the Council's Aim 'to be recognised as the most efficient council in the country', the Priorities and the Top Tasks to achieve those priorities. The Council's Aim and Priorities are determined by Members through Cabinet and Council, following consultation with the public. The Council also publishes an annual report, the 'Review of the Year' which sets out the Priorities and outlines achievements against them as well as other actions and details of the Council's finances and performance. The Corporate Strategy and Review of the Year are published on the Council's website.
1.2	Reviewing the authority's vision and its implications for the authority's governance arrangements.	The Corporate Strategy and Plan are fundamentally reviewed every 4 years, linked to the election cycle, and updated annually having regard to new information (e.g. 2011 Census). The Top Tasks for the forthcoming year are also refreshed.
1.3	Translating the vision into objectives for the authority and its partnerships.	The Aim and Priorities in the Corporate Strategy are supported by a series of Top Tasks i.e. the most important key actions needed to meet the Priorities. Underpinning the Priorities and Top Tasks are Service Delivery Plans (SDPs) which set out how each service contributes to the achievement of the Council's Aim and Priorities, and identifies who is accountable
1.4	Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's	The Council's Aim 'to be recognised as the most efficient council in the country' is being measured using a basket of indicators based on cost,

	objectives and for ensuring that they represent the best use of resources and value for money.	outputs and outcomes. A baseline has been established to gauge future progress and improvements. Progress on the Council's efficiency measures is reported to the Audit and Scrutiny Committee and Cabinet on a quarterly basis for review and challenge, along with other performance data, including the Council's top tasks, key tasks that contribute to the Council's Priorities, and performance indicator outturns. The Council has also identified the need to measure customer satisfaction. There are various means of measuring customer satisfaction across the Council and these are tailored to corporate and/or service specific needs. Examples include surveys of visitors and service users, comments cards etc. The Council also carries out consultation on its Budget Strategy annually to judge the public's views on its spending/savings plans.
2.	**Members and Officers working together to achieve a common purpose with clearly defined functions and roles**	
2.1	Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements.	The Chief Executive is designated as the Head of the Paid Service. His duties in this regard are set out in the Council's Constitution and the officer's detailed job specification. This role is a shared arrangement with the West Oxfordshire DC under a formal secondment agreement. The respective roles of Leader and Chief Executive are set out in the Council's Constitution, underpinned by the more general requirements of the Member/Officer Protocol. Other aspects are contained in the Chief Executive's job specification. An appraisal process across the two Councils is in place. The Council has a Partnership Framework and Toolkit which sets out the roles and responsibilities of Members and officers and gives guidance in relation to their partnership work.

3.	**Promoting the Council's values and upholding high standards of conduct and behaviour**	
3.1	Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.	The roles and responsibilities of Members generally and all office holders are set out in the Council's Constitution, along with the way in which the various elements of the Council interact and complement each other. The Constitution is supported and underpinned by separate Codes of Conduct for Members and Officers, and a joint Member/Officer Protocol, which set out guidelines as to behaviour and practical issues. A comprehensive induction programme provides further assistance to Members and officers as to their roles and responsibilities. The Constitution is also reviewed regularly reflecting legislative changes, guidance and best practice.
4.	**Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**	
4.1	Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.	The Constitution contains a comprehensive description of the allocation of functions and responsibilities across the Member and Officer structures. The relevant sections are kept under regular review to ensure that it accurately reflects legislative and local requirements, guidance and best practice. The Council has a Data Quality Policy. At year end, officers are requested to verify the outturns of their performance indicators and to provide supporting evidence. Internal audit reviews performance management arrangements, including the outturns for a number of performance indicators annually.
4.2	Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability.	The Council's Corporate Governance Group oversees corporate risk management. The Council has a Risk Management Policy and risks are identified and managed both corporately and at

		service level, as part of the Performance Management process. The Risk Management Group meets quarterly and reviews the Corporate risk register. Decisions are made regarding risk scores, removing obsolete risks and adding new risks to the register. Audit and Scrutiny Committee has oversight of the Risk Management Policy and processes. Appropriate training is provided to Members and Officers. The standard committee report template also includes a section to highlight/identify associated risks.
4.3	Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained.	The Council also has an Anti-Fraud and Corruption strategy. All new employees and members are briefed on the policies during their induction. Refresher training is provided to Heads of Service, managers and Members as required. Anti-fraud and corruption guidance is issued to all staff and managers. This guidance includes relevant Whistle-Blower Policy references and direction.
4.4	Ensuring effective management of change and transformation.	The One Team programme controls and delivers the projects of change and this has been broadened to include joint working with WODC to deliver further efficiencies, in line with the Council's overall aim to be recognised as the most efficient Council in the country.
4.5	Ensuring the authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government* (2010) and, where they do not, explain why and how they deliver the same impact.	The governance requirements in the CIPFA Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to other members (of that team). The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the authority's Annual Governance Report, together with how these deliver the same impact. Although the Chief Finance Officer does not report directly to the Chief Executive at Cotswold, she

		reports to the shared Strategic Director of Corporate Resources (also a qualified accountant with Chief Finance Officer responsibilities for West Oxfordshire District Council). Having access to a second individual with CFO skills and knowledge strengthens the Leadership Team at Cotswold. The Cotswold Chief Finance Officer has direct access to the Chief Executive as necessary. She also attends meetings of the Corporate Team and Strategic Management Team where she is able to fulfil her Chief Finance Officer role.
4.6	Ensuring the authority's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit* (2010) and, where they do not, explain why and how they deliver the same impact.	The Head of Audit Cotswolds fulfils the role of Head of Internal Audit for Cotswold DC. Through the Partnership Section 101 Agreement, and the Job Description for the position, it is evidenced that the CIPFA role is delivered in full. A statement of the 5 Principles within the CIPFA role has been completed by the Head of Audit Cotswolds demonstrating compliance with this requirement.
4.7	Ensuring effective arrangements are in place for the discharge of the monitoring officer Function.	The Head of Legal and Property Services is designated as the Monitoring Officer (with the Head of Democratic Services as Deputy). Duties in this regard are set out in the Council's Constitution and the officers' detailed job specifications. These Officers, supported by others within Democratic Services and Legal Services, ensure that the Council's decision-making processes comply with legislative and Constitutional requirements.
4.8	Ensuring effective arrangements are in place for the discharge of the head of paid service function.	The Chief Executive is designated as the Head of the Paid Service. His duties in this regard are set out in the Council's Constitution and the officer's detailed job specification. This role is a shared arrangement with the West Oxfordshire DC under a formal secondment agreement.
4.9	Undertaking the core functions of an audit committee, as identified in CIPFA's	The Council has an Audit and Scrutiny Committee which was establishing during the 2013/14

	Audit Committees: Practical Guidance for Local Authorities.	municipal year. The Audit and Scrutiny Committee receives reports from Internal and External Audit, reviews and recommends the Council's financial statements and Treasury Management reports to full Council. Full details of the terms of reference and functions of the Committee are set out in the Constitution. There is also a Corporate Governance Group, which consists of a number of officers, which meet as necessary and can report into the Audit and Scrutiny Committee or Cabinet as appropriate.
4.10	Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.	All reports contain a section on legal implications, including comments relating to ultra vires where relevant. The Council's Contract Procedure Rules also include information relating to letting contracts under European Regulations.
4.11	Whistleblowing and receiving and investigating complaints from the public.	The Council has published a whistle-blowing policy. The Council also has an Anti-Fraud and Corruption strategy. All new employees and members are briefed on these policies during their induction. Refresher training is provided to Heads of Service, managers and Members as required. This includes requirements within Contract Procedure Rules requiring contracting organisations to ensure that employees are made aware of the Council's Whistle Blowing Policy. The Whistle Blowing Policy is communicated to all existing contractors and ensuring they make their employees aware of how to access the Council's policy. The Council's complaints process includes a centrally managed recording system (using Excel) to log all complaints. This system enables reports to be generated including statistical data on numbers and types of complaint.

5.	**Developing the capacity and capability of Members and officers to be effective**	
5.1	Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.	The induction programme provided for Members immediately after each District Council election, together with the on-going programme, aims to provide Members with the skills needed to perform their roles. Members are encouraged to identify individual and specific training and development needs. Members are also required to undertake training before performing some specific roles, such as planning and licensing. Officers are appraised annually and the process identifies any skills or training gaps. The Corporate Training Programme is developed from the identified training gaps.
6.	**Engaging with local people and other stakeholders to ensure robust public accountability**	
6.1	Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.	The Council has a Communications and Engagement Strategy and actively consults with the public as appropriate. Some of the consultations that took place during 2013/14 included the Local Plan, Local Council Tax Scheme, and Housing Allocations Scheme. Targeted consultation is also undertaken with established groups such as representatives of the elderly, youth and people with disabilities, for instance, on specific service proposals which may affect them, as well as more general public consultation on the Council's Budget Strategy and the Council's Priorities. The Council also has an Equality Scheme, part of which sets out how the authority aims to consult with people from protected groups on proposals which may affect them. The aim is to target engagement with protected groups at relevant groups, rather than a broad-brush approach. The Council annually publishes information which demonstrates how the Council complies with

		equality law. The Council has developed the Cotswold Community Conversation as a replacement for the Local Strategic Partnership. Its purpose is to provide a forum for the Council to engage with other agencies and local communities to discuss issues of common interest. This allows partners to develop appropriate responses either in partnership or in the knowledge of what is already happening in the district. By helping to build trusted relationships the Conversation approach helps to strengthen channels of communication and engagement. The Council's Press and Media Liaison Officer seeks to provide extensive coverage of key issues on behalf of the Council, and to promote wide public awareness of the full range of Council policies, services and facilities. This is achieved through a variety of methods, including media releases, briefings, public fora, newsletters and tweets. The Council also produces its own newsletter (Cotswold News) from time to time, providing information and seeking feedback on important issues, which is circulated to every household in the District. There are several twitter accounts in the organisation, including the Chief Executive's, which are enabling the Council to keep in touch with its residents and service users.
6.2	Enhancing the accountability for service delivery and effectiveness of other public service providers	All tasks and performance indicators are attributed to individual Heads of Service and Portfolio Holders to ensure direct accountability. Service Delivery Plans identify key tasks and three year targets for performance indicators. Local government is accountable in a number of ways. Elected local authority members are democratically accountable to their local area and this gives a clear leadership role in building

		sustainable communities. All members must account to their communities the decisions they have taken and the rationale behind those decisions. All authorities are subject to external review through the external audit of their financial statements. They are required to publish their financial statements and are encouraged to prepare an annual report. Many are subject to national standards and targets. Their budgets are effectively subject to significant influence and overview by government, which has powers to intervene. Members and Officers are subject to codes of conduct. Additionally, if someone believes that maladministration may have occurred, the aggrieved person may lodge a formal complaint with the Council. If that person is not content with any response, then the matter can be pursued through the Local Government Ombudsman.
6.3	Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.	The Council's Partnership Framework and Toolkit which sets out the roles and responsibilities of those representing the Council on partnerships and gives guidance in relation to the management and governance of partnerships. The Council also maintains details of known Partnerships, which are reviewed from time to time.

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

Signed:

Leader

Chief Executive

on behalf of Cotswold District Council

End of Report