COTSWOLD
DISTRICT COUNCIL

STATEMENT OF ACCOUNTS
2016/2017

CONTENTS

Cotswold District Council

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

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

The District weathered the recent recession better than many other areas, with lower levels of unemployment. Whilst local people are employed in a wide range of occupations, Tourism is a major part of the local economy. Technology is also allowing large numbers of people to work from home.

In considering our aim and priorities, we have been very much aware of the need to maintain progress on improving our efficiency, while ensuring that we provide quality services at the lowest cost possible. We are aiming high in striving to be the most efficient local authority in the country, but we have made significant strides already in this regard, and have 'led the field' in terms of Council tax reductions. Indeed, we are confident that further joint working with neighbouring councils - as part of the new 2020 Vision partnership - will help us continue our upward trajectory.

2020 Vision Partnership

Cotswold, Forest of Dean and West Oxfordshire District Councils, along with Cheltenham Borough Council agreed in June 2014 to form a four council partnership to make substantial savings whilst continuing to deliver services locally. This is known as the 2020 Vision Partnership and it is guided by the vision:

'A number of Councils, retaining their independence and identity but working together and sharing resources to maximise mutual benefit leading to more efficient effective delivery of local services.'

The move is projected to save the councils collectively £41 million over 10 years with annual savings of £5.9 million per year forecast from 2020. It will mean we can preserve services and increase our resilience whilst respecting each council's separate identity and retaining strong local knowledge.

Each council will retain its own identity, still have its own elected members and will continue to make decisions taking account of the needs of its local community. There will be staff working in each location, as at present.

The partner councils have been sharing human resources, finance and payroll services since 2012 in what is known as GO (Gloucestershire Oxfordshire) Shared Service and, building on this foundation, in April 2016 extended the shared services to include Information Technology, Public Protection, Building Control, Legal, Property, Customer Services and Revenues and Benefits*.

The partners set up a Joint Committee in early 2016 to oversee the next stage of the Shared Services Programme, and are now working towards establishing local authority owned companies to run the services from Autumn 2017. The local authority owned companies will provide all the services currently provided by Cotswold, Forest of Dean and West Oxfordshire District Councils plus ICT, HR and finance for Cheltenham Borough Council.

**Not all councils are necessarily involved in each of these services as some have different arrangements.*

Our Aim and Priorities

To be recognised as the most efficient Council in the Country

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

Protect and enhance the local environment whilst supporting economic growth

Champion issues that are important to local people

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

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

The Corporate Strategy 2016 to 2019 can be found on our website Corporate Strategy and Corporate Plan 2016-2019.

Medium Term Financial Strategy (MTFS)

The Council operates a rolling 4 year MTFS, the latest being approved by Council on 21 February 2017. This latest update reflected announcements in the provisional local government settlement for 2017/18 including:

- Confirmation of the second year of funding of the multi-year settlement for those councils that accepted the Government's offer (including Cotswold District Council) and illustrative figures for 2018/19 and 2019/20 in line with the multi-year settlement;
- reforms to the New Homes Bonus;
- Government's proposals for the council tax referendum principles for 2017-18;
- the approach for adjusting business rates tariff and top ups to cancel out, as far as is practicable, the impact of the 2017 business rates revaluation on local authorities' income.

Over the next four years, the Council has plans to deliver savings of £2.3 million through its 2020 Partnership working and through the delivery of savings from previous transformational change programmes.

	2017/18 £000	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**
Net Cost of Service	10,485	10,515	10,702	10,911
Central Government Funding	(5,881)	(5,328)	(5,223)	(4,880)
Council Tax	(4,935)	(5,094)	(5,258)	(5,427)
Collection Fund Surplus	(109)	(100)	(100)	(100)
Budgeted (Surplus) / Deficit	**(440)**	**(7)**	**121**	**504**

The latest Medium Term Financial Strategy can be found on the Council's website Medium Term Financial Strategy 2017/18 to 2020/21

Financial Performance

The Council's 2016/17 budget strategy assumed a balanced budget with a £610,446 surplus and contribution to General Fund (Unallocated) balances. The outturn position resulted in a contribution of £652,358 to General Fund Earmarked Reserves, £42,057 more than anticipated.

To view the full Summary Performance and Revenue Outturn report, and list of budget variances, please refer to the 15th June 2017 Cabinet Committee papers.

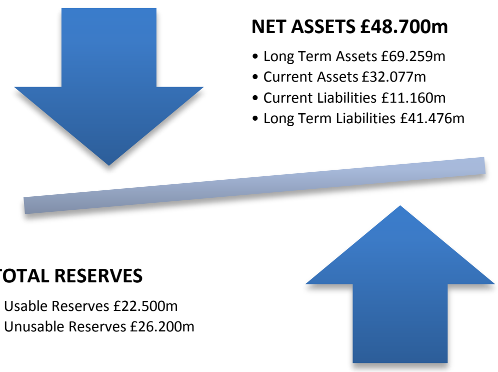
Capital Programme (Asset Management)

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

EXPENDITURE	OUTTURN 2016/17 £000	MTFS 2017/21 £000	TOTAL £000
Private Sector Housing	676	2,800	3,476
ICT Infrastructure	131	1,160	1,291
Waste/Env. Vehicles & Equip.	994	3,116	4,110
Waste Depot	519	0	519
Flood Defences	413	200	613
Community Projects	71	0	71
Car Parking	0	550	550
2020 Vision	0	658	658
Rural Broadband	0	500	500
Leisure Equipment	0	250	250
Total Expenditure	**2,804**	**9,234**	**12,038**
FUNDING			
Revenue Contributions	250	1,000	1,250
Grants and contributions	967	2,600	3,567
Capital Receipts & Reserves	1,587	5,634	7,221
Total Expenditure	**2,804**	**9,234**	**12,038**

Financial Position

The Council continues to maintain a strong Balance Sheet despite financial challenges. Net Assets reduced in the year by approximately £5m principally due to re-measurements of the pension fund liability.



Operational Performance and Efficiency

Each quarter, the Council monitors its progress towards achieving the aim and priorities set out in the Corporate Strategy and Plan, in particular the ten tasks which have been selected as 'Top Tasks, as well as service delivery.

- Over 80% of performance indicators achieved their targets or achieved their targets 'within tolerance' in 2016/17.
- Three top tasks have been achieved, two tasks are running behind schedule, and the remaining five tasks are progressing as expected.

The Council's efficiency is measured against a basket of indicators. For each indicator, performance is ranked against the performance of all 201 shire district councils, with the best performance ranked '1' and the lowest '201'. The rankings for individual indicators are aggregated to produce an overall ranking for each council; the council with the lowest score is the best performing or 'most efficient' council. Baseline rankings for all indicators and overall ranking was established (primarily based on 2011/2012) data) which is used to gauge future improvements.

The latest ranking exercise (primarily based on 2015/16 data) placed the Council in 3rd position.

The Council's Summary Performance Report for 2016/17 will be considered by Cabinet on 15 June 2017. The report details the key variances for the year and explanations of the major balances. All Committee papers are available from the Council website at: www.cotswold.gov.uk

Risk Management

The Joint Risk Management Group maintain the Corporate Risk Register, which is regularly reviewed and updated. Risks are categorised according to 'dimensions' and scored using an approved evaluation criteria and methodology; any risk scoring 12 or above is considered a primary risk.

At the end of March 2017, the register contained five primary risks; all five were rolled forward from the previous quarter and related to financial matters and staffing and capacity. In addition, the announcement of a General Election in June has resulted in further uncertainty and is reflected in some of the high scoring risks.

Service Risk Registers are managed by service officers and have been updated to reflect changes to risk ratings in March 2017, identifying two primary risks.

Explanation of the Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2017. It comprises core and supplementary statements, together with supporting notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which in turn is underpinned by International Financial Reporting Standards. A glossary of key terms and abbreviations can be found at the end of this publication.

The **Core Statements** are:

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

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

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

The **Balance Sheet** is a 'snapshot' of the Council's assets, liabilities, cash balances and reserves as at the year-end, 31 March 2017.

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

The **Supplementary Statements** are:

The **Collection Fund** summarises the transactions relating to council tax and business rates collection, and the redistribution of some of that money to 'preceptors - Gloucestershire County Council, Gloucestershire Police and Crime Commissioner, Town and Parish Councils.

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

Prior Period Re-presentation

The 2016/17 Code of Practice changed the segmental reporting arrangements for the Comprehensive Income and Expenditure Statement and introduced the Expenditure and Funding Analysis (Note B1). This change means that we are no longer required to report the cost of services in accordance with the format specified in the *Service Reporting Code of Practice* but instead use an analysis on the basis of organisational structure and according to how the Council operates, monitors and manages financial performance.

This means that the prior year comparative figures in the Comprehensive Income and Expenditure Statement have been re-presented from those published in the 2015/16 Statement of Accounts.

This re-presentation has not affected either the previously reported Surplus or Deficit on Provision of Services nor any other balance as at the 31 March 2016.

Pensions Liability

The pensions liability as at 31 March 2017 was £41.249m. Whilst a significant sum, this is the net value of what the Council owes across all future years offset against assets invested in the Local Government Pension Scheme.

The fund is revalued and contribution rates set every three years. The most recent valuation was 31 March 2016.

The Council is making contributions to cover liabilities accruing for employees that are current members of the scheme and an annual lump-sum contribution to fund the deficit.

Facing the Challenges Ahead

Politically, 2016/17 was an extraordinary twelve month period with the UK voting to leave the European Union and Donald Trump elected as the new President of the USA. 2017/18 has started in a similar vein with Prime Minister, Theresa May, calling a snap general election on 8th June 2017.

UK inflation had been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the Pound following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year on year in April 2016 to 2.3% in March 2017. Analysts forecast inflation peaking at just over 3% this year, but then expect levels to fall back towards the Bank of England target of 2%.

Despite growth forecasts being downgraded, economic activity was fairly buoyant and GDP grew 1.8% over the past three quarters in 2016. The labour market also proved resilient, with the official unemployment rate dropping to 4.7% in February 2017, its lowest level in 11 years.

One of the biggest financial challenges the Council faces is the change to central government funding from New Homes Bonus and the implementation of 100% Business Rates Retention. Whilst some changes to New Homes Bonus have been announced, changing the award period from six years to four years and introducing a baseline for housing growth baseline of 0.4%, further changes may be introduced from 2018/19 which would reduce the value of the grant to the Council.

The impact of the change to 100% Business Rate Retention and the additional burdens which will be placed upon the Council are still uncertain with progress at national government stalling as a result of the snap election. The Council updated its Medium Term Financial Strategy in February 2017 to include the latest forecast implications and will continue to keep the Strategy under review as further information becomes available.

Operationally, the Council is undertaking the transition to commissioning services from three newly established local authority wholly-owned companies known as the Publica group. The Council's employees will transfer to the employment of the Publica companies during autumn 2017 and Publica will begin to provide services on behalf of the Council.

This is an evolution from the 2020 Joint Committee and the Council will be ensuring that robust governance arrangements are put in place to enable the Council to be confident that Publica delivers quality, value for money services on its behalf.
In terms of risk to this Council, at the moment there is no significant change, but like the rest of the country it is wait and see how the implications of "Brexit" and the new UK government evolve.

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's responsibilities

The Authority is required to:

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

The Chief Finance Officer's responsibility

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

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

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

The Chief Finance Officer has also:

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

CERTIFICATE

I certify that the Statement of Accounts presented here gives a true and fair view of the financial position of the authority at the accounting date and of its income and expenditure for the year ended 31st March 2017.

____ Date: ________________

Jenny Poole
Chief Finance Officer

The statement of accounts was approved by the Chairman of the Audit Committee, on behalf of Cotswold District Council.

____ Date: ________________

Cllr. Len Wilkins
Chairman of Cotswold District Council Audit Committee

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2015/2016 Gross Expenditure £	2015/2016 Gross Income £	2015/2016 Net Expenditure £		Note	2016/2017 Gross Expenditure £	2016/2017 Gross Income £	2016/2017 Net Expenditure £
			Joint Committee				
1,234,336	(583,930)	650,406	Environmental and Regulatory Services		1,466,778	(720,346)	746,432
3,668,053	(2,924,781)	743,272	GO Shared Services		3,908,888	(3,290,808)	618,080
1,719,240	(161,172)	1,558,068	ICT, Change and Customer Services		1,840,418	(230,773)	1,609,645
1,692,225	(728,604)	963,621	Land, Legal and Property Services		1,561,899	(547,489)	1,014,410
616,376	(563,572)	52,804	Partnership MD and 2020 Programme Costs		880,056	(666,671)	213,385
22,252,479	(21,462,154)	790,325	Revenues and Housing Support Services		21,497,319	(21,037,755)	459,564
			Strategic Directors				
1,267,059	(214,838)	1,052,221	Democratic Services		1,287,276	(401,917)	885,359
7,652,946	(4,811,938)	2,841,008	Environmental Services		8,883,328	(4,836,668)	4,046,660
1,626,002	(368,621)	1,257,381	Leisure and Communities Services		2,435,474	(505,569)	1,929,905
3,180,713	(1,800,507)	1,380,206	Planning and Strategic Housing Services		3,103,832	(1,359,216)	1,744,616
644,443	(150,628)	493,815	Other Retained Services		467,948	(109,040)	358,908
45,553,872	**(33,770,745)**	**11,783,127**	**Cost of Services**		**47,333,216**	**(33,706,252)**	**13,626,964**
2,392,473	(812,730)	1,579,743	Other Operating Expenditure	*B3*	2,606,655	(413,414)	2,193,241
1,557,321	(1,371,056)	186,265	Financing and Investment Income and Expenditure	*B4*	1,787,000	(854,581)	932,419
0	(13,750,078)	(13,750,078)	Taxation and Non-Specific Grant Income	*B5*	0	(15,791,459)	(15,791,459)
49,503,666	**(49,704,609)**	**(200,943)**	**(Surplus) / Deficit on Provision of Services**	*B1/B2*	**51,726,871**	**(50,765,706)**	**961,165**
		(9,699,551)	(Surplus) / deficit on revaluation of non current assets				(1,110,888)
		(2,034)	(Surplus) / deficit on revaluation of available for sale financial assets				(5,785)
		(8,852,000)	Remeasurement of the net defined benefit liability				5,095,000
		(18,553,585)	**Other Comprehensive Income and Expenditure**				**3,978,327**
		(18,754,528)	**Total Comprehensive Income and Expenditure**				**4,939,492**

B1. Expenditure and Funding Analysis

	2016 / 2017					
	Net Expenditure in CI&ES £	Adjs. between accounting and funding basis £	Transfers to /(from) GF Earmarked Reserves £	Net Exp. Chargeable to the General Fund £	Management Reporting Adjs. £	Outturn Reported to Management £
Joint Committee						
Environmental and Regulatory Services	746,432	(201,456)	0	544,976	591,000	1,135,976
GO Shared Services	618,080	(35,733)	0	582,347	(741,239)	(158,892)
ICT, Change and Customer Services	1,609,645	(140,550)	0	1,469,095	(1,233,507)	235,588
Land, Legal and Property Services	1,014,410	(140,750)	0	873,660	(735,777)	137,883
Partnership MD and 2020 Programme Costs	213,385	(2,846)	0	210,539	(85,642)	124,897
Revenues and Housing Support Services	459,564	(168,001)	0	291,563	614,058	905,621
Strategic Directors						
Democratic Services	885,359	(74,475)	0	810,884	190,349	1,001,233
Environmental Services	4,046,660	(987,934)	0	3,058,726	617,147	3,675,873
Leisure and Communities Services	1,929,905	(1,026,492)	0	903,413	976,916	1,880,329
Planning and Strategic Housing Services	1,744,616	(448,836)	0	1,295,780	994,573	2,290,353
Other Retained Services	358,908	1,680,476	0	2,039,384	3,528,216	5,567,600
Corporate Resources	0	0	15,211	15,211	(1,658,638)	(1,643,427)
Cost of Services	**13,626,964**	**(1,546,597)**	**15,211**	**12,095,578**	**3,057,456**	**15,153,034**
Other Income and Expenditure	(12,665,799)	(82,137)	0	(12,747,936)	(3,057,456)	(15,805,392)
(Surplus) / Deficit on Provision of Services	**961,165**	**(1,628,734)**	**15,211**	**(652,358)**	**0**	**(652,358)**
Opening General Fund Balance (Unallocated) at 1 April				(3,727,687)		
(Surplus) / Deficit for the year				(652,358)		
Closing General Fund Balance (Unallocated) at 31 March				**(4,380,045)**		

	2015 / 2016					
	Net Expenditure in CI&ES £	Adjs. between accounting and funding basis £	Transfers to /(from) GF Earmarked Reserves £	Net Exp. Chargeable to the General Fund £	Management Reporting Adjs. £	Outturn Reported to Management £
Joint Committee						
Environmental and Regulatory Services	650,406	(243,979)	0	406,427	530,430	936,857
GO Shared Services	743,272	(32,029)	0	711,243	(709,258)	1,985
ICT, Change and Customer Services	1,558,068	(145,547)	0	1,412,521	(1,182,102)	230,419
Land, Legal and Property Services	963,621	(129,445)	0	834,176	(806,037)	28,139
Partnership MD and 2020 Programme Costs	52,804	(2,526)	0	50,278	(50,278)	0
Revenues and Housing Support Services	790,325	(453,671)	0	336,654	675,301	1,011,955
Strategic Directors						
Democratic Services	1,052,221	(84,674)	0	967,547	130,164	1,097,711
Environmental Services	2,841,008	(682,202)	0	2,158,806	958,499	3,117,305
Leisure and Communities Services	1,257,381	(401,299)	0	856,082	693,416	1,549,498
Planning and Strategic Housing Services	1,380,206	(480,939)	0	899,267	1,008,741	1,908,008
Other Retained Services	493,815	1,366,075	0	1,859,890	(1,948,106)	(88,216)
Corporate Resources	0	0	1,044,926	1,044,926	(141,737)	903,189
Cost of Services	**11,783,127**	**(1,290,236)**	**1,044,926**	**11,537,817**	**(840,967)**	**10,696,850**
Other Income and Expenditure	(11,984,070)	(369,830)	0	(12,353,900)	840,967	(11,512,933)
(Surplus) / Deficit on Provision of Services	**(200,943)**	**(1,660,066)**	**1,044,926**	**(816,083)**	**0**	**(816,083)**
Opening General Fund Balance (Unallocated) at 1 April				(2,911,604)		
(Surplus) / Deficit for the year				(816,083)		
Closing General Fund Balance (Unallocated) at 31 March				**(3,727,687)**		

Adjustments in the Expenditure and Funding Analysis

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

	2016 / 2017							
	Adjustments between funding and accounting basis (see MiRS Note C1)				Adjustments between amounts chargeable to the General Fund and Management Reporting			
	Capital Adjs £	Pension Adjs £	Other Adjs £	Total adjs between funding and accounting £	Support Services £	Depreciation £	Other Segment Adjs. £	Total Management Reporting Adjustments £
Joint Committee								
Environmental and Regulatory Services	(61,495)	(139,961)	0	(201,456)	529,505	61,495	0	591,000
GO Shared Services	(33,571)	(2,162)	0	(35,733)	(817,080)	33,571	42,270	(741,239)
ICT, Change and Customer Services	(42,645)	(97,905)	0	(140,550)	(1,276,152)	42,645	0	(1,233,507)
Land, Legal and Property Services	(119,475)	(21,275)	0	(140,750)	(855,252)	119,475	0	(735,777)
Partnership MD and 2020 Programme Costs	(2,846)	0	0	(2,846)	(88,488)	2,846	0	(85,642)
Revenues and Housing Support Services	(47,213)	(120,788)	0	(168,001)	566,845	47,213	0	614,058
Strategic Directors								
Democratic Services	(13,216)	(61,259)	0	(74,475)	177,133	13,216	0	190,349
Environmental Services	(950,446)	(37,488)	0	(987,934)	448,461	582,100	(413,414)	617,147
Leisure and Communities Services	(974,188)	(52,304)	0	(1,026,492)	73,434	903,482	0	976,916
Planning and Strategic Housing Services	(81,393)	(367,443)	0	(448,836)	913,180	81,393	0	994,573
Other Retained Services	(6,109)	1,686,585	0	1,680,476	328,414	21,202	3,178,600	3,528,216
Corporate Resources	0	0	0	0	0	(1,908,638)	250,000	(1,658,638)
Cost of Services	**(2,332,597)**	**786,000**	**0**	**(1,546,597)**	**0**	**0**	**3,057,456**	**3,057,456**
Other Income and Expenditure	(26,452)	(1,236,000)	1,180,315	(82,137)	0	0	(3,057,456)	(3,057,456)
(Surplus) / Deficit on Provision of Services	**(2,359,049)**	**(450,000)**	**1,180,315**	**(1,628,734)**	**0**	**0**	**0**	**0**

	2015 / 2016							
	Adjustments between funding and accounting basis (see MiRS Note C1)				Adjustments between amounts chargeable to the General Fund and Management Reporting			
	Capital Adjs £	Pension Adjs £	Other Adjs £	Total adjs between funding and accounting £	Support Services £	Depreciation £	Other Segment Adjs. £	Total Management Reporting Adjustments £
Joint Committee								
Environmental and Regulatory Services	(53,765)	(190,214)	0	(243,979)	476,665	53,765	0	530,430
GO Shared Services	(29,168)	(2,861)	0	(32,029)	(738,426)	29,168	0	(709,258)
ICT, Change and Customer Services	(41,526)	(104,021)	0	(145,547)	(1,223,628)	41,526	0	(1,182,102)
Land, Legal and Property Services	(108,935)	(20,510)	0	(129,445)	(906,485)	115,310	(14,862)	(806,037)
Partnership MD and 2020 Programme Costs	(2,526)	0	0	(2,526)	(52,804)	2,526	0	(50,278)
Revenues and Housing Support Services	(304,130)	(149,541)	0	(453,671)	624,823	50,478	0	675,301
Strategic Directors								
Democratic Services	(12,053)	(72,621)	0	(84,674)	118,110	12,054	0	130,164
Environmental Services	(625,192)	(57,010)	0	(682,202)	443,919	514,580	(0)	958,499
Leisure and Communities Services	(344,155)	(57,144)	0	(401,299)	47,751	645,665	0	693,416
Planning and Strategic Housing Services	(72,972)	(407,967)	0	(480,939)	935,769	72,972	(0)	1,008,741
Other Retained Services	(96,814)	1,462,889	0	1,366,075	274,305	34,291	(2,256,702)	(1,948,106)
Corporate Resources	0	0	0	0	0	(1,572,335)	1,430,598	(141,737)
Cost of Services	**(1,691,236)**	**401,000**	**0**	**(1,290,236)**	**0**	**0**	**(840,967)**	**(840,967)**
Other Income and Expenditure	1,339,770	(1,388,000)	(321,600)	(369,830)	0	0	840,967	840,967
(Surplus) / Deficit on Provision of Services	**(351,466)**	**(987,000)**	**(321,600)**	**(1,660,066)**	**0**	**0**	**0**	**0**

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

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

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

B2. Expenditure and Income Analysed by Nature

	2015/16 £	2016/17 £
Expenditure		
Employee benefits expenses	10,825,610	10,925,216
Housing Benefit & other transfer payments	20,283,540	19,468,443
Other service expenses	12,201,896	13,379,827
Depreciation, amortisation and impairment	1,572,335	1,908,638
Interest payments and similar expense	1,388,077	1,236,567
Precepts and Levies	2,392,473	2,606,655
Other expenditure	839,735	2,201,525
Total Expenditure	**49,503,666**	**51,726,871**
Income		
Fees, charges & other service income	(11,132,065)	(11,855,040)
Housing Benefit Subsidy	(19,914,729)	(19,091,182)
Other Government Grants	(6,279,842)	(7,407,427)
Income from Council Tax	(7,166,081)	(7,467,440)
Income from Non Domestic Rates	(1,251,202)	(1,929,319)
Non Government Grants & Contributions	(2,416,649)	(2,337,778)
Investment interest and similar income	(517,567)	(264,106)
Other income	(1,026,474)	(413,414)
Total Income	**(49,704,609)**	**(50,765,706)**
(Surplus) / Deficit on Provision of Services	**(200,943)**	**961,165**

B3. Other Operating Expenditure

	2015/16 £	2016/17 £
(Gains) / losses on disposal of non current assets	(354,065)	0
Unattached capital reciepts	(458,665)	(413,414)
Town and Parish Council support grant	102,688	96,680
Town and Parish Council precepts	2,289,785	2,509,975
	1,579,743	**2,193,241**

B4. Financing and Investment Income and Expenditure

	2015/16 £	2016/17 £
Interest payable and similar charges	77	567
Loss on disposal of investments	0	120,647
Interest receivable and similar income	(517,567)	(264,106)
Movement in the fair value of investment property	(213,745)	260,670
Net investment property (income) / expenditure	(470,500)	(421,359)
Net interest on the net defined benefit pension liability	1,388,000	1,236,000
	186,265	**932,419**

B5. Taxation and Non Specific Grant Income

	2015/16 £	2016/17 £
National Non Domestic Rates		
- Redistribution	(1,806,438)	(2,075,021)
- Safety Net Levy	269,023	235,792
- (Surplus) / Deficit	286,213	(90,090)
	(1,251,202)	(1,929,319)
Council Tax income	(7,166,081)	(7,467,440)
Revenue Support Grant	(1,510,388)	(856,355)
Other non-ringfenced government grants	(3,723,311)	(5,538,345)
Capital grants and contributions	(99,096)	0
	(13,750,078)	**(15,791,459)**

B6. Members' Allowances

	2015/16 £	2016/17 £
Basic and Special Responsibility Allowances	206,805	213,064
Expenses	13,134	12,679
	219,939	**225,743**

B7. External Audit Costs

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

	2015/16 £	2016/17 £
External audit services carried out by the appointed auditor	44,879	44,879
Certification of grant claims and returns	4,950	4,403
	49,829	**49,282**

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

GO Shared Services have also subscribed to Grant Thornton "CFO Insights" platform – an online tool containing financial, socio-economic and outcomes data from local authorities across the Country. The tool is used to provide insight to drive and evidence to support, financial decision making using benchmarking, segmentation and comparison. The cost of this service for the six months October 2016 to March 2017 was £7,500 of which £1,875 has been charged to the Council.

B8. Officer Remuneration

Senior Officer Remuneration

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

Post	Salary, allowances & other benefits £	Compensation for loss of office £	Total remuneration excl. pension contributions £	Pension Contributions £	Total Remuneration £
2016/2017					
Chief Executive[1]	0	0	0	0	0
Strategic Director - Resources (Head of Paid Service)[2]	101,277	0	101,277	13,712	114,989
Strategic Director[3]	94,726	0	94,726	11,590	106,316
Strategic Director - Environment[4]	0	0	0	0	0
Head of GO Shared Services (Chief Finance Officer)[5]	75,000	0	75,000	9,806	84,806
Head of Legal and Property Services (Monitoring Officer)[6]	78,096	0	78,096	9,115	87,211
	349,099	**0**	**349,099**	**44,223**	**393,322**

Post	Salary, allowances & other benefits £	Compensation for loss of office £	Total remuneration excl. pension contributions £	Pension Contributions £	Total Remuneration £
2015/2016					
Chief Executive and Head of Paid Service	127,757	0	127,757	17,512	145,269
Strategic Director - Corporate Resources	99,734	0	99,734	13,371	113,105
Strategic Director - Planning	86,337	0	86,337	10,224	96,561
Strategic Director - Environment	98,742	0	98,742	13,152	111,894
Strategic Director - Community Services	1,509	42,759	44,268	153	44,421
Head of GO Shared Services (Chief Finance Officer)	74,729	0	74,729	10,612	85,341
Head of Legal and Property Services (Monitoring Officer)	72,334	0	72,334	9,389	81,723
	561,142	**42,759**	**603,901**	**74,413**	**678,314**

[1] With effect from 1 April 2016, the Council's Chief Executive was appointed as Partnership Managing Director for the 2020 Partnership and Joint Committee. Whilst still representing Cotswold District Council at a strategic level the statutory role as Head of Paid Service has transferred to the Strategic Director (Resources).

[2] The Council's Strategic Director (Resources) is an employee of West Oxfordshire District Council, seconded for 50% of their time to Cotswold District Council. The figures shown above represent the full salary, allowances and pension costs incurred by West Oxfordshire District Council as the employing authority.

[3] The Council's Strategic Director is an employee of Cotswold District Council, seconded for 50% of their time to West Oxfordshire District Council. The figures shown above represent the full salary, allowances and pension costs incurred by Cotswold District Council as the employing authority.

[4] The post of Strategic Director (Environment) has been removed from the Council's establishment. The post holder was seconded to and funded by the 2020 Programme.

[5] As required under S151 of the Local Government Act 1972, the Council employs a Chief Financial Officer. These duties are undertaken by the Head of GO Shared Services and are deemed to be 50% of the role. The remaining 50% is combined with all other costs of GO Shared Services and shared with partner authorities (see Note E10 - Related Parties). The figures shown above represent the full salary, allowances and pensions costs incurred by Cotswold District Council as the employing authority.

[6] The Head of Legal & Property Services fulfils the statutory role of Monitoring Officer for Cotswold District Council. The post holder is the Group Manager for Legal & Property Services for Cotswold, West Oxfordshire and Forest of Dean District Councils. The figures shown above represent the full salary, allowances and pension costs incurred by Cotswold District Council as the employing authority.

Other Officer Remuneration

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

	2015/16	**2016/17**
	No. of Officers	
£50,000 to £54,999	3	3
£55,000 to £59,999	3	2
£60,000 to £64,999	2	3
£65,000 to £69,999	3	2
£70,000 to £74,999	1	1
£75,000 to £79,999	1	1
£80,000 to £84,999	1	1
£85,000 to £89,999	0	0
£90,000 to £94,999	0	1
£95,000 to £99,000	1	0
£100,000 to £104,999	0	1

B9. Grant Income

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

	2015/16 £	2016/17 £
Revenue grants credited to Cost of Services		
Housing Benefit Subsidy	19,914,729	19,091,182
Housing Benefit Administration Subsidy	316,643	299,014
	20,231,372	**19,390,196**
Revenue grants credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	1,510,388	856,355
New Homes Bonus	2,570,418	3,254,640
Section 31 NNDR Compensation	1,085,105	699,438
Rural Services Delivery Grant	0	598,715
DCLG Community Led Housing Grant	0	882,272
DCLG New Burdens	76,215	42,524
Council Tax Freeze	53,209	0
	5,295,335	**6,333,944**
Capital grants credited to the Comprehensive Income and Expenditure		
Better Care Fund (Disabled Facilities Grants)	476,776	675,743
Environment Agency/Gloucestershire County Council capital grants and contributions [re. Flooding and land drainage schemes]	222,885	291,310
S.106 Receipts	148,927	102,564
Other capital grants	94,711	0
	943,299	**1,069,617**

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:

	2015/16 £	2016/17 £
Environment Agency Grant [for specific Land drainage works]	(48,425)	(48,425)
Flood Defence Grants	(85,822)	(84,512)
SHI Loans	(47,680)	(47,680)
Disabled Facilities Grants	0	(43,294)
Other Grants Receipts in Advance	(3,060)	(3,059)
	(184,987)	**(226,970)**

B10. Termination Benefits

Redundancy and Compensation

An amount of £28,469 (2015/16 – £98,268) has been reflected within the Comprehensive Income and Expenditure Statement in respect of severance payments during the year. All payments are within the limits permitted by statute and the superannuation and compensation regulations, applicable at the time of the payment.

Pension Strain

A sum of £22,309 (2015/16 – £121,360) was charged to services in the Comprehensive Income and Expenditure Statement in respect of pension strain costs. Any additional contributions (strain contributions and augmentation contributions) that are due to be paid in the year by the Council under any agreement with the pension fund are recognised immediately as an expense.

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

	2015/16 No. of packages	2015/16 £	2016/17 No. of packages	2016/17 £
Severance Payments		98,268		28,469
Pension Strain Costs		121,360		22,309
	8	**219,628**	**4**	**50,778**

Exit Packages

The total cost of £50,778 (2015/16 - £219,628) shown above reflects the value of the exit packages which have been agreed, accrued and provided for and charged to the Council's Comprehensive Income and Expenditure Statement for the current year.

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

	2015/16 No. of packages	2015/16 £	2016/17 No. of packages	2016/17 £
£0 - £20,000	7	63,688	3	28,469
£20,001 - £40,000	0	0	1	22,309
£150,001 - £200,000	1	155,940	0	0
	8	**219,628**	**4**	**50,778**

MOVEMENT IN RESERVES STATEMENT

	Note	Usable Reserves						
		General Fund - Unallocated £	General Fund - Earmarked £	Capital Receipts Reserve £	Capital Grants Unapplied £	Total Usable Reserves £	Unusable Reserves £	TOTAL RESERVES £
Balance at 31 March 2015		**(2,911,604)**	**(4,801,691)**	**(11,019,223)**	**(155,363)**	**(18,887,881)**	**(15,997,384)**	**(34,885,265)**
Movements in reserves 2015/16		1,044,926	(1,044,926)	0	0	0	0	**0**
Total Comprehensive Income and Expenditure		(200,943)	0	0	0	(200,943)	(18,553,585)	**(18,754,528)**
Adjustments between accounting basis & funding basis under regulations	*C1*	(1,660,066)	211,651	(402,978)	95,614	(1,755,779)	1,755,779	**0**
(Increase) / Decrease in Reserves 2015/16		**(816,083)**	**(833,275)**	**(402,978)**	**95,614**	**(1,956,722)**	**(16,797,806)**	**(18,754,528)**
Balance at 31 March 2016		**(3,727,687)**	**(5,634,966)**	**(11,422,201)**	**(59,749)**	**(20,844,603)**	**(32,795,190)**	**(53,639,793)**
Movements in reserves 2016/17		15,211	(15,211)	0	0	0	0	**0**
Total Comprehensive Income and Expenditure		961,165	0	0	0	961,165	3,978,327	**4,939,492**
Adjustments between accounting basis & funding basis under regulations	*C1*	(1,628,734)	165,388	(1,153,879)	0	(2,617,225)	2,617,225	**0**
(Increase) / Decrease in Reserves 2016/17		**(652,358)**	**150,177**	**(1,153,879)**	**0**	**(1,656,060)**	**6,595,552**	**4,939,492**
Balance at 31 March 2017		**(4,380,045)**	**(5,484,789)**	**(12,576,080)**	**(59,749)**	**(22,500,663)**	**(26,199,638)**	**(48,700,301)**

C1. Adjustments Between Accounting Basis and Funding Basis Under Regulations

	2016/2017			
	General Fund - Unallocated £	General Fund - Earmarked £	Capital Receipts Reserve £	Capital Grants Unapplied £
Capital Adjustments				
Reversal of entries included in the CI&ES relating to Capital Expenditure				
Charges for depreciation, amortisation and impairment	(1,908,638)			
Revaluation losses on Property, Plant and Equipment	(660,386)			
Movements in the fair value of Investment Properties	(260,670)			
Capital Grants and Contributions applied	967,053	165,388		
Revenue Expenditure funded from Capital Under Statute	(1,159,822)			
Non current assets written off on disposal or sale	(956,481)			
Adjustments between Capital & Revenue Resources				
Transfer of cash sale proceeds from disposal of non current assets	956,481			
Capital expenditure charged against General Fund Balance	250,000			
Capital grants and contributions credited to CI&ES	0			0
Unattached Capital Reciepts	413,414		(413,414)	
Adjustments to Capital Resources				
Application of grants to capital financing tfrd to CAA				0
Use of capital reciepts reserve to finance new capital expenditure			1,421,218	
Transfer from Deferred Capital Receipts on reciept of cash			(2,146,682)	
Write down of long term debtor on receipt of loan principal			(15,001)	
Capital Grant Repaid			0	
Pension Adjustments				
Pension costs transferred to / (from) the Pensions Reserve	(450,000)			
Other Adjustments				
Council Tax and NDR transfers to / (from) the Collection Fund Adjustment Account	1,180,315			
	(1,628,734)	**165,388**	**(1,153,879)**	**0**

	2015/2016			
	General Fund - Unallocated	General Fund - Earmarked	Capital Receipts Reserve	Capital Grants Unapplied
	£	£	£	£
Capital Adjustments				
Reversal of entries included in the CI&ES relating to Capital Expenditure				
Charges for depreciation, amortisation and impairment	(1,572,335)			
Revaluation losses on Property, Plant and Equipment	255,220			
Movements in the fair value of Investment Properties	213,745			
Capital Grants and Contributions applied	794,371	211,651		
Revenue Expenditure funded from Capital Under Statute	(1,094,954)			
Non current assets written off on disposal or sale	(3,867,355)			
Adjustments between Capital & Revenue Resources				
Transfer of cash sale proceeds from disposal of non current assets	4,221,450		(2,285,523)	
Capital expenditure charged against General Fund Balance	250,000			
Capital grants and contributions credited to CI&ES	4,386			(4,386)
Unattached Capital Reciepts	466,686		(458,665)	
Capital Grants repaid	(22,680)			
Adjustments to Capital Resources				
Application of grants to capital financing tfrd to CAA				100,000
Use of capital reciepts reserve to finance new capital expenditure			2,673,981	
Transfer from Deferred Capital Receipts on reciept of cash			(308,012)	
Write down of long term debtor on receipt of loan principal			(14,487)	
Capital Grant Repaid			(10,272)	
Pension Adjustments				
Pension costs transferred to / (from) the Pensions Reserve	(987,000)			
Other Adjustments				
Council Tax and NDR transfers to / (from) the Collection Fund Adjustment Account	(321,600)			
	(1,660,066)	**211,651**	**(402,978)**	**95,614**

C2. Usable Reserves

Earmarked Reserves

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

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

	Balance 1 April 2016 £	Transfers Out £	Transfers in £	Balance 31 March 2017 £
Council Priorities Fund	(2,183,294)	840,257	(750,614)	**(2,093,651)**
Other earmarked reserves	(3,451,672)	1,619,307	(1,558,773)	**(3,391,138)**
	(5,634,966)	**2,459,564**	**(2,309,387)**	**(5,484,789)**

C3. Unusable Reserves

Summary of Unusable Reserves

	2015/16 £	2016/17 £
Revaluation Reserve	(33,181,991)	(33,094,218)
Capital Adjustment Account	(32,555,452)	(31,611,775)
Pension Reserve	35,704,000	41,249,000
Deferred Capital Receipts Reserve	(3,588,408)	(2,383,207)
Collection Fund Adjustment Account	765,212	(415,102)
Accumulated Absences Account	108,179	108,179
Available for Sale Financial Instruments Reserve	(46,730)	(52,515)
	(32,795,190)	**(26,199,638)**

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.

	2015/16 £	2016/17 £
Opening Balance - 1 April	(27,302,440)	(33,181,991)
Upward revaluation of assets	(9,953,165)	(1,819,743)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	253,614	708,855
Surplus / deficit on revaluation of non current assets not posted to the Surplus/Deficit on the Provision of Services	*(9,699,551)*	*(1,110,888)*
Difference between fair value and historic cost depreciation	257,145	691,912
Accumulated balances written out on disposal	3,562,855	490,599
Other amounts written off to the Capital Adjustment Account	0	16,150
Amount written off to the Capital Adjustment Account	*3,820,000*	*1,198,661*
Closing Balance - 31 March	**(33,181,991)**	**(33,094,218)**

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].

	2015/16 £	2016/17 £
Opening Balance - 1 April	(30,804,080)	(32,555,452)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation of non current assets	1,572,335	1,908,638
Revaluation losses on Property, Plant and Equipment	(255,220)	660,386
Revenue expenditure funded from capital under statute	1,094,954	1,159,822
Amounts of non-current assets written off on disposal or sale	3,867,355	956,481
	6,279,424	4,685,327
Adjusting amounts written out of the Revaluation Reserve		
Amounts written out on disposal or sale of non current assets	(3,562,855)	(490,599)
Historical cost depreciation adjustment	(257,145)	(691,912)
Other amounts written out of the Revaluation Reserve	0	(16,150)
	(3,820,000)	(1,198,661)
Net written out amount of the cost of non current assets consumed in	**2,459,424**	**3,486,666**
Adjusting amounts relating to the Capital Receipts Reserve		
Capital Grants repaid	32,952	0
Capital financing applied in year		
Use of the Capital Receipts Reserve to finance new capital expenditure	(2,673,981)	(1,421,218)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(794,371)	(967,053)
Use of General Fund Earmarked Reserves applied to capital financing	(211,651)	(165,388)
Application of grants to capital financing from the Capital Grants Unapplied Account	(100,000)	0
Capital expenditure charged against the General Fund Balance	(250,000)	(250,000)
	(4,030,003)	(2,803,659)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(213,745)	260,670
Closing Balance - 31 March	**(32,555,452)**	**(31,611,775)**

Pension Reserve

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

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

	2015/16 **£**	**2016/17** **£**
Opening Balance - 1 April	43,569,000	35,704,000
Return on plan assets	1,773,000	(6,677,000)
Remeasurement of the net defined benefit liability	(10,625,000)	11,772,000
Reversal of items debited or credited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement	3,573,000	3,080,000
Employers' pension contributions	(2,586,000)	(2,630,000)
Closing Balance - 31 March	**35,704,000**	**41,249,000**

Deferred Capital Receipts Reserve

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

	2015/16 **£**	**2016/17** **£**
Mortgages on sales of Council Houses	(31,500)	(31,500)
Loans Issued - CHYP	(80,008)	(80,008)
Principal amounts on finance leases	(1,268,042)	(1,958,108)
Other deferred receipts	(2,208,858)	(313,591)
	(3,588,408)	**(2,383,207)**

Collection Fund Adjustment Account

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

	Balance 1 April 2016 £	Transfers in £	Balance 31 March 2017 £
Amounts by which income credited to the Comprehensive Income and Expenditure Statement is different from income calcuated for the year in accordance with statutory requirements:			
Council Tax	72,423	49,857	**122,280**
NNDR	696,366	(1,245,410)	**(549,044)**
NNDR - Renewal Energy Scheme	(3,577)	15,239	**11,662**
	765,212	**(1,180,314)**	**(415,102)**

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 process of calculating the liability is a time consuming exercise. Each year the 'value' of untaken leave only fluctuates by a small amount. Based upon experience, the Council has chosen to 'freeze' the value of untaken leave at its 31st March 2015 balance [£108,179] as this is materially correct and represents a reliable estimate of the potential cost to the Council.

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.

	2015/16 £	2016/17 £
Opening Balance - 1 April	(44,696)	(46,730)
Movement in year	(2,034)	(5,785)
Closing Balance - 31 March	**(46,730)**	**(52,515)**

BALANCE SHEET

31st March 2016 £		Note	31st March 2017 £
57,710,122	Property, Plant & Equipment	D1	58,267,900
17,000	Heritage Assets		17,000
5,264,045	Investment Property	D2	5,003,375
354,256	Intangible Assets	D3	214,097
502,422	Long Term Investments	E2	2,501,089
2,715,865	Long Term Debtors	D4	3,255,185
66,563,710	**Long Term Assets**		**69,258,646**
20,626,272	Short Term Investments	E2	25,866,856
1,188,400	Assets held for sale	D5	0
24,336	Inventories		31,831
5,385,021	Short Term Debtors	D6	4,047,713
2,462,368	Cash and Cash Equivalents	E2	2,130,909
29,686,397	**Current Assets**		**32,077,309**
0	Short Term Borrowing	E2	(3,000,567)
(4,523,454)	Short Term Creditors	D7	(5,957,421)
(1,083,144)	Short Term Creditors - s.106 balances	D7	(1,430,405)
(1,114,729)	Provisions	D8	(771,291)
(6,721,327)	**Current Liabilities**		**(11,159,684)**
(35,704,000)	Other Long Term Liabilities	E1	(41,249,000)
(184,987)	Capital Grants Receipts in Advance	B9	(226,970)
(35,888,987)	**Long Term Liabilities**		**(41,475,970)**
53,639,793	**Net Assets**		**48,700,301**
(20,844,603)	Usable reserves	C2	(22,500,663)
(32,795,190)	Unusable Reserves	C3	(26,199,638)
(53,639,793)	**Total Reserves**		**(48,700,301)**

These financial statements replace the unaudited financial statements that were certified on 8th June 2017.

Jenny Poole CPFA
Chief Finance Officer

D1. Property, Plant and Equipment

Movements in 2016/17	Land & Buildings £	Vehicles, Plant & Equipment £	Community Assets £	Surplus Assets £	Assets Under Construction £	TOTAL P,P&E £
Asset Cost or Valuation						
Asset values at 31 March 2016	52,070,493	2,362,657	11,380	4,925,850	0	**59,370,380**
Additions	518,962	1,064,453	0	0	0	1,583,415
Revaluation increases / (decreases)	(1,154,228)	0	0	727,155	0	(427,073)
Derecognition - disposals	0	(1,381,616)	0	0	0	(1,381,616)
Transfers and reclassifications	209,500	(209,500)	0	1,188,400	0	1,188,400
Other Movements	(18,340)	0	0	0	0	(18,340)
Asset values at 31 March 2017	**51,626,387**	**1,835,994**	**11,380**	**6,841,405**	**0**	**60,315,166**
Depreciation						
Accumulated depreciation at 31 March 2016	(569,399)	(1,090,859)	0	0	0	**(1,660,258)**
Depreciation charge for the year	(1,298,059)	(396,362)	0	(13,636)	0	(1,708,057)
Depreciation written out on revaluation	877,574	0	0	0	0	877,574
Derecognition - disposals	0	425,135	0	0	0	425,135
Other movements	7,865	10,475	0	0	0	18,340
Accumulated depreciation at 31 March 2017	**(982,019)**	**(1,051,611)**	**0**	**(13,636)**	**0**	**(2,047,266)**
Net Book Value of Assets						
1st April 2016	51,501,094	1,271,798	11,380	4,925,850	0	57,710,122
31st March 2017	**50,644,368**	**784,383**	**11,380**	**6,827,769**	**0**	**58,267,900**

Movements in 2015/16	Land & Buildings £	Vehicles, Plant & Equipment £	Community Assets £	Surplus Assets £	Assets Under Con-struction £	TOTAL P,P&E £
Asset Cost or Valuation						
Asset values at 31 March 2015	45,241,869	2,839,659	11,380	1,529,350	133,357	**49,755,615**
Additions	1,881,036	706,642	0	0	0	2,587,678
Revaluation increases / (decreases)	4,814,231	0	0	3,859,500	0	8,673,731
Derecognition - disposals	0	(1,183,644)	0	(50,000)	0	(1,233,644)
Transfers and reclassifications	133,357	0	0	(413,000)	(133,357)	(413,000)
Asset values at 31 March 2016	**52,070,493**	**2,362,657**	**11,380**	**4,925,850**	**0**	**59,370,380**
Depreciation						
Accumulated depreciation at 31 March 2015	(624,530)	(1,920,175)	0	(6,944)	0	**(2,551,649)**
Depreciation charge for the year	(1,090,728)	(299,828)	0	(13,797)	0	(1,404,353)
Depreciation written out on revaluation	1,145,859	0	0	20,741	0	1,166,600
Derecognition - disposals	0	1,129,144	0	0	0	1,129,144
Accumulated depreciation at 31 March 2016	**(569,399)**	**(1,090,859)**	**0**	**0**	**0**	**(1,660,258)**
Net Book Value of Assets						
1st April 2015	44,617,339	919,484	11,380	1,522,406	133,357	47,203,966
31st March 2016	**51,501,094**	**1,271,798**	**11,380**	**4,925,850**	**0**	**57,710,122**

Asset valuation, amortisation and depreciation

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

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

* The 40-year life applied to Operational Buildings excludes the car park asset class. Land values for car parks are not depreciated. The remaining value of equipment and parking surface is depreciated over a 20-year period, rather than the 40-year period for other operational assets. This better represents the expected life of a car park.
The gross costs of an asset is treated as the asset purchase price (or cost of construction) until the asset is formally revalued.

Capital Commitments

The Council had no significant capital commitments at the balance sheet date.

Effects of changes in estimates

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

Revaluations

Assets are valued as part of a rolling programme of revaluations. All assets are valued at least every 5-years with annual valuations for all assets classified as investment properties or those assets that are deemed to have materially changed in value.

In 2015/16 with the introduction and application of IFRS 13, the Council's surplus assets were reviewed and measured at fair value based upon 'highest and best use'. This valuation basis has replaced the fair value 'existing use' basis applied in previous years. IFRS13 has been applied prospectively and therefore no impact upon previous asset valuations.

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

In estimating asset values it has been assumed that:

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

D2. Investment Properties

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

	2015/16 £	2016/17 £
Rental income	(639,745)	(590,475)
Direct operating expenses	169,245	169,116
Net (gains) / losses from fair value adjustments	(213,745)	260,670
	(684,245)	**(160,689)**

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

The 2016/17 Investment Property valuations were undertaken by Mr. D. Thurlow BSc (Hons) MRICS, of West Oxfordshire District Council, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (as outlined in Note D1 above).

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

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

	2015/16 £	2016/17 £
Opening Balance - 1 April	5,050,300	5,264,045
Net gains / losses from fair value adjustments	213,745	(260,670)
Closing Balance - 31 March	**5,264,045**	**5,003,375**

D3. Intangible Assets

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

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

Movements in Intangible Assets

	2015/16 £	2016/17 £
Asset Cost or Valuation		
Asset values at 1 April	877,342	802,325
Additions	145,871	60,422
Derecognition	(220,888)	0
Asset values at 31 March	**802,325**	**862,747**
Amortisation		
Accumulated Amortisation at 1 April	(514,489)	(448,069)
Amortisation charge for the year	(154,468)	(200,581)
Derecognition	220,888	0
Accumulated Amortisation at 31 March	**(448,069)**	**(648,650)**
Net carrying amount at 31 March	**354,256**	**214,097**

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

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

D4. Long Term Debtors

	31 March 2016 £	31 March 2017 £
Starter Home Initiative	138,120	138,120
Council Mortgages & Housing Act Advances	31,500	31,500
Charities	87,551	87,551
Housing Improvement Loans	69,446	69,446
Housing Strategy Loans	11,692	11,692
Local Authority Mortgage Schemes	1,000,000	1,000,000
Employee Car Loans	48,501	23,762
Loan to 'Friends of the Cotswolds'	327,430	313,590
Finance Leases - principal outstanding	1,001,625	1,579,524
	2,715,865	**3,255,185**

D5. Assets Held For Sale

Current Assets	2015/16 £	2016/17 £
Opening Balance - 1 April	4,235,829	1,188,400
Additions / enhancements	201,500	0
Depreciation charge for the year	(13,514)	0
Revaluation of assets	73,900	0
Depreciation written out on revaluation	40,540	0
Disposals	(3,762,855)	0
Assets classified as/(transferred from) held for sale during the year:		
- Property, Plant & Equipment	413,000	(1,188,400)
Closing Balance - 31 March	**1,188,400**	**0**

D6. Short Term Debtors

	2015/16 £	2016/17 £
Government Departments	471,779	293,774
Other Local Authorities	1,269,217	1,474,088
Collection Fund debtors (CDC Share)	298,463	458,611
Housing Benefit recovery	834,379	788,640
Sundry Debtors	3,211,091	1,513,800
Finance Leases - principal outstanding	266,415	378,584
Other Debtors	27,005	54,422
Bromford Housing Association RTB receipts	409,784	332,741
Prepayments	75,011	129,149
	6,863,144	5,423,809
Less bad debt provisions / impairment of receivables:		
Council Tax payers (CDC share)	(51,937)	(53,767)
Housing Benefit recovery	(834,379)	(788,640)
Sundry Debtors	(591,807)	(533,689)
	5,385,021	**4,047,713**

D7. Short Term Creditors

	2015/16 £	2016/17 £
Government Departments	(874,110)	(1,861,807)
Other Local Authorities	(586,892)	(1,028,582)
Collection Fund creditors (CDC Share)	(1,401,514)	(1,090,437)
Sundry Creditors	(780,004)	(1,120,405)
Receipts in advance:		
- Council Tax payers (CDC share)	(165,459)	(171,591)
- Sundry Creditors	(715,475)	(684,599)
	(4,523,454)	(5,957,421)
S106 Balances	(1,083,144)	(1,430,405)
	(5,606,598)	**(7,387,826)**

D8. Provisions

	Opening Provision 1 April £	New provisions in-year £	Use of provisions £	Provisions returned to revenue £	Closing Provision 31 March £
Property Searches Litigation	(36,302)	0	22,003	0	**(14,299)**
Business Rates (NDR) Appeals	(1,035,741)	(15,698)	294,447	0	**(756,992)**
Exit Packages	(32,482)	0	32,482	0	**0**
MMI Scheme	(10,204)	0	10,204	0	**0**
	(1,114,729)	**(15,698)**	**359,136**	**0**	**(771,291)**

<u>Property Searches Litigation</u>

In 2013/14 the Council was named (along with all other English local authorities) in a litigation case regarding the charging of property searches. The Council has established a provision for its likely repayment of search fees. This case is now substantially completed. The remaining balance on the provision will be returned to revenue when any outstanding legal fees have been settled.

<u>Business Rates (NDR) appeals</u>

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

<u>MMI Scheme</u>

This provision was created to finance the liabilities arising from the run-off of known claims made against Municipal Mutual Insurance (MMI), the Council’s former insurers. No additional claims are anticipated in the foreseeable future.

D9. Capital Expenditure and Financing

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

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

	2015/16 £	2016/17 £
Opening Capital Financing Requirement	**0**	**0**
Capital investment in the year		
Property, Plant & Equipment	2,587,678	1,583,414
Intangible Assets	145,871	60,422
Assets Held for Sale	201,500	0
Revenue Expenditure Funded from Capital under Statute	1,094,954	1,159,822
	4,030,003	2,803,658
Sources of finance		
Capital Reciepts	2,673,981	1,421,218
Better Care Funding/Disabled Facilities Grants	476,776	675,742
Other grants & external funding	417,595	291,310
Earmarked Reserves	211,651	165,388
Direct Revenue Contributins	250,000	250,000
	4,030,003	2,803,658
Net increase / (decrease) in Capital Financing Requirement	**0**	**0**
Closing Capital Financing Requirement	**0**	**0**

E1. Defined Benefit Pension Scheme

Participation in pension schemes

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

Cotswold District Council is a member of the Gloucestershire County Council Pension Fund, for which Gloucestershire County Council is the administering authority. The scheme is a defined benefit statutory scheme that is administered in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). It is contracted out of the State Second Pension.

Transactions relating to retirement benefits

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

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

	2015/16 £	2016/17 £
Comprehensive Income & Expenditure Statement		
Cost of Services:		
Current Service Cost	2,083,000	1,844,000
Past Service Cost	102,000	0
Financing and Investment Income & Expenditure:		
Net Interest Expense	1,388,000	1,236,000
Net Charge to Surpluse or Deficit on Provision of Services	**3,573,000**	**3,080,000**
Other post employment benefit charged to Comprehensive Income & Expenditure Statement		
Remeasurment of the net defined benefit liability comprising:		
Return on Plan Assets	1,773,000	(6,677,000)
Actuarial (gains) / losses arising on changes in financial assumptions	(9,194,000)	16,165,000
Actuarial (gains) / losses arising on changes in demographic assumptions	0	(271,000)
Experience (gains) / losses	(1,431,000)	(4,122,000)
	(8,852,000)	5,095,000
Total post employment benefits charged to the Comprehensive Income & Expenditure Statement	**(5,279,000)**	**8,175,000**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code	**(3,573,000)**	**(3,080,000)**
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to the scheme	**2,586,000**	**2,630,000**

Pension Assets and Liabilities recognised in the Balance Sheet

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

	2015/16 £	2016/17 £
Present value of the defined benefit obligation - funded	(90,935,000)	(105,256,000)
Present value of unfunded obligations	(2,623,000)	(2,897,000)
Fair Value of Plan Assets	57,854,000	66,904,000
Net liability arising from defined benefit obligation	**(35,704,000)**	**(41,249,000)**

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

	2015/16 £	2016/17 £
Opening Fair Value of Scheme Assets	57,337,000	57,854,000
Interest Income	1,842,000	2,029,000
Administration Expense	0	0
Remeasurement Gains / (Losses)	(1,773,000)	6,677,000
Employers' Contributions	2,455,000	2,497,000
Employee Contributions	474,000	503,000
Contributions in respect of unfunded benefits	131,000	133,000
Benefits Paid	(2,481,000)	(2,656,000)
Unfunded Benefits Paid	(131,000)	(133,000)
Closing Balance 31 March	**57,854,000**	**66,904,000**

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

	2015/16 £	2016/17 £
Opening Balance 1 April	(100,906,000)	(93,558,000)
Current Service Cost	(2,083,000)	(1,844,000)
Interest Cost	(3,230,000)	(3,265,000)
Contributions from Scheme Participants	(474,000)	(503,000)
Past Service Cost	(102,000)	0
Remeasurement Gains / (Losses)	10,625,000	(11,772,000)
Benefits Paid	2,481,000	2,656,000
Unfunded Benefits Paid	131,000	133,000
Closing Balance 31 March	**(93,558,000)**	**(108,153,000)**
Funded	(90,935,000)	**(105,256,000)**
Unfunded	(2,623,000)	**(2,897,000)**

Composition Of Scheme Assets

	2015/2016				2016/2017			
	Quoted £000	Unquoted £000	Total £000	%	Quoted £000	Unquoted £000	Total £000	%
Equity Securities								
Consumer	3,560.7	0.0	3,560.7	6%	3,245.5	0.0	3,245.5	5%
Manufacturing	1,743.9	0.0	1,743.9	3%	1,739.8	0.0	1,739.8	3%
Energy and Utilities	1,048.9	0.0	1,048.9	2%	1,272.9	0.0	1,272.9	2%
Financial Institutions	2,796.1	0.0	2,796.1	5%	2,688.8	0.0	2,688.8	4%
Health and Care	454.2	0.0	454.2	1%	1,075.7	0.0	1,075.7	2%
Information Technology	313.3	0.0	313.3	1%	166.1	0.0	166.1	0%
Other	1,200.4	0.0	1,200.4	2%	2,028.1	0.0	2,028.1	3%
Debt Securities								
Corporate Bonds (investment grade)	2,982.6	0.0	2,982.6	5%	3,138.7	0.0	3,138.7	5%
Corporate Bonds (non investment grade)	224.7	0.0	224.7	0%	241.4	0.0	241.4	0%
UK Government	5,286.5	0.0	5,286.5	9%	4,845.8	0.0	4,845.8	7%
Other	796.4	0.0	796.4	1%	735.6	0.0	735.6	1%
Private Equity								
All	0.0	169.9	169.9	0%	0.0	170.0	170.0	0%
Real Estate								
UK Property	3,155.6	1,136.7	4,292.3	7%	3,260.2	1,045.9	4,306.1	6%
Overseas Property	0.0	296.5	296.5	1%	0.0	363.0	363.0	1%
Investment Funds and Unit Trusts								
Equities	1,932.2	24,736.8	26,669.0	46%	2,657.2	30,202.7	32,859.9	49%
Bonds	2,531.8	148.5	2,680.3	5%	4,045.7	375.4	4,421.1	7%
Other	0.0	2,708.7	2,708.7	5%	0.0	2,587.8	2,587.8	4%
Derivatives								
Foreign Exchange	0.0	0.0	0.0	0%	37.5	0.0	37.5	0%
Other	-5.2	0.0	-5.2	0%	13.9	0.0	13.9	0%
Cash and Cash Equivalents								
All	634.8	0.0	634.8	1%	966.3	0.0	966.3	1%
	28,656.9	**29,197.1**	**57,854.0**	**100%**	**32,159.2**	**34,744.8**	**66,904.0**	**100%**

Basis for estimating assets and liabilities

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

Mortality Assumptions	**Males**	**Females**
Current Pensioners	22.4	24.6
Future Pensioners (those aged 45 at March 2016)	24.0	26.4
Financial Assumptions	**2015/16**	**2016/17**
Rate of increase in pensions	2.2%	2.4%
Rate of increase in salaries	3.7%	2.7%
Discount Rate	3.5%	2.6%

Life expectancy is based upon the Fund's Vita Curves analysis which was carried out for the formal funding valuation as at 31st March 2016. Improvements have been applied that are in line with the CMI 2013 assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25%.

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. In accounting for the Pension Fund, the actuary applies a number of assumptions in measuring the scheme liabilities. Sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	Approx. increase in liability	
	%	**£**
0.5% decrease in Real Discount Rate	9%	10,139,000
1 year increase in Member life expectancy	4%	4,326,120
0.5% increase in salary increase rate	1%	1,418,000
0.5% increase in pension increase rate	8%	8,587,000

The estimated employer's contributions for the year to 31st March 2018 will be approximately £2,778,000.

E2. Financial Instruments

Categories of Financial Instruments

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

	Long Term 2015/16 £	Long Term 2016/17 £	Current 2015/16 £	Current 2016/17 £
Loans and Receivables				
Investments	0	2,007,179	18,040,819	18,784,910
Cash and cash equivalents	0	0	2,462,368	2,130,909
Debtors	2,715,867	1,675,661	4,400,301	2,565,762
	2,715,867	3,682,840	24,903,488	23,481,581
Available for Sale Financial Assets				
Investments	502,422	493,910	2,050,525	7,081,946
Total Financial Assets	**3,218,289**	**4,176,750**	**26,954,013**	**30,563,527**
Financial Liabilities at Amortised Cost				
Borrowing	0	0	0	(3,000,567)
Creditors	0	0	(2,524,974)	(1,667,432)
Total Financial Liabilities	**0**	**0**	**(2,524,974)**	**(4,667,999)**

Not all debtors and creditors fall within the definition of “financial instruments”. The difference between the totals shown on the Balance Sheet and the values above is as follows:

	Long Term Debtors £	Current Debtors	Current Creditors £
Total on Balance Sheet	3,255,185	4,047,713	(5,957,421)
Statutory & Government Debtors / Creditors	0	(974,218)	3,605,390
Payments / Receipts in Advance	0	(129,149)	684,599
Finance Lease Principal / Liabilities	(1,579,524)	(378,584)	0
Total Financial Instruments	**1,675,661**	**2,565,762**	**(1,667,432)**

Income, Expense, Gains and Losses

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

2015/2016				2016/2017		
Financial Assets		Financial Liabilities		Financial Assets		Financial Liabilities
Loans & Receivables	Available for Sale	Amortised Cost		Loans & Receivables	Available for Sale	Amortised Cost
£	£	£		£	£	£
0	0	77	Interest expense	0	0	567
741	0	0	Fee expense	0	0	0
741	**0**	**77**	**Total expense in Surplus / Deficit on Provision of Services**	**0**	**0**	**567**
(214,227)	(39,016)	0	Interest income	(173,452)	(62,158)	0
(214,227)	**(39,016)**	**0**	**Total income in Surplus / Deficit on Provision of Services**	**(173,452)**	**(62,158)**	**0**
(213,486)	**(39,016)**	**77**	**Net (Gain) / Loss for the Year**	**(173,452)**	**(62,158)**	**567**

Fair Values of Assets and Liabilities

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

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

The valuation methodology used by the Council's treasury advisers is that of 'Level 2 Inputs' – i.e. inputs other than quoted prices that are observable for the financial assets held. There have been no transfers between classes during the year.

Except for the financial assets and financial liabilities carried in the Balance at fair value, all other financial liabilities and financial assets are carried in the Balance Sheet at amortised cost. Fair value can be assessed by calculating the net present value of cash flows that are expected to take place over the remaining life of the instruments. The following valuation basis have been applied:

- *Fixed Term Deposits (Maturity Investments)*
  Valuation is made by comparison of the fixed term investment with a comparable investment with the same/similar lender for the remaining period of the deposit.

- *Loans Receivable*
  Prevailing benchmark market rates have been used to provide the fair value.

- *Loans Payable (non PWLB)*
  Fair value estimates have been provided using both PWLB redemption and new market loan discount rates. The PWLB redemption rates provide a reasonable proxy for rates that a number of market participants appear to have used when asked about early redemption costs for market loans. It is appreciated that there are a wide range of market loans, including previously stepped LOBOs, vanilla LOBOs and long term loans.

Accrued interest is included in the fair value figures calculated up to and including the valuation date.

Fair values are not required for short term debtors and creditors (trade payables and receivables) since the carrying amount is deemed a reasonable approximation of fair value.

The carrying value and fair values of assets and liabilities are shown below for comparison purposes. The carrying-value represents the value included on the balance sheet in each case.

	2015/2016		2016/2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Investments	20,593,766	20,593,766	28,367,945	28,362,328
Cash and cash equivalents	2,468,368	2,468,368	2,130,909	2,135,448
Debtors	7,116,168	7,116,168	4,241,423	4,241,423
Total Financial Assets	**30,178,302**	**30,178,302**	**34,740,277**	**34,739,199**
Borrowing	0	0	(3,000,567)	(3,000,519)
Creditors	(2,524,974)	(2,524,974)	(1,667,432)	(1,667,432)
Total Financial Liabilities	**(2,524,974)**	**(2,524,974)**	**(4,667,999)**	**(4,667,951)**

<u>Soft Loans</u>
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:

	31 March 2017
	£
Housing Improvement Loans [0% interest]	69,446
CHYP Housing Loan [0% interest]	80,008
Other Loans [BoE Base Rate + 1%]	11,691
	161,145

The notional cost of granting these loans equates to the investment interest which the Council would have made if the balance had been available to invest as part of its other treasury management investing activity.

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

E3. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

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

- By formally adopting the requirements of the CIPFA code of Practice for Treasury Management Services
- By approving annually in advance prudential indicators for the following three years limiting:
    - Limits on the Council's overall debt [external borrowing]
    - The Council's maturity structure of its borrowing [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.

<u>Credit Risk</u>

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

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

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

	Investment Balance
Fixed duration deals	
Banks - Fitch rating F1	£19,029,441
Building Societies - Fitch rating F1	£5,008,389
Local Authorities	£2,007,178
Call accounts and other 'cash equivalent' investments	
Fitch rating AAAmmf	£1,800,000
Fitch rating F2	£94,502
Pooled funds	
Non-rating agency rated pooled fund	£2,557,979
separately approved by the Council's Treasury Management advisors	

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

	Investment values - maturing within:			
	0-3 mths	3-6 mths	6-12 mths	1 year +
Internally managed funds				
UK Banks	£7,252,201	£0	£1,002,956	£0
Foreign Banks	£4,015,076	£4,753,615	£2,005,593	£0
UK Building Societies	£5,008,389	£0	£0	£0
UK Local Authorities	£0	£0	£0	£2,007,178
Foreign Bonds	£0	£0	£0	£0
Money Market Funds	£1,800,000	£0	£0	£0
Call Accounts	£94,502	£0	£0	£0
UK Equities	£0	£0	£0	£1
Cash	£1,365	£0	£0	£0
Externally managed funds				
Pooled Funds	£0	£0	£2,064,069	£493,910

Liquidity Risk

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

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

Market risk – interest rate risk

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

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

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

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

If interest rates had been 0.5% higher during the year (and all other factors remain unchanged), the effect upon the Comprehensive Income & Expenditure Account would have been an increase in interest receivable from investments of £171,160.

Foreign Exchange Risk

Up until 2016/17 the Council has one investment which was denominate in Icelandic Krona (following the collapse of Glitnir Bank). In June/July 2016 the Council sold its remaining investment.

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

E4. Leases

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

Operating Leases

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

	31 March 2016 £	31 March 2017 £
Not later than one year	68,889	37,205
Later than one year & not later than five years	39,929	16,263
Later than five years	32,084	0
	140,902	**53,468**

Operating lease payments charged to Cost of Services during the year totalled £82,680 (2015/16 £88,025).

Authority as Lessor [leasing assets out]

Finance Leases

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

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

	31 March 2016 £	31 March 2017 £
Present value of principal payments outstanding on non current assets	1,268,029	1,958,095
Unearned finance income	2,892,365	2,889,750
	4,160,394	**4,847,845**

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

	Gross Investment in the Lease		Minimum Lease Payments (excl. int)	
	31 March 2016 £	31 March 2017 £	31 March 2016 £	31 March 2017 £
Not later than one year	318,385	438,315	266,415	378,540
Later than one year & not later than five years	729,009	1,057,962	559,674	865,495
Later than five years	3,113,000	3,351,568	441,940	715,220
	4,160,394	**4,847,845**	**1,268,029**	**1,959,255**

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 2016/17 the Council received £86,350 in contingent rents (2015/16 £86,350).

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 2016 £	31 March 2017 £
Not later than one year	519,424	693,923
Later than one year & not later than five years	1,661,845	2,302,757
Later than five years	1,038,104	686,114
	3,219,373	**3,682,794**

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

E5. Accounting Policies

i) General Principles

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

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

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

ii) Accruals of Income and Expenditure

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

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

iii) Cash and cash equivalents

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

iv) Charges to revenue for non-current assets

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

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

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

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

v) Council Tax and Non-Domestic rates (England)

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

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

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

vi) Employee benefits

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

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

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

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

vii) Post-employment benefits

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

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

- The liabilities of the Gloucestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the gross redemption yield on the Iboxx Sterling Corporate Index, AA over 15 years, at the IAS19 valuation date. This is a high quality corporate bond of equivalent term and currency to the liability.
- The assets of the Gloucestershire County Council pension fund attributable to the Authority are included in the balance sheet at their fair value.
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value

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

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

viii) Fair value measurement

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

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

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

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

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

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

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

ix) Financial instruments

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

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

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

Financial assets are classified into two types:

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

Loans and receivables

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

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

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

x) Government grants and contributions

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

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

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

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

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

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

xi) Heritage assets

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

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

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

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

xii) Intangible assets

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

The depreciable amount of an intangible asset is amortised over its useful life (usually 4 years) to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. The Council carries no internally generated intangible assets on its balance sheet.

xiii) Inventories and long-term contracts

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

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

xiv) Investment property

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

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

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

xv) Leases

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

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

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

The Authority as lessee

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

Lease payments are apportioned between:

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

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

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

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

The Authority as lessor

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

Lease rentals receivable are apportioned between:

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

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

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

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

xvi) Overheads and support services

The costs of overheads and support services are charged to those internal reporting directorates that benefit from the supply or service in accordance with the authority’s arrangements for accountability and financial performance.

xvii) 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.

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

Where items or property plant and equipment are revalued, and the valuers identifies an asset which has component parts that have significantly different useful lives, where one or more parts represent a significant proportion of the overall asset, then the asset may be componentised. With componentisation, one or more constituent parts may be identified, and the component parts separately valued for the accounts and depreciated over different useful lives to the main asset. Useful economic lives (and therefore depreciation calculations) will be based upon the asset lives recommended by the Council's valuers.

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

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

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

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

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

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

Depreciation is calculated on the following bases:

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

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

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

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

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any accumulated revaluation gains held for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.
Amounts received for disposal in excess of £10,000 are categorised as capital receipts.

xviii) Provisions, contingent liabilities and contingent assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xix) Reserves

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

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

xx) 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.

xxi) 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.

E6. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note E5 above, 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:

- The Council had a one-seventh share in Ubico Limited. Ubico operates separate operating practices and management structure, the application of majority-voting on the Ubico Limited board indicates that the Council does not have joint-control or significant influence over the company. The Council's interest has therefore been classified as an investment in Ubico and group accounts have not been prepared.
- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has plans in place that enable it to determine the requirement for savings which may need to be delivered by greater efficiency savings or reducing levels of service provision. The Council has therefore prepared its accounts on the basis that it is a going concern.
- Under International Financial Reporting Standards (IFRS) assessments have been made as to the correct accounting treatment for a number of lease agreements which the Council has entered into. Categorising leases as either operating or finance leases does result in different accounting treatment. In each case, a lease is classified based upon criteria contained within the Code and an assessment of the nature of the leasing arrangement in place.

  The Council has such an agreement whereby it provides environmental services vehicles to Ubico Limited. Ubico pay a market-rate for the use of the vehicles and are responsible for insuring and maintaining the vehicles and determining their deployment (including use across other Ubico contracts where necessary). Ubico pay for the vehicles over a period of 7-years for new vehicles, which is deemed to be the useful economic life of the assets. The transaction has been accounted for on the basis that the agreement is a finance lease, because: i) the sum of the lease payments equal the cost of purchasing the asset; ii) the length of the term represents 'substantially all' of the useful life of the asset; and iii) the rights and responsibilities of ownership (maintenance, insurance, deployment) in relation to the vehicle assets sit primarily with Ubico Ltd.
- A significant level of risk remains due to the volume of outstanding business rates appeals which are being processed by the Valuation Office. Where appeals are successful, refunds of business rates are generally repayable back to the latest valuation date which reduces the business rates yield in the year in which the refund is made. This set of accounts includes a provision for appeal losses. The value has been assessed using information of outstanding appeals supplied by the valuation office, as at 31st March, and using experience of previous appeals rates or estimates applied at national government level.

E7. Accounting Standards Not Yet Adopted

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

Changes to the 2017/18 code are limited to
- amendment of reporting of pension fund scheme transaction costs
- amendment to the reporting of investment concentration

Neither of these changes is expected to have significant impact on the Council's accounts.

E8. Assumptions and Other Major Sources of Estimation

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

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

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

E9. Contingent Liabilities and Contingent Assets

<u>Right to Buy Clawback</u>

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.

E10. Related Parties

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

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides a significant element of the Council's funding in the form of grants and prescribes the terms of many transactions that the Authority has with other parties (e.g. council tax bills and housing benefits). Details of any significant grants received in the year are listed under Note B9 *Grant Income*.

Members of the Council

Members of the council have direct control over the council's financial and operating policies. The total of Members' allowances paid in the year is disclosed in Note B6 to these accounts.

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 2017 five of the Council's Members are also Members of Gloucestershire County Council (five as at 31st March 2016). This number includes the (then) Leader of Cotswold District Council, Cllr. Stowe.

Officers

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

West Oxfordshire District Council

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

Employed by Cotswold District Council	Employed by West Oxfordshire District Council
Strategic Director	Chief Executive Officer
Group Manager – GO Shared Services	Strategic Director (Resources)
Group Manager – Land, Legal & Property	Group Manager – Business Improvement & Change
Head of Environmental Services	Group Manager – Revenues & Housing Services
	Head of Leisure & Community Services
	Group Manager – Environmental & Regulatory Services

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

Ubico Limited

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

Since 2012 the shareholding of Ubico Ltd expanded, with five additional partner councils becoming shareholders - Tewkesbury Borough Council, West Oxfordshire District Council, Forest of Dean District Council, Stroud District Council and Gloucestershire County Council. Following the expansion, all partners have an equal 1/7th shareholding in the Company.

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

While the Council has a 1/7th shareholding in Ubico Ltd, and a place on the Board of Ubico Ltd, the Council is not deemed have significant influence over the company. The separate operating practices, management structure and majority-voting on the Ubico board do not constitute any means of joint-control over the company. The Council’s interest is therefore classed as an ‘investment’ in Ubico.

Other Public Bodies

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

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

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

E11. Prior Year Re-presentation (Comprehensive Income & Expenditure Statement)

The 2016/17 Code of Practice on Local Government Accounting in the United Kingdom removed the requirement for local authorities to present their Comprehensive Income & Expenditure Statement in accordance with SERCOP Service Expenditure Analysis. The following table shows how the lines in the 2015/16 statement have been re-presented in this year's accounts.

SERCOP Classification	As Published 2015/2016 £	*Recharges Adjs.* £	*Re-classification* £	Total Adjs. £	Represented 2015/2016 £	Internal Reporting Directorates
Cultural & Related Services	967,318	*(54,070)*	*344,133*	290,063	1,257,381	Leisure & Communities
Environmental & Regulatory Services	5,463,870	*(587,696)*	*(4,225,768)*	(4,813,464)	650,406	Environmental & Regulatory Services
Planning Services	2,244,387	*(1,008,011)*	*143,830*	(864,181)	1,380,206	Planning & Strategic Housing
Highways, Roads & Transport Services	(1,207,179)	*(186,902)*	*4,235,089*	4,048,187	2,841,008	Environmental Services
Housing Services	1,585,067	*(793,375)*	*(1,367)*	(794,742)	790,325	Revenues & Housing Suppport
Corporate & Democratic Core	1,517,534	*(51,501)*	*(413,812)*	(465,313)	1,052,221	Democratic Services
	0	*0*	*493,815*	493,815	493,815	Other Retained Services
Non Distributed Costs	111,907	*(7,788)*	*(104,119)*	(111,907)	0	
Central Services to the Public	921,399	*(53,322)*	*(868,077)*	(921,399)	0	
	0	*738,426*	*4,846*	743,272	743,272	GO Shared Services
	0	*1,223,628*	*334,440*	1,558,068	1,558,068	ICT, Change & Customer Services
	0	*906,631*	*56,990*	963,621	963,621	Land, Legal & Property
	0	*52,804*	*0*	52,804	52,804	Partnership MD and 2020 Programme Costs
Cost of Services	**11,604,303**	***178,824***	***0***	**178,824**	**11,783,127**	
Other Operating Expenditure	1,579,743	*0*	*0*	0	1,579,743	
Financing and Investment I&E	365,089	*(178,824)*	*0*	(178,824)	186,265	
Taxation & Non-specific Grant Income	(13,750,078)	*0*	*0*	0	(13,750,078)	
(Surplus) / Deficit on Provision of Services	**(200,943)**	***0***	***0***	**0**	**(200,943)**	

CASH FLOW STATEMENT

	Note	2015/16 £	2016/17 £
Net surplus or (deficit) on provision of services		200,943	(961,165)
Adjustments to net surplus or (deficit) on the provision of services to exclude non-cash movements	*F1a*	5,488,593	6,148,216
Adjustments for items included in the net surplus or (defecit) on the provision of services that are investing or financing activities	*F1b*	(4,749,145)	(1,289,222)
Net cash flows from Operating Activites		**940,391**	**3,897,829**
Investing Activities	*F1c*	(5,607,639)	(7,229,288)
Financing Activities	*F1d*	0	3,000,000
Net increase or (decrease) in cash and cash equivalents		**(4,667,248)**	**(331,459)**
Cash and cash equivalents at 1 April		7,129,616	2,462,368
Cash and cash equivalents at 31 March		**2,462,368**	**2,130,909**
Comprising:			
Cash and bank current accounts		646,356	236,408
Short term investments		1,816,012	1,894,501
		2,462,368	**2,130,909**

F1. Notes to the Cash Flow Statement

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

	2015/16 £	2016/17 £
Depreciation, amortisation and impairment	1,317,116	1,908,638
Increase / (decrease) in creditors	(163,520)	1,632,413
(Increase) / decrease in debtors	(1,668,284)	707,374
Increase / (decrease) in provision for bad debts	180,262	29,432
(Increase) / decrease in inventories	4,745	(7,496)
Pensions' liability	987,000	450,000
Carrying amount of non current assets sold	3,867,355	956,481
Increase / (decrease) in provisions	34,305	(343,438)
Movements in the fair value of investment properties	(213,745)	260,670
Other non cash items charged to Surplus/Deficit on Provision of Services	1,143,359	554,142
	5,488,593	**6,148,216**

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

	2015/16 £	2016/17 £
Capital grants applied to the financing of capital expenditure	(99,096)	0
Proceeds from the sale of non current assets	(4,650,049)	(956,481)
Unattached capital receipts	0	(332,741)
	(4,749,145)	**(1,289,222)**

c. Investing Activities

	2015/16 £	2016/17 £
Purchase of property, plant & equipment and other capital investment	(2,985,708)	(1,744,698)
Purchase of short term and long term investments	(38,335,085)	(40,728,001)
Proceeds from the sale of non current assets	3,104,887	693,669
Proceeds from disposal of short term and long term investments	31,350,000	33,504,927
Other (reciepts) / payments from investing activities	1,258,267	1,044,815
	(5,607,639)	**(7,229,288)**

d. Financing Activities

	2015/16 £	2016/17 £
Cash reciepts of short term borrowing	1,000,000	3,000,000
Repayment of short term borrowing	(1,000,000)	0
	0	**3,000,000**

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

2015/2016 Business Rates £	2015/2016 Council Tax £	2015/2016 Total £		Note	2016/2017 Business Rates £	2016/2017 Council Tax £	2016/2017 Total £
0	(56,676,390)	(56,676,390)	Council Tax receivable	*G1*	0	(59,838,524)	(59,838,524)
(30,074,316)	0	(30,074,316)	Business Rates Receivable	*G2*	(31,798,544)	0	(31,798,544)
(222,426)	0	(222,426)	Transitional Protection Payments		336,993	0	336,993
0	0	0	Contribution to previous year's deficit		(2,888,291)	0	(2,888,291)
(30,296,742)	**(56,676,390)**	**(86,973,132)**	**Total Income**		**(34,349,842)**	**(59,838,524)**	**(94,188,366)**
			Apportionment of previous year's surplus				
47,830	91,790	139,620	Cotswold District Council		0	151,272	151,272
11,958	520,298	532,256	Gloucestershire County Council		0	878,065	878,065
59,787	99,112	158,899	Gloucestershire Police & Crime Commissioner		0	167,263	167,263
119,575	711,200	830,775			0	1,196,600	1,196,600
			Precepts, Demands and Shares				
14,922,143	0	14,922,143	Central Government		15,382,515	0	15,382,515
11,937,715	6,998,249	18,935,964	Cotswold District Council		12,306,013	7,366,024	19,672,037
2,984,429	40,621,670	43,606,099	Gloucestershire County Council		3,076,500	43,566,546	46,643,046
0	7,738,046	7,738,046	Gloucestershire Police & Crime Commissioner		0	8,079,713	8,079,713
29,844,287	55,357,965	85,202,252			30,765,028	59,012,283	89,777,311
			Charges on the Collection Fund				
679,852	42,514	722,366	Write-offs of uncollectable amounts		830,132	9,555	839,687
202,648	32,530	235,178	Increase / (decrease) in Bad Debt / Appeals Provisions	*G3*	(615,698)	14,525	(601,173)
178,723	0	178,723	Cost of Collection		178,689	0	178,689
92,687	0	92,687	Disregarded Amounts	*G4*	78,171	0	78,171
14,080	0	14,080	Interest on refunds		0	0	0
1,167,990	75,044	1,243,034			471,294	24,080	495,374
31,131,852	**56,144,209**	**87,276,061**	**Total Expenditure**		**31,236,322**	**60,232,963**	**91,469,285**
835,110	**(532,181)**	**302,929**	**(Surplus) / Deficit for the Year**		**(3,113,520)**	**394,439**	**(2,719,081)**
1,444,962	(601,036)	843,926	(Surplus) / Deficit brought forward		2,280,072	(1,133,217)	1,146,855
2,280,072	**(1,133,217)**	**1,146,855**	**(Surplus) / Deficit carried forward**	*G5*	**(833,448)**	**(738,778)**	**(1,572,226)**

G1. Council Tax System

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

Council Tax was introduced on 1 April 1993, and is a property based tax. The District Valuer valued all domestic property in the area and placed them into one of nine bands. In order to set the Council Tax, the Council estimates the number of dwellings in each of the nine valuation bands and convert these estimates into an "equivalent number of Band D dwellings". The table below shows the calculation for 2016/17.

Valuation Bands		Estimated number of taxable dwellings*	Ratio	Equivalent number of Band D dwellings
A-	Band A - entitled to disabled relief reduction	1.60	5/9	0.89
A	up to £40,000	2,187.30	6/9	1,458.20
B	£40,001 - £52,000	3,419.00	7/9	2,659.22
C	£52,001 - £68,000	8,292.70	8/9	7,371.29
D	£68,001 - £88,000	6,075.20	1	6,075.20
E	£88,001 - £120,000	5,373.70	11/9	6,567.86
F	£120,001 - £160,000	4,142.00	13/9	5,982.89
G	£160,001 - £320,000	4,054.30	15/9	6,757.17
H	over £320,001	641.50	18/9	1,283.00
	Contributions in lieu (South Cerney Barracks)	-	-	201.10
				38,356.81
	Adjustments for collection rates and anticipated changes during the year			61.30
	** adjusted for discounts and exemptions*			**38,418.11**

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

The above calculations resulted in an "average Band D Tax" of £1,470.42 per dwelling for 2016/17 (2015/16 - £1,424.63), before Town and Parish Council precepts..

G2. National Non Domestic Rates

In April 2013 the government introduced the Business Rates Retention Scheme which replaced the Business Rates Pooling Scheme that was previously in place.

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

	2015/16 £	2016/17 £
Total Non Domestic Rateable Value at 31 March	£76,819,726	£78,286,088
National Non-domestic Rate Multiplier - Higher	49.3p	49.7p
National Non-domestic Rate Multiplier - Lower [Small Business]	48.0p	48.4p

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

G3. Tax Payers’ Arrears & Provisions for Uncollectable Amounts

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

	2015/16 £	2016/17 £	% of arrears
Council Tax	(410,845)	(425,371)	33%
National Non Domestic Rates	(210,950)	(292,125)	26%
	(621,795)	**(717,496)**	

G4. Business Rates – Disregarded Amounts

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

G5. Collection Fund Balance Sheet Apportionment

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

	Cotswold District Council £	Gloucs. County Council £	Central Govt. £	Gloucs. P&CC £
Council Tax				
Debtors	162,546	943,642	n/a	179,778
Bad Debt Provision	(53,767)	(312,137)	n/a	(59,467)
Prepayments and Overpayments	(171,591)	(996,152)	n/a	(189,782)
(Surplus) / Deficit at 31 March	(93,381)	(542,115)	n/a	(103,281)
Business Rates				
Debtors	456,937	114,234	571,172	n/a
Bad Debt Provision - Tax Payers	(116,850)	(29,212)	(146,063)	n/a
Bad Debt Provision - Appeals	(756,993)	(189,248)	(946,239)	n/a
Prepayments and Overpayments	(100,975)	(25,244)	(126,218)	n/a
(Surplus) / Deficit at 31 March	(333,381)	(83,346)	(416,725)	n/a

1. SCOPE OF RESPONSIBILITY

Cotswold District Council is responsible for ensuring that:

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

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

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

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

In addition to this, CIPFA issued its *Statement on the Role of the Chief Finance Officer in Local Government (2015).* The Annual Governance Statement (AGS) reflects compliance of this statement for reporting purposes. The Council’s Chief Finance Officer is the Statutory Section 151 Officer (S151 Officer).

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

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

3. THE GOVERNANCE ENVIRONMENT

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

- Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users
- Reviewing the Council's vision and its implications for the Council's governance arrangements
- Measuring the quality of services for users, ensuing that they are delivered in accordance with the Council's objectives and ensuring that they represent the best use of resources
- Defining and documenting the roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the Council and partnership arrangements
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- Reviewing and updating Financial Rules, Contract Rules, Constitution, Scheme of Delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks
- Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained
- Ensuring effective management of change and transformation
- Ensuring the Council's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015)* and, where they do not, explain why and how they deliver the same impact
- Ensuring the Council's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Audit (2010)* and, where they do not, explain why and how they deliver the same impact
- Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function
- Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function
- Undertaking the core functions of an Audit Committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- Whistleblowing and for receiving and investigating complaints from the public
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by the appropriate training
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
- Incorporating good governance arrangements in respect of partnerships, including shared services and other joint working and reflecting these in the Council's overall governance arrangements.

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

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
The roles and responsibilities of Members generally and all office holders are set out in the Council's Constitution, along with the way in which the various elements of the Council interact and complement each other. The Constitution is supported and underpinned by separate Codes of Conduct for Members and Officers, and a joint Member / Officer Protocol, which 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. Declarations are made at meetings by Members, and Officers, where appropriate and are recorded in the minutes of the meeting. The Members Code of Conduct requires Members to make declarations of interest when necessary, these are also recorded. Registers of interest are completed annually by Members and Officers and a register of gifts and hospitality is maintained. Officers undergo annual performance appraisals. Statutory Officers' responsibilities are defined in the Council's Constitution and are employed in accordance with statutory guidance. Internal audit reviews are designed to ensure services are complying with internal and external policies and procedures / statutory legislation. Where non-compliance is identified, this is reported to Management and to Members via the Council's Audit Committee. Whistleblowing policies have been updated and have been ratified by Cabinet. Review has found that these have not been made available to employees as yet. A complaints procedure is available to members of the public and explains the ways that a complaint can be made and the responsibility of the Council. A Gloucestershire wide counter-fraud unit, including West Oxfordshire DC, has been established to help prevent and detect fraud and corrupt practices, including misuse of power.

B. Ensuring openness and comprehensive stakeholder engagement
A report is produced annually regarding the performance of the council and the achievement of its aims and objectives. The report is published on the Council's website. The Council publishes on its website data such as: supplier payments, Senior Management Structure Charts, Annual Pay Policy Statement, trade union recognition and facilities time. Where data is required that is not available in these datasets, instructions are available on how to make a Freedom Of Information request and the procedure that will be followed to answer the request. All committee meeting agendas and minutes are published in accordance with the calendar of dates. Publication of agendas is made in accordance with the Local Government Act 1972. Stakeholders are consulted during the annual budget setting process. Stakeholders include town and parish councils, businesses and residents. Final budgets are discussed at Cabinet and Council at the appropriate budget setting meeting. A formal partnership arrangement has been created between Cotswold, West Oxfordshire and Forest of Dean District Councils to deliver services to these local authorities, which includes sharing knowledge and resources. Cheltenham Borough Council is also part of this partnership in a more limited capacity as it is part of the Human Resources, Finance and IT shared services. The Council's Corporate Strategy sets out the aspirations for the District and is refreshed annually with a full refresh following the Council election cycle. Appropriate consultation with stakeholders such as town and parish councils and the public is carried out to support the development of the Corporate Strategy. The Council's Corporate Strategy identifies the key tasks which support delivery of the Council Aim and Priorities. The Council also consults upon strategic documents and decisions. Examples of significant consultation include the development of the Local Plan, significant changes to services (e.g. waste and recycling collection, car parking).

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
The Council's vision is contained within the Corporate Strategy 2016-19, which also states the Aim and Priorities of the organisation. Corporate and Service Plans are drafted and updated annually to support the delivery of the Council's Aim and Priorities. The Council's Aim 'to be recognised as the most efficient Council in the country' is being measured using a basket of indicators based on cost, outputs and outcomes. Progress on the Council's efficiency measures is reported to the Overview and Scrutiny Committee and Cabinet on a quarterly basis for review and challenge. The Aim and Priorities in the Corporate Strategy are supported by a series of Top Tasks. Underpinning the Priorities and Top Tasks are Service Delivery Plans (SDPs) for each service. The SDPs contain, amongst other things, the key tasks and the performance indicators for each Council service. Risk management strategy and policy are both in need of review to reflect recent organisational changes but processes for identifying, scoring and reporting risks are sound. The Corporate Strategy deals with the Council's approach to environment and sustainability issues. Detailed proposals arising from the Corporate Strategy are Individually assessed as they are developed and are included within decision making reports to Members. The financial implications of delivering against the Council's Aim and Priorities are included within the Council's Medium Term Financial Strategy, Revenue Budgets and Capital Programme. These key financial documents are updated annually in advance of the forthcoming financial year. The Council is in the process of producing its Local Plan which sets out the detailed plans for delivering sustainable economic, social and environmental benefits across the District.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes
The Council's Medium Term Financial Strategy highlights the requirement for the Council to make further savings and efficiencies in order to balance its revenue budget over the medium term. The Council is one of three councils looking to transform and share all of its services (2020 Vision programme). The Environmental Regulatory Service (ERS) was the first service in this programme to go live. Processes have been aligned between three of the Councils to ensure consistency and that the service is efficient and effective in its duties. Further savings were identified through outsourcing the internal audit function to the South West Audit Partnership. In addition to the 2020 Programme changes, the Council continues to secure savings through its procurement processes and through making changes to the way services are delivered. The Council has processes in place to identify and respond to external changes, for example: changes to legislation and regulation, emerging risks and opportunities. Corporate processes such as risk management, development and delivery of Corporate and Service Plans, performance management processes, budget monitoring and other management processes are designed to capture and incorporate these external factors and to enable the Council to respond appropriately. Risk registers for Cotswold DC and West Oxfordshire have been combined and are discussed and reported quarterly. KPIs are identified and included in the service delivery plans for each service, these are reported quarterly Budgets are prepared annually in accordance with objectives, strategies and the Medium Term Financial Strategy, following consultation with customers, stakeholders and officers. The Medium Term Financial Strategy is a live document and can be reviewed, updated and reported as necessary, to respond to the changing environment.

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

One of the reasons behind the 2020 Vision Programme is to increase capacity across the three partner councils by sharing common processes and procedures and eliminating (as far as possible) single points of failure. By working in partnership, the Councils are able to share the cost of commissioning bespoke, specialist advice. The Programme is engaging with specialist legal, financial, HR and actuarial advisers to enable the Councils to take well informed decisions regarding future governance arrangements as the sharing of services and transfer to an external (wholly owned) provider progress.

The move to provision of services via wholly owned companies is providing the opportunity to engage with a number of Non-Executive Directors that bring a wealth of experience from a range of different economic sectors. In preparation for the move to the new companies, the existing management team has undergone leadership development training and are introducing the use of new skills and techniques introduced as part of the training. New software applications are also being employed to support the new way of working.

There is a Scheme of Delegation at Member level covering the Council, Cabinet, Individual Cabinet Members and Other Committees. Similarly, there is a scheme of Delegation for officer decisions at Executive, Non-Executive and Regulatory. These are reviewed and revised as structures at Council and Officer level change.

Financial Rules were published in 2012; minor changes to the Rules to reflect operational practice were made by the Council's Chief Finance Officer in July 2015 and reported to the Cabinet. The Financial Rules are due to be updated during 2017/18 to reflect changes resulting from the introduction of the new service delivery companies and other operational updates.

Officers are appointed to positions with job descriptions which specify essential or desirable qualifications and experience. Human Resource processes also validate the applicants statements in their job applications and references are sought before employment commences.

An induction programme is available to new employees and members alike. Training is also provided for both Members and Officers on an on-going basis as appropriate and necessary. Members on certain Committees (e.g. Planning and Licensing) are required to undertake training before attending the Committee meetings.

Officers undertake regular performance reviews by way of an appraisal process. Officers discuss actions and training for the forthcoming year and plan how this will be actioned. Typically, two review meetings are scheduled for the year to ensure key objectives are being met and finally a review of the year meeting is scheduled to discuss the officer's performance over the year. Officers are encouraged to complete Continuing Professional Development as relevant to their professional qualifications and service areas hold budgets to ensure that training can be undertaken to maintain skills and knowledge.

During 2016/17, the Strategic Director (Resources) was appointed to the role of Head of Paid Service which provided capacity for the former Chief Executive to be released to undertake a new role of Partnership Managing Director to be responsible for the delivery of the 2020 Shared Services and take forward the 2020 Programme.

The Head of Paid Service and The Leader of the Council have clear responsibilities, roles and responsibilities are contained within the Constitution along with the Member/Officer Protocol.

F. Managing risks and performance through robust internal control and strong public financial management
The Council has a Risk Management Strategy and policy. The Strategy is due to be reviewed to reflect current operational practice, which has evolved over time. The Council's Risk Management Group meets quarterly and reviews the Corporate Risk Register and any high scoring service risks that warrant inclusion in the Corporate Risk Register. Decisions are made regarding risk scores, removing obsolete risks and adding new risks to the register. Service/Corporate risks are allocated to Service Managers/Head of Service for review and control. Risks are identified when undertaking internal audit reviews and reported when necessary. Performance is measured on a regular basis and reported to Overview & Scrutiny Committee and Cabinet. The performance report includes performance against Key Tasks, exception reporting from the Council's risk management process, performance against Key Performance Indicators and financial performance including budget monitoring at cost centre level. Minutes of meetings are published and highlight the challenge made by Members to Officers/Cabinet Members. A calendar for all Council formal meetings is created annually in advance of the municipal year and published on the Council's website During 2016/17 there was an in-house audit team who conducted the internal audits and offered advice and consultancy when necessary. A risk based Audit Plan is drafted annually following consultation with Officers, Members and the S151 Officer. The Audit Plan is approved at Audit Committee prior to the financial year Audit reports, once completed are discussed with the service manager. Executive summaries, including findings, and progress on the Annual Plan are reported to Audit Committee, on a quarterly basis. Recommendations made in audit reports are followed up 6 months after the completion the audit and findings reported to Audit Committee. The Audit Committee's Terms of Reference are contained within the Constitution, members have experience of a scrutiny role and training is provided when appropriate. A Counter Fraud Unit has been established at the Council and will support the other Gloucestershire Local Authorities, and West Oxfordshire District Council and other third parties. Where investigations identify possible improvements to the internal control framework. The Counter Fraud Unit will liaise with the Internal Audit team to ensure the improvements are followed up and implemented by Management. An ICT Audit and Compliance Manager has responsibility for Data Protection policies and ensuring officers are informed. Information sessions were conducted during 2016/17. The Council is part of the Gloucestershire Information Sharing Partnership. This will enable data to be shared when necessary. Audit reviews ensure data is held securely whether electronic or hard-copy. The MTFS is reviewed and updated on regular basis to ensure the S.151 Officer, Directors and Members are aware of the financial standing of the Council

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

4. REVIEW OF EFFECTIVENESS

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

The Council's process for maintaining and reviewing the effectiveness of the governance framework has included the following:
Heads of Service complete an Annual Assurance Statement at the end of the financial year. These governance declarations provide appropriate management assurance that key elements of the system of internal control are in place and are working effectively and help to identify areas for improvement. Corporate Team (including the S151 Officer and the Monitoring Officer) review the Corporate Risk Register on a quarterly basis and Service Risk Registers being maintained by each Manager/Head of Service. The Acting Head of Audit Cotswolds provides the Audit Committee, as the Committee charged with governance, with an Annual Opinion on the control environment of the Council, which includes its governance arrangements. Investigation of, and decisions on, allegations of failure to comply with Members Code of Conduct are considered and determined by an Independent Person(s). Induction processes are carried out for newly elected members. The S151 Officer ensures training and awareness sessions are carried out for the Audit Committee periodically. The External Auditors (Grant Thornton) present progress reports to Audit Committee. The External Auditor's Annual Audit Letter and follow-up of management responses to issues raised in the Letter or other reports are overseen by the Audit Committee. Quarterly performance reports, including the Corporate Risk Register and budget position, are presented to Overview and Scrutiny Committee and Cabinet, demonstrating performance management against agreed Service Plans, performance indicators and budgets. The Audit Committee review the Annual Governance Statement. The Audit Committee review the Annual Statement of Accounts, the Treasury Management Strategy and reports from both Internal Audit (Audit Cotswolds) and External Audit (Grant Thornton), including quarterly progress reports. Full Council approves the annual budget, reviews and approves the Treasury Management Strategy, following recommendations from the Audit Committee. Internal Audit monitors the quality and effectiveness of systems of internal control. Audit reports include an opinion that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports including recommendations for improvement are detailed in an action plan agreed with the relevant Service Manager/Head of Service. The Annual Internal Audit Opinion for 2016/17, in respect of the areas reviewed during the year, was 'Satisfactory'. The Council's Financial Rules and Contract Rules are kept under review and revised periodically. Other explicit review/assurance mechanisms, such as the Annual Report from the Local Government Ombudsman and reports from Audit Cotswolds or Grant Thornton.

5. SIGNIFICANT GOVERNANCE ISSUES DURING 2016/217

In preparing this statement and reviewing the effectiveness of the governance arrangements a number of areas have been identified where the Council needs to focus attention and improve arrangements over the next financial year. These areas of work are planned to strengthen the control framework and are set out in the table below.

No.	Key Area of Focus	Planned Actions
1	2020 Vision Partnership / Publica Ltd	The Council needs to ensure that robust governance arrangements are in place to enable the Council to have assurance over the Publica Ltd company set-up and subsequent service delivery and performance reporting.
2	General Data Protection Regulation (GDPR)	The Data Protection Regulatory framework is due to change in May 2018. The Council needs to take action to ensure it is compliant with the new requirements.
3	Compliance with Council policies and procedures	Some internal audit reviews are highlighting that there is a degree of non-compliance with Council policies and procedures. As service delivery will transfer to the Publica companies during 2017/18, the Council needs to ensure that Publica takes steps to addresses compliance issues to minimise risk to the Council.
4	Health & Safety processes – Personal Security	Due to the timing of the Health and Safety (Personal Security) audit, a follow-up review was conducted during 2016/17. The follow-up has identified that a number of recommendations are in progress and remain outstanding but good progress is being made by the services. Further follow-up will be planned for 2017/18.

The Annual Internal Audit Opinion, as drafted by the Acting Head of Audit Cotswolds, lists sixty four pieces of audit work being conducted during 2016/17, which includes consultancy and advisory services. Twenty nine assurance reviews were completed with only one scoring “limited assurance”, therefore there is a sound system of internal control at the Council which will continue to help mitigate any risks to the organisation going forward.

The one “Limited assurance” audit report that was issued during the year is captured in 4 above. Recommendations and actions have been agreed with Management, follow-up reviews have been planned for 2017/18 to ensure actions are being implemented for all audit reviews conducted during 2016/17.

Internal Audit follow-up reviews were conducted during 2016/17 on areas where weaknesses were identified in the previous year. Some recommendations have not been actioned and therefore a further follow-up will be undertaken during 2017/18. This is reflected in improvement 3 in the table.

6. APPROVAL OF LEADER AND HEAD OF PAID SERVICE

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

Signed on behalf of Cotswold District Council:

Councillor Mark F Annett
Leader of the Council

Frank Wilson
Head of Paid Service

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

We have audited the financial statements of Cotswold District Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report, and the Annual Governance Statement and the Annual Report for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

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

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

Respective responsibilities of the Authority and auditor

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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 has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

Julie Masci

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

55-61 Hartwell House
Victoria Street
Bristol
BS1 6FT

5th September 2017

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

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

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

Actuarial Gains and Losses [Defined Benefit Pension Scheme]
Changes in the net pensions liability that arise because events have not matched assumptions at the last actuarial valuation or because actuarial assumptions have changed.

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

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

Business Rates (NNDR/NDR)
Rates payable on business (non-domestic) premises based on their Rateable Value.

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

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

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

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

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

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

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

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

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

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

Current Service Cost [Defined Benefit Pension Scheme]
The increase in the present value of a defined benefit scheme's liabilities as a result of employee service earned in the current period.

Curtailment [Defined Benefit Pension Scheme]
An event that reduces the expected years of future service of present employees, or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

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

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

Direct Revenue Financing (DRF)
Resources provided from an authority's revenue budget to finance the cost of capital projects.

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

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

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

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

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

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

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

General Fund (GF)
The main revenue fund used to meet day-to-day spending on providing Council services.

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

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

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

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

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

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

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

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

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

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

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

Net Book Value (NBV)
The amount at which non-current assets are included in the balance sheet.

Net Interest on the Net Defined Benefit Liability [Defined Benefit Pension Scheme]
The net interest expense - the change during the period in the net benefit liability that arises from the passage of time.

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

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

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

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

Past Service Costs [Defined Benefit Pension Scheme]
The increase in the present value of the defined benefit scheme liabilities, related to employee service in prior periods, arising as a result of, or improvement to, retirement benefits.

Post Balance Sheet Events
These events, both favourable and unfavourable, occur between the Balance Sheet date (31 March) and the date on which the statement of accounts are signed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CIPFA (Chartered Institute of Public Finance and Accountancy)
CIPFA is the professional institute for accountants working in the public sector and the body that publishes the Code of Practice.

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

IPSAS (International Public Sector Accounting Standards)
IPSAS are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

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