STATEMENT OF ACCOUNTS 2015/16

Forest of Dean
DISTRICT COUNCIL

CONTENTS

Page(s)

NARRATIVE REPORT

AN INTRODUCTION TO FOREST OF DEAN DISTRICT COUNCIL

The Forest of Dean district has a population of 82,000 (2011 Census) living in an area covering 585 square kilometres. Over 100 square kilometres of this is woodland managed by the Forestry Commission. The district has four main towns and many smaller, rural settlements where the majority (approximately 58%) of the population live. For residents the "specialness" of the area is important arising from its cultural identity and natural environment.

Political Structure in the 2015/16 Municipal year

The council has 48 elected members representing 27 wards within the Forest of Dean. There are also 41 parish councils within the Forest of Dean. Elections are held every four years, with the latest elections held in May 2015. There is no overall political control. Additional elections may arise from time to time if a councillor or parish councillor resigns from office.

The political make-up of the council in the 2015/16 municipal year was:

Conservative party	21 councillors
Labour Party	13 councillors
United Kingdom Independence Party (UKIP)	7 councillors
Independent	3 councillors
Independent Non Aligned	2 councillors
Non Aligned Independent and Green	2 councillors
Total	**48 councillors**

The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions. Cabinet Members are held to account by a system of scrutiny which is set out in the Constitution.

The council is responsible for setting the budget and policy framework within which decisions are made. When major decisions are to be discussed or made, these are published in the cabinet's Forward Plan in so far as they can be anticipated. If these decisions are to be discussed with council officers at a meeting of the cabinet, this will generally be open for the public to attend, except where personal or confidential matters are being discussed.

The Cabinet for 2015/16 was made up as follows:

Leader of the Council & Cabinet member for Governance, Regeneration and Planning Policy	Councillor Patrick Molyneux
Deputy Leader of the Council & Cabinet member for Shared services and growth	Councillor Brian Robinson
Cabinet Member for Housing & Wellbeing	Councillor Carole Allaway Martin
Cabinet Member for Finance, Asset management & Performance	Councillor Richard Boyles
Cabinet Member for Environment	Councillor Marrilyn Smart OBE
Cabinet Member for Community	Councillor Terry Hale

The Chairman and Deputy Chairman for the council for 2015/16 were:

Chairman	Councillor Jane Horne
Deputy Chairman	Councillor James Bevan

Full details of all the council's committees, including chairs and membership can be found on the council's website on www.fdean.gov.uk

Management Structure

Supporting the work of Councillors is the organisational structure of the council, headed by the Corporate Leadership Team. The council has no Chief Executive. The duties that would normally be undertaken by a Chief Executive are shared between the two Strategic Directors, one of whom, Ms Sue Pangbourne, is designated as the Council's statutory Head of Paid Service. The statutory role of Section 151 officer is held by Mr Paul Jones and the statutory role of monitoring officer / borough solicitor to the council is held by Mrs Claire Hughes.

Bankers

The council's banking services are provided by Lloyds Bank, 130 High Street, Cheltenham, GL50 IEW.

External Auditor

The appointed external auditor in 2015/16 is Grant Thornton UK LLP, Hartwell House, 55 – 61 Victoria Street, Bristol, BS1 6FT.

COUNCIL VISION AND PRIORITIES

The Council delivers a broad range of services – from waste collection to payment of benefits. The Council's vision is for the Forest of Dean District to be a great place to live, work and stay.

Our Corporate Priorities and Objectives for the district are to:

- Provide value for money services
- Promote thriving communities
- Encourage a thriving economy
- Protect and improve our environment

PERFORMANCE MANAGEMENT

Performance management is a critical element of the council's management processes. The council is committed to a joined up approach to performance management that involves members and employees working together to ensure that the council keeps on delivering on the issues that matter most to local people and keeps on improving the quality of services at all levels. Our performance management system helps the council to identify what does and does not work and the factors that support or hinder economic, efficient and effective service delivery.

Overall the council performed well during 2015/16. We continue to get recognition for our good performance, sound financial management and value for money. The council's Annual Report for 2015/16 should be read in conjunction with the Statement of Accounts 2015/16 to a balanced view of the council's work and finances.
The council's non-financial and financial performance is regularly monitored and reported to Cabinet and Scrutiny committees on a quarterly basis. Details of these reports for 2015/16 can be found on the council's website.

DEVELOPMENTS IN SERVICE DELIVERY

The council is a multifunctional organisation, which works closely with other parts of the public service and the voluntary and community sector, making objective, transparent, evidence-based decisions about how services should be provided and by whom.

The council has entered several shared service and partnership arrangements with other organisations, to ensure the delivery of quality services in an efficient, cost-effective manner, including GO Shared services, providing Human Resources, Payroll, Finance and Procurement functions; shared with Cotswold District Council, Cheltenham Borough Council and West Oxfordshire DC, using a common platform (Agresso Enterprise Resource Planning (ERP) system). The council's Information, Communications and Technology (ICT) is shared with Cheltenham Borough Council, also using common ICT platforms, enabling service resilience within the councils.

2020 Vision

Further joint working savings are planned to be delivered by increasing the shared services between this council and its "GO Partners" (West Oxfordshire District Council, Cheltenham Borough Council and Cotswold District Council). In June 2014, the four councils approved a vision document "2020 Vision for Joint Working" which set out the outline business case for extending joint working. Funding has been received from central government to support the transitional costs of this work.

In October 2015, each of the four councils' Cabinets and Full Councils approved the decision to proceed with the 2020 programme. A Joint Committee was set up on 1st April 2016, with delegated authority on behalf of the partner councils to oversee the partnership core functions (Finance, HR and IT), partnership shared services and the 2020 Vision programme. The purpose of the Joint Committee is to provide political direction and guidance, and ensure the 2020 Vision business case benefits are delivered for each council as well as the partnership.

In October 2015 the Councils also agreed to receive a report and business case during 2016 on the potential establishment of a local authority company for the delivery of the functions of the 2020 Partnership. Work is currently underway on that business case.

A key principle of the partnership is that each council will retain its own identity, have its own elected members and continue to make decisions taking account of the needs of its local community. There will still be staff working in each location, as at present. Some members of staff will provide a service predominantly to one Council; others will provide a service for more than one council.

The Partnership Services Managing Director is Mr David Neudegg and he is accountable to the Joint Committee. Each partner council has a Head of Paid Service who is responsible for the partner council services which are not delegated to the Joint Committee.

Ubico Ltd

Ubico Ltd. was originally formed in 2012 wholly owned by its shareholders, Cheltenham Borough Council and Cotswold District Council. The company is responsible for delivering the shareholders' environmental services within their respective council boundaries. The Forest of Dean District Council, Tewkesbury Borough Council and West Oxfordshire District Council joined the partnership on 1st April 2015. Stroud District Council joined in January 2016 and each of the six authorities are now equal shareholders.

Social Housing Scheme developments

During 2015/16 the council delivered 114 new affordable homes. This is the sixth consecutive year that the council has delivered over 100 affordable homes per annum. This reflects continued effective engagement with communities and developers. As a result of this, and the pro-active approach taken by the council, homelessness applications and acceptances have remained very low, at a time when they have been substantially increasing elsewhere in the country. This provides better outcomes for individual families as well as saving money for the council and partner agencies.

The delivery of the homes has been spread throughout the district and it is pleasing to see that 37 of these new homes were delivered in rural areas (villages below 3000 in population) of the district. Of these rural homes, 14 were delivered on a rural exception site at Winding Pool Close, Dymock. This unique and exciting project included the restoration of a canal basin by the Herefordshire and Gloucestershire Canal Trust. The development also included a children's play area, a footpath through to the village and a village car park.

The year has also seen delivery of a new wing at the award winning extra care housing scheme Hanover Court in Cinderford . The new £2.3 million extension adds 20 high quality self-contained apartments to its 26 existing properties and will boost housing choices for older people in Cinderford.

Cinderford Northern Quarter Regeneration

The council continues to lead on the regeneration of Cinderford working in partnership with Gloucestershire County Council (GCC), the Forestry Commission (FC), and the Homes & Communities Agency (HCA) on this project which will benefit the whole district. This partnership approach led to the formation of the multi-agency Cinderford Regeneration Board which, together with the council, is working to deliver the Cinderford Area Action Plan (AAP) and the Town Centre Enhancement Study.

In Oct 2014, FC secured DEFRA Secretary of State approval to the proposed land swap between FC & FoDDC to facilitate the delivery of development within the Cinderford Northern Quarter. In Nov 2014, HCA secured hybrid planning approval for a new college (7,750 sq m), hotel (3,000 sq m), employment space (18,800 sq m), 195 new homes and supporting highway infrastructure. In July 2015, GCC cabinet agreed to take on the role of project managing the Cinderford Northern Quarter spine road. Phase 1 construction is now underway and will complete in Feb 2017. This first phase provides access for the planned Gloucestershire College relocation is a new £15m further education and sixth form facility.

In 2015, FoDDC secured £3.8m Local Enterprise Partnership Growth Fund grant to fund Phase 1 spine road. FoDDC is currently leading on another £1.93m Growth Fund bid to enable CNQ site preparation works to go ahead to allow investment ready development plots to be promoted to the market. If this latest bid is successful it is hoped work on this could begin in April 2017.

Community Support

The council continues to provide a high level of support to local voluntary and community sector groups and provided more than £157,000 through service level agreements and small grants over the last year, to support the local community**.**

The council also provided educational and practical help and support to a wide range of community groups and individuals. This ranged from anti-dog fouling campaigns and community clear-ups to health walks and raising dementia awareness.

Council's leisure services

The council's management and operation of its leisure centres were transferred to Freedom Leisure on 1st October 2015 in a move to secure leisure provision across the district. Freedom Leisure is a not for profit Trust that has an excellent track record of delivering first class leisure services and facilities across the UK. The council now pays a fixed management fee to Freedom Leisure to deliver these services, the cost of which is included in the Comprehensive Income and Expenditure Statement.

CHALLENGES

Local Government Finance

The General Election in May 2015 returned a majority Conservative Government. As expected, work to reduce the national deficit continued with the Chancellor's Summer Budget in July 2015, confirming that an additional £20 billion of public sector spending reductions would be required by 2020. The Chancellor's Budget of March 2016 included further proposals for Government policies and strategies aimed at reducing the national budget deficit.

The outcome of the Spending Review was announced by the Chancellor on 25 November 2015. The review was wide-ranging and raised some new issues not previously anticipated. It set out fundamental changes to Local Government and its future financial arrangements including the end of Revenue Support Grant, the main un-ringfenced grant received by Councils and the ability of Local Authorities to retain 100% of Business Rates. While the Spending Review did not have a direct impact on the Council's financial position in 2015/16 it is important to consider some of the measures announced as they will start to have an effect in 2016/17 and beyond.

Economic - Government austerity measures aimed at getting the public sector deficit under control have continued to influence the resources available to the Council, with the Council having to make considerable budget reductions. As the Government's own targets have changed, it has meant that the austerity measures have been extended to 2020.

In addition to funding pressures from cuts to Government funding, the Council is also facing costs pressure from the triennial valuation of the Gloucestershire Local Government Pension Scheme. The Council has made provision for growth in contributions to the Pension Fund. The most recent valuation took place in March 2016, the results of which will be confirmed in Autumn 2016 and will set the contribution rates for the period 2017/18 – 2019/20.

There are a number of local challenges facing the council including closing the funding gap, delivery of our regeneration aspirations and service improvement. However the council is innovative and has put in place extensive plans to ensure that we get the most out of our services at a reasonable cost.

INTRODUCTION TO FINANCIAL STATEMENTS

The purpose of this narrative report is to provide electors, local taxpayers, members of the council and other interested parties with an easy to understand guide to the most significant matters reported in the accounts. It provides an explanation in overall terms of the council's financial position and assists in the interpretation of the accounting statements. The statements should inform readers of the cost of services provided by the council in the year 2015/16 and the council's assets and liabilities at the year end.

The Accounts for the year ending 31st March 2016 have been prepared and published in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This incorporates International Financial Reporting Standards (IFRSs), so that the accounts are compliant with these standards.

The following statements are included:

Statement of Responsibilities for the Statement of Accounts	Sets out the respective responsibilities of the council and the Section 151 Officer for the accounts.
Statement of Accounting Policies	This explains the basis for recognition, measurement and disclosure of transactions and other events in the accounts. This includes changes in policy, the basis of charges to revenue and the calculation of items in the Balance Sheet.
Comprehensive Income and Expenditure Statement	This reports the net cost for the year of all the functions for which the council is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers.
Balance Sheet	This summarises the overall financial position of the council at 31st March 2016, showing its assets, liabilities and reserves.
Movement in Reserves Statement	This details the movement during the year in the council's reserves, analysed into usable reserves (i.e. those that can be used to fund expenditure or reduce local taxation) and unusable reserves.
Cash Flow Statement	This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
Collection Fund	Reflects the statutory requirement to maintain a separate Collection Fund which shows the transactions in relation to non-domestic business rates and council tax, indicating how the amounts collected are distributed to the Government, Gloucestershire County Council, Gloucestershire Police and Crime Commissioner and Forest of Dean District Council.
Annual Governance Statement	This sets out how the council is meeting its obligations and the improvements it intends to make to its systems of internal control and corporate governance arrangements.

These accounts are supported by notes to the accounts which include a glossary of terms to provide readers with further information.

THE COUNCIL'S FINANCIAL PERFORMANCE IN THE YEAR AND ITS POSITION AT THE YEAR END

General Fund Revenue Budget

During 2015/16 the council continued with the process of formal monitoring of budgets, reporting to cabinet on a quarterly basis. This has assisted in strengthening the sound management of the council's finances and provides a mechanism to ensure that any budgetary problems are identified and rectified as soon as possible during the year. This has resulted in council services being delivered within revised budget, with an overall saving compared to budget of £186k. This budget saving has been transferred to the Future deficits reserve and is included in the "use of balances and reserves" line in the Financial Outturn table below.

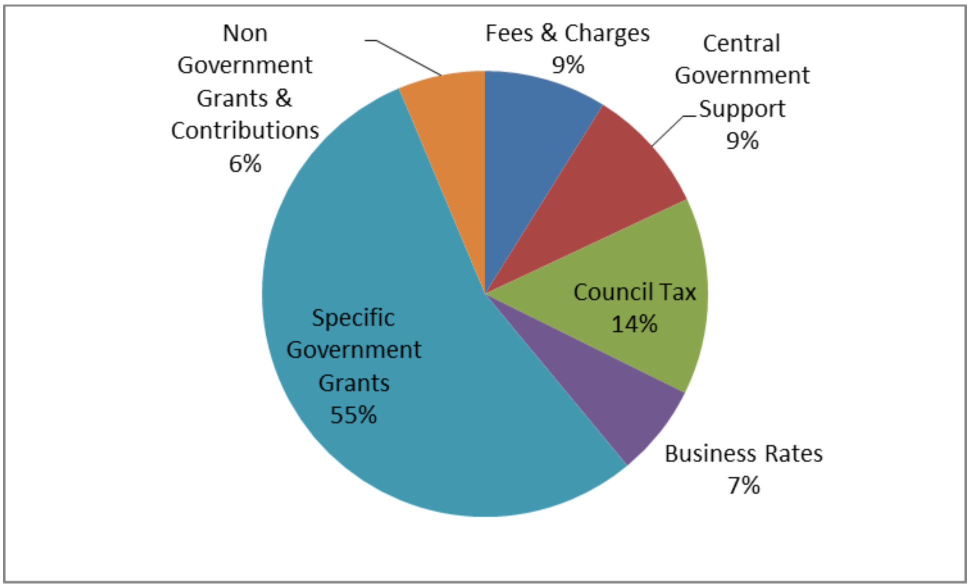
REVENUE OUTTURN 2015/16	Original Budget 15/16 £	Current Budget 15/16 £	Actual 15/16 £	Variance 15/16 £
DIRECTORATES:				
Customer Services	1,517,810	1,711,680	1,536,459	(175,221)
Environmental Services	1,088,410	1,240,010	1,320,854	80,844
Legal and Democratic Services	1,242,550	1,276,240	1,295,835	19,595
Planning and Housing Services	1,449,970	1,256,680	1,371,423	114,743
Strategic Services	5,756,150	5,376,180	5,273,810	(102,370)
Net Expenditure on Services	**11,054,890**	**10,860,790**	**10,798,381**	**(62,409)**
Capital Charges	(405,500)	(235,960)	(235,966)	(6)
Interest payable and receivable	(143,500)	(74,080)	(94,499)	(20,419)
Use of balances and reserves	400,370	718,510	991,826	273,316
Total net expenditure	**10,906,260**	**11,269,260**	**11,459,742**	**190,482**
FINANCED BY:				
Council Tax income	(4,199,400)	(4,199,400)	(4,199,408)	(8)
Share of Collection Fund surplus (-) / deficit	(227,000)	(227,000)	(227,000)	-
Non-domestic rates income and expenditure	(2,433,560)	(2,743,310)	(2,971,304)	(227,994)
Revenue Support Grant	(1,875,430)	(1,875,430)	(1,875,427)	3
New homes bonus grant	(1,523,570)	(1,523,570)	(1,523,573)	(3)
Council tax freeze grant	(49,900)	(49,900)	(50,016)	(116)
S31 NDR compensation grant	(597,400)	(650,650)	(597,282)	53,368
Other specific government grants	-	-	(15,732)	(15,732)
Total Funding	**(10,906,260)**	**(11,269,260)**	**(11,459,742)**	**(190,482)**

The table shows the council's expenditure grouped according to council's management structure, which is used to present budgets and monitoring statements to cabinet and the council. However in the Statement of Accounts the council is required to analyse its expenditure and income in a standard format, allowing direct comparisons to be made with other local authorities. This is shown by the Comprehensive Income and Expenditure Statement on page 14.

Note 19 to the accounts on page 47 gives a breakdown of the net expenditure on services shown above between employees, support service and other expenses, fees and other income and specific government grant income. The note then reconciles this to the surplus or deficit on the provision of services shown in the Comprehensive Income and Expenditure Statement on page 14.

Where the money came from

The following chart provides an analysis of our main sources of revenue income this year. The Government provides our main source of income in the form of general and specific grants. The Government also determines the amount of business rates we receive through pooling arrangements.



How the money was spent

The council provides a wide range of services, employing 197 people at 31st March 2016. The activities vary widely and include provision for the collection of refuse and recycling, provision for leisure services, car parking, cemeteries and crematoria, environmental health and many other services

CHANGES IN CORE FUNDING ARRANGEMENTS

There were no changes in core funding arrangements in 2015/16.

Capital Expenditure

In 2015/16 the council spent £0.955 million on capital projects and grants, compared with the revised budget of £3.937 million. Included in the expenditure for the year was £0.577 million spent on investment in central services, £0.346 million on private sector disabled facility grants and adaptation support grants. The major variance between the revised budget and the outturn position were in respect of social housing, leisure, investment in technology, Cinderford northern quarter and delays in carbon reduction and asset management schemes.

Capital expenditure in 2015/16 was financed from, Government Grants of £0.369 million, contributions and partnership funding of £0.399 million, with £0.179 million from revenue financing, the balance coming from capital receipts. The council plans to continue to fund capital from a range of sources including revenue reserves, developer contributions and capital receipts**.**

Treasury Management (Investments and borrowing)

Treasury Management in Local Government is governed by the CIPFA Code of Practice on Treasury Management in the Public Services and this council has adopted the Code and complies with its requirements, one of which is the receipt by the council of an Annual Review Report at the financial year end.

The council manages the cash flow arising from the provision of all council services, using the money market to invest daily cash surpluses and borrow to fund cash shortfalls.

The challenging economic climate continues to have an impact on the council's finances. The historically low Bank of England base rate continues to dampen the level of interest earned by the council's cash investments. Interest rates have remained constant throughout the year at 0.5%, with no Bank of England interest rate changes during the period 1st April 2015 to 31st March 2016.

During the year the council earned £94,499 on net investments (which was £20,419 more than budgeted).

Pension Liability

The council is required to account for retirement benefits when they are committed, even if the payment is many years in the future, in accordance with International Accounting Standard 19 (IAS 19). The pension liability or asset shown in the accounts represents the council's pension commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (via reduced future employer contributions) from a surplus in the pension scheme.

The council's net liability, according to the actuarial assessment at 31st March 2016, was £30,555,000 which was a reduction of £6,405,000 over the figure for 31st March 2015 of £36,960,000. This is principally due to the fact that the financial assumptions at 31st March 2016 are more favourable than they were at 31st March 2015 as a result of increasing real bond yields and improved asset returns. All else being equal, these factors serve to increase the value of the liabilities and thus have a negative impact on the IAS19 pension position.

Reserves, Balances and Provisions

At the year-end usable reserves stood at £8.055 million, an increase of £0.812 million during the year. The increase mainly comprised £0.317 million additional amount set aside in the Future Deficit Reserve and £0.647 million set aside in the Business Rates Retention Equalisation Reserve, both of which will be required in 2016/17 and future years to cover known budget shortfalls.

At the year-end, General Reserves or 'Balances' stood at £0.851 million.

At the year-end provisions stood at £0.773 million, an increase of £0.628 million during the year, arising from the need to provide for potential reductions to business rateable values in future years and to cover known staff redundancy and early retirement costs in 2016/17.

Changes in accounting policies and estimates

The council has reviewed its accounting policies during the year and revised them in accordance with the 2015/16 Code of Practice in Local Authority Accounting. The policies are detailed in note 1 to the accounts (pages 18 to 34) and the changes in accounting policies are detailed in note 1.26 on page 33.

The bad debt provision included in the accounts for the non-recovery of overpayment of housing benefit has been increased in 2015/16. This provision represents 70% of outstanding overpayment balances at 31st March 2016, in comparison to the corresponding rate of 60% applied at 31st March 2015. This change of policy reflects the potential impact of the changes to the recovery processes in 2017.

Changes in statutory functions and impact of new legislation

The Cities and Local Government Devolution Act 2016 became law on 28 January 2016. This provides the legal framework for the implementation of devolution deals with combined authorities and other areas. It is an enabling piece of legislation, with further details for different areas to be set out in regulations that will be put before Parliament. The council awaits the outcome and the implications of this act.

Local government audit

On 23 March 2015, the Local Audit and Accountability Act 2014 (Commencement No 7, Transitional Provisions and Savings) Order 2015 was made. The Order commenced the majority of the provisions of the Local Audit and Accountability Act 2014 that had not been commenced.

On 12 February 2015, the Account and Audit Regulations 2015 were made. The Regulations, which came into force on 1 April 2015, revoke and replace the Accounts and Audit Regulations 2011 (although the 2011 continue to have effect in relation to financial years ending on or before 31 March 2015) and contain provisions on the internal control and annual accounts and audit procedures that apply to relevant authorities (apart from health bodies) as defined in Schedule 2 to the Local Audit and Accountability Act 2014.

National Audit Office (NAO) review of burdens on local authorities

On 11 June 2015, the National Audit Office (NAO) published a review of how well the government has applied the new burdens doctrine. The review sets out how the government would ensure that new requirements that increased local authorities' spending did not lead to excessive council tax increases. The report also focuses on what local authorities could do to improve transparency in this area, pointing out that government departments have struggled in some cases to obtain reliable cost data from local authorities.

On 5 October 2015, HM Treasury announced its plans to devolve a number of powers to local government in relation to local taxes, and in particular business rates. The government's intention is that, by the end of the current parliament (2020), local authorities will:

- Be able to retain 100% of local taxes to spend on local government services.
- Have the power to cut business rates in their areas, given the proposal to abolish the uniform business rate.

The council awaits the details of how these new arrangements will operate and the impact on the council's finances.

Cap on exit payments for public sector employees

On 31 July 2015, HM Treasury published a consultation on the government's proposals to introduce a cap of £95,000 on the total value of exit payments made to public sector employees. Any waiver of the cap would require consent from the relevant Minister, or from the full council in the case of local government exit payments. The reform proposals would cover:

Current and future employees and office holders of all local government departments.

All types of payments made in relation to leaving employment, including voluntary and compulsory exits, and would take into account the monetary value of any extra leave, allowances or other benefits granted as part of the exit process that are not payments in relation to employment.

FURTHER INFORMATION

Further information about the accounts is available from GO Shared Services (Finance), Forest of Dean District Council, High Street, Coleford. This is part of the council's policy of providing full information about the council's affairs. In addition, interested members of the public have a statutory right to inspect the accounts during a 'period for the exercise of public rights' before the audit is completed. The accounts are available for inspection by appointment between 1st July 2016 and 11th August 2016 at the Council Offices, and local government electors for the area may exercise their rights to question the auditor about or make objections to the accounts for the year ended 31st March 2016, in writing, during this period.

Paul Jones,
Section 151 Officer

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE COUNCIL'S RESPONSIBILITIES

The council 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 council, that officer is the Chief Finance Officer, who also undertakes the role of the Section 151 Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

THE SECTION 151 OFFICER'S RESPONSIBILITIES*:*

The Section 151 Officer is responsible for the preparation of the council’s Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom (the Code).

In preparing the Statement of Accounts, the Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Section 151 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 OF SECTION 151 OFFICER

I certify that the Statement of Accounts on pages 14 to 17 gives a true and fair view of the financial position of the council at the accounting date and its income and expenditure for the year ended 31 March 2016.

PAUL JONES **DATE: 22nd September 2016**
Section 151 Officer

COMMITTEE APPROVAL OF THE STATEMENT OF ACCOUNTS

This statement of accounts was approved by the Audit Committee at its meeting on 22nd September 2016.

BRIAN JONES
Audit Committee Chairman **DATE: 22nd September 2016**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2014/15 Restated				2015/16		
Gross expenditure £'000	Gross income £'000	Net expenditure £'000		Gross expenditure £'000	Gross income £'000	Net expenditure £'000
			Continuing Operations			
1,220	(689)	531	Central Services to the public	1,207	(620)	587
2,489	(1,146)	1,343	Cultural and related services	1,857	(735)	1,122
5,657	(1,640)	4,017	Environment & Regulatory services	5,825	(1,532)	4,293
2,218	(1,147)	1,071	Planning services	2,398	(1,118)	1,280
185	(155)	30	Highw ays and Transport services	207	(149)	58
25,409	(24,472)	937	Housing services	25,056	(24,399)	657
2,756	(1,108)	1,648	Corporate & Democratic core	3,323	(1,776)	1,547
746	-	746	Non Distributed costs	714	-	714
40,680	**(30,357)**	**10,323**	**Cost of Services**	**40,587**	**(30,329)**	**10,258**
1,759	(595)	1,164	Other operating expenditure *(note 10)*	2,187	(407)	1,780
1,562	(313)	1,249	Financing and Investment (income) and expenditure *(note 11)*	1,281	(380)	901
2,905	(15,659)	(12,754)	Taxation and non-specific grant (income) and expenditure *(note 12)*	2,237	(15,177)	(12,940)
46,906	**(46,924)**	**(18)**	**(Surplus) or Deficit on the provision of services**	**46,292**	**(46,293)**	**(1)**
		(93)	(Surplus) or Deficit on revaluation of non-current assets (*note 33)*			(266)
		4,691	Remeasurement of the net defined benefit liability /(asset) *(note 35)*			(6,492)
		4,598	**Other Comprehensive (Income) and Expenditure**			**(6,758)**
		4,580	**Total Comprehensive (Income) and Expenditure**			**(6,759)**

BALANCE SHEET

This statement shows the value as at the balance sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category is usable reserves i.e. those reserves that the council may use to provide services, these being subject to the need to maintain a prudent level and constrained by statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).

The second category of reserves comprises those that the council is not able to use to provide services. This includes those that hold unrealised gains and losses (for example the revaluation reserve), where amounts only become available to provide services if the assets are sold, and those that hold timing differences which are shown in the Movements in Reserves Statement Line 'Adjustments between accounting basis and funding basis under the regulations.'

31 March 2015		Note	31 March 2016
£000			£000
9,773	Property, Plant & Equipment	20	9,563
3,129	Investment Property	22	2,970
343	Intangible Assets	24	345
21	Long Term Debtors	27	28
13,266	**Long Term Assets**		**12,906**
16,052	Short term Investments	25	14,022
112	Inventories	26	113
4,395	Short term Debtors	27	4,224
5,488	Cash and cash equivalents	28	9,398
26,047	**Current assets**		**27,757**
(888)	Bank overdraft	28	(1,292)
(306)	Short term borrowing	25	(329)
(5,252)	Short term creditors	29	(4,932)
(1,620)	Grants receipts in advance - capital	29	(1,716)
(145)	Provisions	30	(773)
(8,211)	**Current Liabilities**		**(9,042)**
(776)	Long term borrowing	25	(447)
(79)	Grants receipts in advance - capital	18	(573)
(36,960)	Other long term liabilities	35	(30,555)
(37,815)	**Long term liabilities**		**(31,575)**
(6,713)	**Net Assets**		**46**
17,547	Usable Reserves		18,934
(24,260)	Unusable Reserves	33	(18,888)
(6,713)	**Total Reserves**		**46**

These statements replace the unaudited financial statements certified by the Section 151 Officer on 30th June 2016.
Signed: ……………………………………………………… MR PAUL JONES

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year in the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different to the statutory amount required to be charged to the General Fund Balance for council tax setting purposes. The net increase or decrease before transfers to earmarked reserves line shows the statutory general fund balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Reserves £000**
Balance at 31 March 2014	**832**	**7,272**	**8,941**	**689**	**17,734**	**(19,867)**	**(2,133)**
Movement in Reserves during 2014/15							
Surplus or (deficit) on the provision of services	18				**18**		**18**
Other comprehensive income and (expenditure)	8				**8**	(4,606)	**(4,598)**
Total Comprehensive Income and (Expenditure)	26	-	-	-	**26**	(4,606)	**(4,580)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	(36)	-	72	(248)	**(212)**	212	**-**
Net increase/(decrease) before transfers to reserves	(10)	-	72	(248)	**(186)**	(4,394)	**(4,580)**
Transfers to/from earmarked reserves (Note 32)	29	(29)			**-**		**-**
Increase / (decrease) in 2014/15	19	(29)	72	(248)	**(186)**	(4,394)	**(4,580)**
Balance at 31 March 2015	**851**	**7,243**	**9,013**	**441**	**17,548**	**(24,261)**	**(6,713)**
Movement in Reserves during 2015/16							
Surplus or (deficit) on the provision of services	1				**1**		**1**
Other comprehensive income and (expenditure)	32				**32**	6,726	**6,758**
Total Comprehensive Income and (Expenditure)	33	-	-	-	**33**	6,726	**6,759**
Adjustments between accounting basis and funding basis under regulations (Note 6)	780	-	417	156	**1,353**	(1,353)	**-**
Net increase/(decrease) before transfers to reserves	813	-	417	156	**1,386**	5,373	**6,759**
Transfers to/from earmarked reserves (Note 32)	(813)	813			**-**		**-**
Increase / (decrease) in 2015/16	-	813	417	156	**1,386**	5,373	**6,759**
Balance at 31 March 2016	**851**	**8,056**	**9,430**	**597**	**18,934**	**(18,888)**	**46**

CASH FLOW STATEMENT

The cash flow statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the council.

2014/15 £000		2015/16 £000	2015/16 £000
(18)	Net (surplus) or deficit on the provision of services		(1)
(3,694)	Adjust net surplus or deficit on the provision of services for non-cash movements (note 36)	(2,401)	
675	Adjust for items in the net surplus or deficit on the provision of services that are investing or financing activities (note 36)	434	
(3,037)	**Cash (inflows) generated from operating activities**		(1,967)
6,214	Investing activities (note 37)		(1,845)
285	Financing activities (note 38)		307
3,462	**Net (increase) / decrease in cash and cash equivalents**		**(3,506)**
8,062	Cash and cash equivalents at beginning of the year		4,600
4,600	Cash and cash equivalents at end of the year (note 28)		8,106
3,462	**Net (increase) / decrease in cash and cash equivalents**		**(3,506)**

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises the council's transactions for the financial year and its position at the end of the financial year. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASSAC Code of Practice on Local Government Accounting in the United Kingdom (The Code) and the CIPFA Service Reporting Code of Practice (SeRCOP), supported by International Financial Reporting Standards (IFRS's), International Accounting Standards (IAS's) and statutory guidance.

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

The accounting policies of the council have as far as possible been developed to ensure that the accounts are understandable, relevant, free from material error or misstatement, reliable and comparable.

1.2 ACCOUNTING CONCEPTS

Except where specified in the Code, or in specific legislative requirements, it is the council's responsibility to select and regularly review its accounting policies, as appropriate.

These accounts are prepared in accordance with a number of fundamental accounting principles:

- Relevance
- Reliability
- Comparability
- Materiality

Additionally three further concepts play a pervasive role in the selection and application of accounting policies:

Accruals of Income and Expenditure

The financial statements, other than the cash flow statement, are prepared on an accruals basis, i.e. transactions are reflected in the accounts in the year in which the activity to which they relate takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.

- 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 on the Balance Sheet.

- 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 payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- All income and expenditure is credited and charged to the Comprehensive Income and Expenditure Statement, unless it comprises capital receipts or capital expenditure.

Going Concern

The accounts are prepared on the assumption that the council will continue its operations for the foreseeable future. This means in particular that the Comprehensive Income and Expenditure Statement and Balance Sheet assume no intention to significantly curtail the scale of operations.

Primacy of legislative requirements

The council derives its powers from statute and its financial and accounting framework is closely controlled by primary and secondary legislation. Where legislative requirements and accounting principles conflict, legislative requirements take precedence.

1.3 EMPLOYEE BENEFITS

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within twelve months of the year-end. They include such benefits as salaries and wages, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. 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 salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy. They are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the council is committed to the termination of the employment of an officer or group of officers.

Where termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. Therefore in the Movement in Reserves Statement appropriations are required to and from the pensions reserve to remove the notional charges and credits for pension enhancement termination benefits, and replace them with the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the council are members of the Local Government Pension Scheme, administered by Gloucestershire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council, and is accounted for as a defined benefits scheme:

- The liabilities of the Gloucestershire pension scheme 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 earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on the adoption of the AA-rated corporate bond basis.

- The assets of the Gloucestershire pension fund attributable to the council are included in the balance sheet at their fair value on the following basis:
    - quoted securities – current bid value
    - unquoted securities – professional estimate of fair value
    - unitised securities – current bid price
    - property – market value.

- The change in the net pension liability is analysed into seven components:

    - Current service cost: the increase in liabilities as a result of the additional year of service earned - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

    - Past service cost: the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - charged to the Surplus or Deficit in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

    - Interest cost on defined obligation: the expected increase in the present value of liabilities during the year as they move one year closer to being paid - charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

    - Return on plan assets: the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

    - Gains/losses on settlements: the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – charged to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

    - Measurement of the net defined benefit liability: changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.

    - Contributions paid to the Gloucestershire pension fund: cash paid as employer's contributions to the pension fund, in settlement of liabilities.

Statutory provisions limit the amount chargeable to council tax to that payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pension Reserve to remove the notional charges and credits for retirement benefits and replace them with the cash paid to the pension fund and any amounts payable to the fund 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 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.

1.4 GRANTS AND CONTRIBUTIONS

Grants and contributions received from the government and other organisations are not credited to the Comprehensive Income and Expenditure Statement until any conditions attached to the grant or contribution have been satisfied. For example conditions may be stipulated that specify that the grants or contributions are required to be consumed by the recipient as specified, or they must be returned to the transferor.

Amounts received as grants and contributions for which conditions have not been satisfied are carried on the Balance Sheet as Revenue or Capital Grants Received in Advance. When the conditions are satisfied, the grant or contribution is credited to the relevant service line (if ring-fenced) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement, so that they are available to fund capital expenditure. Where the grant has yet to be used to finance capital expenditure, it is credited to the Capital Grants Unapplied reserve. Where it has been applied it is credited 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.

1.5 OVERHEADS AND SUPPORT SERVICES

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

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation

- Non Distributed Costs – past service costs and gains/losses on settlements relating to pensions, the cost of any unused IT facilities, and the cost of holding any surplus assets.

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

Charges are based on a variety of methods including allocations according to officers' use of time resources, charge per unit of service and administrative building costs according to area occupied.

1.6 COUNCIL TAX RECOGNITION

Council Tax receivable for the financial year is recognised in the Collection Fund, a separate statutory account maintained by billing authorities. The Fund is charged with the council tax requirements ('precepts and demands') set by the major preceptors and billing authority before the start of the year, leaving (after providing for uncollectable debts) a surplus or deficit, which is then distributed to the same authorities in future years in proportion to their precepts or demands.

The council tax income included in the council's Comprehensive Income and Expenditure Statement for the year represents its 'demand' plus its share of the collection fund surplus or deficit due for the year, before any distribution. Because the amount of surplus or deficit that can be credited or charged to the council's general fund is governed by statute, and is limited to that declared at the start of the year, adjustments are made in the Movement in Reserves Statement to the collection fund adjustment account to reflect the difference between the surplus or deficit due for the year and that which can be released according to statute.

There is no statutory requirement for a separate collection fund balance sheet. Instead the fund balances (arrears, over/pre-payments, bad debts provision and accumulated surpluses or deficits) are distributed across the balance sheets of the billing authority and the major preceptors, in proportion to their precepts and demands. The council, as a billing authority, therefore accounts for council tax balances on an Agency basis, showing only its share of the fund balances on its balance sheet.

1.7 NATIONAL NON-DOMESTIC RATES (NNDR) INCOME RECOGNITION

NNDR income is recognised in the same way as council tax described above, with the exception that the net income and surplus/deficit credited or charged to the Comprehensive Income and Expenditure Statement is shared between the billing authority, the county council and central government in statutory proportions. NNDR balances are also distributed across their balance sheets in the same proportions.

1.8 ACQUISITIONS AND DISCONTINUED OPERATIONS

Any operations or services acquired or discontinued during the financial year (for example transferred from or to another public organisation due to changes in legislation) are shown separately on the face of the Comprehensive Income and Expenditure Statement.

1.9 VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

1.10 FOREIGN CURRENCY TRANSLATION

Where the council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are converted at the spot exchange rate for 31st March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Account.

1.11 NON-CURRENT ASSETS - RECOGNITION OF CAPITAL EXPENDITURE

The council recognises non-current assets when expenditure is incurred on assets:

- held for use in the production or supply of goods or services, rental to others, or for administrative purposes
- expected to be used for more than one financial period
- where it is expected that the future economic benefits associated with the asset will flow to the council
- where the cost can be measured reliably.

The initial cost of an asset is recognised to be:

- Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner required by management.
- Any costs of dismantling and removing an existing asset and restoring the site on which it is located.

The cost of an asset acquired other than by purchase or construction is deemed to be its fair value, except where an asset is acquired via an exchange it is deemed to be the carrying amount of the asset given up by the council.

Donated assets are measured initially at fair value. The difference between their fair values and any consideration paid is credited to the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in a Donated Assets Reserve account. Where gains are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Subsequent ‘enhancement’ expenditure is treated as capital expenditure when it is considered it will increase the value of the asset or its useful life or increase the extent to which the council can use the asset.

De Minimis policy - expenditure on vehicles below £5,000 (excluding VAT) or on other assets below £10,000 (excluding VAT) is not treated as capital expenditure except where the sum of identical assets purchased exceeds this figure, as is the case with waste collection bins and caddies.

Capital assets are held on the Balance Sheet as Non-Current Assets.

1.12 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (PPE)

Assets that have physical substance and are held for use in the provision of services, for rental to others, or for administrative or other operational purposes on a continuing basis are classified as Property, Plant and Equipment. Such assets are categorised as Other Land and Buildings, Vehicles Plant and Equipment, Infrastructure, Community Assets, Surplus Assets and Assets Under Construction (if any).

Infrastructure assets are inalienable assets, expenditure on which is only recoverable by continued use of the asset and there is no prospect for sale or alternative use. Examples include footpaths, cycle tracks and drainage systems.

Community Assets are assets that the authority intends to hold in perpetuity, have no determinable useful lives and which may have restrictions on their disposal. Examples include cemeteries land and open spaces used for recreation.

Surplus Assets are assets which are not being used to deliver services or for administrative purposes but which do not meet the definition of Investment properties or Assets Held for Sale.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it yields benefits to the council for more than one financial year and the cost of the item can be measured reliably. This excludes expenditure on routine repairs and maintenance, which is charged direct to service revenue accounts when it is incurred.

Measurement

PPE assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The council does not capitalise borrowing costs incurred whilst assets are under construction.

The assets are then carried on the Balance Sheet using the following measurement bases:

- Other Land and Buildings – Current value, using the basis of existing use value (EUV) where an active market exists or Depreciated Replacement Cost (DRC), where there is no active market for the asset or it is specialised.

- Infrastructure – depreciated historic cost.

- Community assets – historic cost (where known). The Code offers the option for authorities to measure community assets at valuation. The council has so far not adopted to change its accounting policy in this way as it does not currently have the management information to make reasonable valuation estimates of community assets.

- Assets under construction – historic cost.

- Surplus Assets – Current value, using the Fair value basis defined by IFRS13 i.e. the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

- In the case of assets that have short useful lives or low values (or both) i.e. Vehicles, Plant and Equipment, depreciated historic cost is used as a proxy for current value.

Assets included in the Balance Sheet at Current value are re-valued where there have been material changes during the year, and as a minimum every five years.

Where there is an upward revaluation, the carrying value is increased and the gain credited to the Revaluation Reserve. This is reflected in the Comprehensive Income and Expenditure Statement as a revaluation gain, included in Other Comprehensive Income and Expenditure. Exceptionally, gains are credited to the Surplus or Deficit on the Provision of Services (and not the Revaluation Reserve) where a revaluation loss or impairment in respect of that asset was previously charged to a service revenue account (adjusted for the depreciation that would have been charged had the revaluation or impairment losses not occurred).

Where decreases in value are identified, they are accounted for as follows:

- 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 in the Comprehensive Income and Expenditure Statement.

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

Impairment

PPE assets are assessed at the end of each year for evidence of impairment. Where evidence exists and the effect is considered 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 difference.

Where there are revaluation gains for the asset in the Revaluation Reserve the impairment loss is written down against that balance (up to the amount of the accumulated gains).

Where there are no gains in the Revaluation Reserve or an insufficient balance to meet the impairment loss, the remaining loss is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line 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 with a determinable finite useful life, by writing down the carrying value of the asset in the Balance Sheet over the remaining periods expected to benefit from their use. Assets not depreciated are those without a determinable finite useful life (land and community assets), assets that are not yet available for use (assets under construction) and assets reclassified as Held for Sale.

Depreciation is calculated on the following basis:

- Buildings, Vehicles, Plant, Furniture and Equipment, Infrastructure, Surplus assets – straight-line allocation over the asset's estimated useful life.
- Newly acquired assets are depreciated from the year following that in which they were acquired.
- Assets under construction are not depreciated until they are brought into use.

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

Assets disposed of during the year are depreciated in the year of disposal or in the case of assets reclassified as Held for Sale, in the year they were reclassified.

Componentisation

Where an item of Property Plant and Equipment has components whose cost is significant in relation to the total cost of that item they are identified as separate assets and depreciated separately. The council's current Componentisation Policy defines a separate component:

- for new assets and enhancements (excluding land), as an item of expenditure with a value greater than £50,000 or 20% of the cost of the asset, whichever is the higher
- for buildings revalued after 1 April 2010, as an item with a current net book value in excess of £250,000 or 20% of the cost, whichever is the higher.

1.13 NON-CURRENT ASSETS - INVESTMENT PROPERTY

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset, in its highest and best use, could be exchanged between market participants at the reporting date. Properties are not depreciated but are revalued annually as necessary dependent on changes in market conditions in the year. Gains and 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. Such gains and losses, however, are not permitted by statutory arrangements to have an impact on the General Fund Balance and are therefore reversed out in the Movement in Reserves Statement and credited to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

1.14 NON-CURRENT ASSETS - INTANGIBLE ASSETS

Expenditure on assets that do not have physical substance and which are controlled by the entity through custody or legal rights (e.g. software licences), is capitalised when it will bring benefits to the council for more than one financial year. Internally generated assets are capitalised where it can be demonstrated that the project is technically feasible, is intended to be completed (with adequate resources being available), where the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset, and where the expenditure during the development phase can be reliably measured.

Intangible assets are measured at cost, which is amortised over the estimated useful life of the asset to the relevant service line in the Comprehensive Income and Expenditure Statement, to reflect the pattern of consumption of benefits. Estimated remaining useful lives are reviewed annually and an asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are charged to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or cessation of use of an intangible asset is credited or charged to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance, so are reversed out of the General Fund Balance in the Movement in Reserves Statement and charged or credited to the Capital Adjustment Account with any sale proceeds greater than £10,000 credited to the Capital Receipts Reserve.

1.15 NON-CURRENT ASSETS – DISPOSALS AND 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. Assets are classified as held for sale where the asset is available for immediate sale in its present condition and where the sale is highly probable i.e. the asset has been advertised for sale and a buyer sought and the completion of the sale is expected within twelve months of the balance sheet date.

Except when carried at (depreciated) historic cost, an asset is revalued immediately before its reclassification as Held for Sale, using its existing category's measurement basis. Following reclassification assets are measured at the lower of their carrying values and fair values less costs to sell. Any subsequent gains in value are first used to reverse any losses previously charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement and thereafter recognised in the Revaluation Reserve. Losses in value are charged to the Surplus or Deficit on the Provision of Services (even when there is a balance held for that asset in the Revaluation Reserve).

Depreciation is not charged on Assets Held for Sale, except in the year in which they were classified as held for sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified as non-current assets (Property, Plant and Equipment or Investment assets) and valued at the lower of their carrying amount before they were 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.

When an asset is disposed of, or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) 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 (i.e. netted off against carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are written off to the Capital Adjustment Account.

Amounts received from a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement of Reserves Statement.

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

1.16 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets is charged to the relevant service revenue account in the year. To the extent the council has determined to meet the cost of this expenditure from capital resources (borrowing, capital receipts or grants) a transfer to the Capital Adjustment Account via the Movement in Reserves Statement reverses out the amounts charged to the General Fund Balance so there is no impact on the level of council tax.

1.17 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding assets during the year:

- Depreciation of property, plant and equipment used by the relevant service
- Amortisation of intangible assets used by the service
- Revaluation and impairment losses, where there are no accumulated gains in the Revaluation Reserve against which the losses can be charged.

The council cannot raise council tax to cover depreciation, amortisation or revaluation and impairment losses. It is, however, required to make an annual provision (known as Minimum Revenue Provision or MRP) from revenue towards reducing its overall borrowing requirement, equal to an amount calculated on a prudent basis by the council in accordance with statutory guidance. The above charges are therefore reversed out of the General Fund Balance and replaced by a MRP contribution to the Capital Adjustment Account in the Movement of Reserves Statement.

1.18 LEASES

Leases are classified as either Finance Leases or Operating Leases. Arrangements that do not have the legal status of a lease but convey the 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.

Defining a Finance Lease

Leases are classified as finance leases where 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. This is likely to apply if some or all of the following situations are met:

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. in the case of hire purchase)
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised
- If the lease term is for the major part of the economic life of the asset, even if title is not transferred. The economic life of the asset is deemed to be consistent with the useful life of the asset in the depreciation policy. The council recognises the major part to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease. If this rate cannot be determined the incremental borrowing rate applicable for that year is used. The council recognises "substantially all" to mean 90% of the value of the asset. In some circumstances, a level of 75% is used if the council believes that using this level will give a result that better reflects the underlying transaction
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications
- If the lessee cancels the lease, the lessor's losses associated with the cancellation are borne by the lessee
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease)
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

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

Lessee Accounting for a finance lease

Where the council is leasing an asset (for example as a tenant) that is deemed a finance lease, it will recognise that asset within its asset register, and account for that asset as though it were an owned asset.

The initial recognition of the asset is at the fair value of the asset, or if lower, the present value of the minimum lease payments. A liability is also recognised at this value, which is reduced as lease payments are made. Lease payments made to the lessor are split between the reduction in the liability and interest, which is charged to the Comprehensive Income and Expenditure Statement.

Lessor Accounting for a finance lease

Where the council grants a finance lease over property or items of plant or equipment the carrying values of the relevant assets are written out of the Balance Sheet to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement, as part of the gain or loss on disposal. The amount receivable on disposal (representing the minimum lease payments due), is credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal, matched by a cash receipt (if a premium has been paid) or a long term debtor (if to be settled by payments in future years) on the Balance Sheet.

The amount receivable 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 in Reserves Statement.

Where the amount due under the lease is settled by payments in future years the amount receivable on disposal is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve.

When received future lease payments are apportioned between:

- a charge for the acquisition of the assets, which reduces the lease debtor.
- finance interest, which is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

An amount equivalent to the charge for the acquisition of the assets is at the same time transferred from the Deferred Capital Receipts Reserve to the Capital Receipts Reserve.

Defining an Operating Lease

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards arising from ownership of the asset.

Lessor Accounting for an operating lease

Where the council grants an operating lease over property or items of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the relevant service income line or, if the asset is classified as an Investment property, to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Lessee Accounting for operating leases

Rentals paid under operating leases are charged to the service using the asset in the Comprehensive Income and Expenditure Statement.

1.19 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised in the Balance Sheet when the authority becomes party to the contractual provisions of the instrument. In the case of a financial asset this is when the authority becomes committed to its purchase, except in the case of trade receivables, which are recognised when the goods or services have been supplied. Financial liabilities are recognised when the cash or goods or services have been received.

Financial Liabilities

Financial liabilities are initially measured at fair value and then carried at amortised cost. Where interest is payable this is charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, 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.

Normally this means, for the council's borrowings, the amount recognised in the Balance Sheet represents the outstanding principal repayable plus any accrued interest, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year stated in the loan agreement. For current payables with no stated interest rate the amount recognised is the outstanding invoiced amount.

Financial Assets

The council's financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments *and* 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 initially measured at fair value and carried at amortised cost. Where interest is receivable this is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. Normally this means, for the council's loans and investments, the amount recognised in the Balance Sheet is the outstanding principal receivable plus any accrued interest, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year stated in the loan agreement.

Where loans and receivables 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 an impairment charge made to 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 cash flows, discounted at the asset's original effective interest rate.

For current receivables with no stated interest rate the amount recognised is the outstanding invoiced amount, less any allowance for impairment (provision for bad or doubtful debts).

Any gains and losses that arise on the disposal or de-recognition of the asset are credited or charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-sale financial Assets

Available-for-sale financial assets are initially measured and carried at fair value, except in the case of equity instruments that do not have a quoted price in an active market for which a reliable fair value cannot be established, which are measured at cost. For instruments quoted in an active market, fair values are based on their market prices at the reporting date, except where the instruments will mature within twelve months of that date, in which case they are assumed not materially different to (and therefore equal to) their carrying values.

Where the asset has fixed or determinable payments, the interest receivable is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, any income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the council.

Changes in fair value (except those arising from impairments), if material, are balanced by an entry to the Available-for-Sale Reserve and the gain or loss is recognised in Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement. Where impairment losses have been incurred, these are charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of the asset are credited or charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, together with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

1.20 INVENTORIES

Inventories held in stores are included in the Balance Sheet at the latest price paid. This is a departure from the requirements of the Code, which require inventories to be shown at the lower of cost and net realisable value. The effect of the different treatment is not considered material.
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1.21 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

1.22 PROVISIONS

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing or amount of the transfer is uncertain. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the council becomes aware of the event, based on its best estimate of the likely settlement. When payments are eventually made, they are charged to the provision carried on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service line in the Comprehensive Income and Expenditure Statement.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

1.23 CONTINGENT LIABILITIES

A contingent liability arises where an event has taken place that gives the council 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 council. 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.

Contingent liabilities are not recognised in the Balance Sheet but, where material, disclosed in a note to the accounts.

1.24 RESERVES

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits, and they do not represent usable resources for the council – these reserves are known as unusable reserves.

1.25 CONTINGENT ASSETS

A contingent asset arises where an event has taken place that gives the council 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 council.

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

1.26 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

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

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

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

1.27 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

1.28 ESTIMATION TECHNIQUES

Estimation techniques are the methods adopted to assess the values of assets, liabilities, gains and losses and changes in reserves in situations where there is uncertainty as to their precise value. Unless specified in the Code or in legislative requirements, the method of estimation will generally be the one that most closely reflects the economic reality of the transaction.

1.29 JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

Jointly controlled operations are activities undertaken by the council in conjunction with other venturers that involve the use of assets and resources of the venturers rather than the establishment of a separate entity. The council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant and equipment that are jointly controlled by the council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

Such operations and assets, not being separate entities, are accounted for in the council only accounts and are not separate entities for Group account purposes.

At 31st March 2016 the council had a 16.66% shareholding in Ubico Ltd., a local authority owned company which (from 2015/16) has six members, providing environmental services to the shareholder councils. Previously the company was jointly owned and controlled by Cotswold District Council and Cheltenham Borough Council. Since the council has no control or joint control or significant influence over the company, there is no requirement to produce consolidated group accounts.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

From 1 April 2015 the Code adopted the standards *IFRS13 Fair Value Measurement, Annual Improvements to IFRSs 2011-2013 cycle and IFRIC 21 Levies.* The adoption of IFRS13 has resulted in a change to the measurement requirements for assets classified as Surplus assets within Property, Plant and Equipment and Investment Properties. These assets are now measured at fair value in accordance with the definition in IFRS13, and no longer with adaptations to that definition. The change is not considered to have had a material impact on the financial statements.

The following standards have been introduced in the 2016/17 Code:

- Amendments to IAS19 *Employee benefits* (Defined Benefit Plans: Employee Contributions)
- Annual improvements to IFRSs 2010 - 2012 Cycle
- Amendment to IFRS11 *Joint Arrangements*
- Amendment to IAS16 *Property, Plant and Equipment* and IAS38 *Intangible Assets*
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- Amendment to IAS1 *Presentation of Financial Statements*
- Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of a new Expenditure and Funding Analysis.

These amendments (when adopted) are not anticipated to have a material impact on the financial statements or balances of the council.

3. CRITICAL JUDGEMENTS USED IN ACCOUNTING POLICIES

In applying the accounting policies set out on pages 18 to 34, the council has had to make certain judgments about balances and transactions which may be uncertain depending on future events.

Business Rate Appeals Provision
The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1st April 2013. From this date district councils such as Forest of Dean assume a share of the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. A successful appeal may mean the council having to refund rates paid in previous years. The council has therefore set aside a provision to cover its share of the repayments it estimates will be made and made a judgement as to the timescale over which they are likely to be repaid.

The provision is based on the expected success rate of appeals lodged at 31 March 2016, so no allowance has been made for any successful appeals against previous years' rate liabilities that may be received after this date.

Non-Current Assets
The classification of non-current and Property, Plant and Equipment assets has been assessed and judgements made as to the category, and therefore the valuation basis, in which each asset falls, including those held for investment purposes.

Bad Debts Provision
In estimating current debtors due at the year end the council has had to make judgements as to the likely amounts recoverable and irrecoverable and therefore the level of bad debts provision required.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of assets falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £4,400 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the council with expert advice about the assumptions to be applied.	The effects on the net pensions' liability of changes in individual assumptions can be measured. For example, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of approximately 9%, and a one year increase in member life expectancy would increase the pension liability by approximately 3%. A sensitivity analysis is included in Note 35- Pensions.
Non-domestic rates (NDR) appeals provision	This provision has been set up to meet losses arising from the successful appeal of businesses against the rateable value of their properties. The provision is based on an expected success rate of appeals submitted at 31st March and an estimated reduction in rateable value. Although based on past experience, both the actual success rate and actual reduction may differ from the estimate.	A 1% increase in the assumed success rate, together with a 1% reduction in the rates payable, would result in an increase in the estimated provision required of £61k, of which the council's share would be £24k. This would reduce the collection fund surplus able to be distributed to the council in future years. Some of this reduction may be compensated by the local NDR pool if it resulted in a deficit in the year. (Note - certain categories of appeals are estimated at 100% expected success rate, based on experience to date).

5. MATERIAL ITEMS OF INCOME AND EXPENDITURE NOT DISCLOSED ON THE FACE OF THE STATEMENTS

There are no known material items not disclosed on the face of the statements.

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that have been made to Total Comprehensive Income and Expenditure so that it equals the amount available, under statutory provisions, to meet future capital and revenue expenditure.

The following describes the major reserves and the adjustments made to each reserve:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of a council are required to be paid and out of which all liabilities of the council are to be met, except to the extent that statutory rules might provide otherwise. These rules also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure.

2014/15					2015/16			
General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000	**Adjustments between Accounting basis and Funding basis under regulations**	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
				Adjustments to / from the Capital Adjustment Account				
				Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
(663)			663	Charges for depreciation and impairment of non-current assets	(930)			930
(8)			8	Revaluation losses on Property, Plant and Equipment	(32)			32
(21)			21	Movements in the fair value of Investment Properties	36			(36)
(118)			118	Amortisation of Intangible Assets				
751			(751)	Capital grants and contributions applied	923			(923)
(954)			954	Revenue Expenditure Funded from Capital Under Statute (net of grants)	(378)			378
50			(50)	Amounts of non-current assets written off on sale as part of the gain/loss on disposal	(257)	(14)		271
85			(85)	Donated assets				
				Insertion of items not debited or credited to Comprehensive Income and Expenditure Statement				
284			(284)	Statutory provision for the financing of capital investment	306			(306)
110			(110)	Capital expenditure charged against the General Fund	179			(179)
				Adjustments to / from Capital Grants Unapplied				
		(44)	44	Capital grants credited to the Comprehensive I&E Statement			(185)	185
		292	(292)	Application of grants/contributions to fund capital expenditure			30	(30)
				Adjustments to / from Deferred Capital Receipts				
	(8)		8	Transfer of sale proceeds credited as part of the gain/loss on sale of non-current assets		(6)		6
				Adjustments to / from the Capital Receipts Reserve				
596	(681)		85	Transfer of sale proceeds credited as part gain/loss on the sale of non-current assets	407	(407)		-
	659		(659)	Use of capital receipts to finance capital expenditure		8		(8)
(5)	5		-	Contribution from capital receipts to finance payments to Capital receipts pool	(4)	4		-
46	(46)		-	Capital Grants and loans repaid	2	(2)		-
153	(71)	248	(330)	**Carried forward**	252	(417)	(155)	320

2014/15 General Fund Balance £'000	2014/15 Capital Receipts Reserve £'000	2014/15 Capital Grants Unapplied £'000	2014/15 Unusable Reserves £'000		2015/16 General Fund Balance £'000	2015/16 Capital Receipts Reserve £'000	2015/16 Capital Grants Unapplied £'000	2015/16 Unusable Reserves £'000
153	(71)	248	(330)	**Brought forward**	252	(417)	(155)	320
				Adjustments to / from the Pensions Reserve				
(2,443)			2,443	Reversal of items relating to retirement benefits charged to the Comprehensive Income ans Expenditure Statement	(2,187)			2,187
2,052			(2,052)	Employers' pension contributions and payments direct to pensioners in the year	2,100			(2,100)
				Adjustments to / from the Collection Fund Adjustment Account				
266			(266)	Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from that calculated according to statute	(983)			983
				Adjustments to / from the Accumulating Compensated Absences Adjustment Account				
(2)			2	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is different from that chargeable Expenditure Statement is different from that according to statute	6			(6)
26	**(71)**	**248**	**(203)**	**Total Adjustments**	**(812)**	**(417)**	**(155)**	**1,384**

7. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Section 151 Officer on 30th June 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

8. CHANGES IN OPERATIONS AND DISCONTINUED OPERATIONS

Acquired operations are ones that have transferred to the council during the year, such as new geographical areas due to the reorganisation of local government or significant services acquired from another public entity as a consequence of legislation. Discontinued operations are ones that the council has transferred during the year to another public entity.

The leisure centre activities of the council, included within the Customer Services group were transferred to Freedom Leisure on 1st October 2015 in a move to secure leisure provision across the district. Freedom Leisure is a not for profit Trust that has an excellent track record of delivering first class leisure services and facilities across the UK. The council now pays a fixed management fee to Freedom to deliver these services, the cost of which are included in the Cultural and related services heading within the Comprehensive Income and Expenditure Statement. The leisure centres are located in Coleford, Cinderford, Lydney, Newent and Sedbury.

9. TRADING ACCOUNTS

The council has the following trading activity, the deficit of which is included in the Comprehensive Income and Expenditure Statement. An analysis of the trading activities is as follows:

	2015/16 £000	2014/15 Restated £000
Car Parking Expenditure	204	173
Car Parking Income	(136)	(142)
Revaluations of car parks	(8)	2
Net Deficit	**60**	**33**

The council own a number of car parks within the district where a charge for parking is made. Car Park trading operations are included within Highways and Transport services within the Comprehensive Income and Expenditure Statement.

10. OTHER OPERATING (INCOME) AND EXPENDITURE

	2015/16 £000	2014/15 Restated £000
Parish council precepts	1,897	1,823
Levies	31	28
Payments to the Government Housing Capital Receipts Pool	4	5
(Gains)/Losses on Disposal of non-current assets	255	(96)
VAT Shelter and right to buy income	(407)	(596)
Net Other Operating Expenditure	**1,780**	**1,164**

Income from the VAT Shelter is due to the council following the transfer of its housing stock to a housing association in 2003.

11. FINANCING AND INVESTMENT (INCOME) AND EXPENDITURE

	2015/16 £000	2014/15 Restated £000
Interest payable and similar charges	80	100
Net interest on the net defined benefit liability (asset)	1,165	1,350
Interest receivable and similar income	(174)	(147)
Income and expenditure in relation to investment properties and changes in their fair value	(170)	(54)
Net Financing and Investment Expenditure	**901**	**1,249**

12. TAXATION AND NON SPECIFIC GRANT (INCOME) AND EXPENDITURE

	2015/16 £000	2014/15 £000
Council Tax Income	(6,339)	(6,049)
Non-Domestic Rates income and expenditure:		
- Billing authority share	(4,966)	(4,522)
- Collection Fund (surplus) / deficit	827	(136)
- Tariff payable to central government	2,351	2,307
- Levy payable(receivable)	(114)	598
- NDR renewable energy contribution	(102)	(13)
Non-ringfenced government grants	(4,062)	(4,417)
Capital grants and contributions	(535)	(437)
Net gains from donated assets	-	(85)
Net Taxation and Non Specific Grant Income	**(12,940)**	**(12,754)**

13. MEMBERS' ALLOWANCES

In 2015/16 the council paid £300,488 (2014/15 £290,355) in allowances to its 48 members. The Expenditure reflects members' allowances approved by council for 2015/16. Full details of the Members' Allowances scheme for 2015/16 can be found on the council's website.

14. OFFICERS' REMUNERATION

Remuneration disclosures for Senior Officers whose *salary* is less than £150,000 but equal to or more than £50,000 per year:

Post Title	Salary inc Fees and Allowances £	Expense Allowances £	Compensation for loss of office £	Benefits-in-kind £	Total Remuneration excl pension contributions £	Pension contributions £	Total Remuneration incl pension contributions £
	2015/16						
Head of Paid Service	85,874	-	-	-	85,874	12,280	97,868
Strategic Director	83,874	209	-	-	84,083	11,994	96,363
Group Manager Customer Services	59,571	446	-	-	60,017	8,519	68,536
Group Manager Planning & Housing	59,555	957	-	-	60,512	8,516	69,028
Group Manager Environmental Services	58,881	2,875	-	-	61,756	8,420	70,176
Monitoring Officer	60,298	-	-	-	60,298	6,863	67,161
	408,053	**4,487**	**-**	**-**	**412,540**	**56,592**	**469,132**
	2014/15 (restated)						
Head of Paid Service	84,640	25	-	-	84,665	12,104	96,769
Strategic Director	82,640	329	-	-	82,969	11,818	94,787
Group Manager Finance, Land & Property (S151 Officer)	7,658	63	58,688	-	66,409	675	67,084
Group Manager Customer Services	60,984	284	-	-	61,268	8,762	70,030
Group Manager Planning & Housing	57,491	593	-	-	58,084	8,221	66,305
Group Manager Environmental Services	55,643	1,136	-	-	56,779	7,927	64,706
Monitoring Officer	47,761	-	-	-	47,761	6,692	54,453
	396,817	**2,430**	**58,688**	**-**	**457,935**	**56,199**	**514,134**

Notes:

a) For the purposes of this disclosure, senior employee means Head of Paid Service, his/her direct reports and statutory chief officers whose salary is between £50,000 and £150,000.

b) The council does not operate a Performance Pay System and does not pay bonuses to any member of staff.

c) The Group Manager Finance post was deleted from the establishment in April 2014. This position included the statutory role of Section 151 Officer for the council, which is now carried out by the Chief Finance Officer, Paul Jones, under a secondment arrangement with Cotswold District Council, at a cost of £30,000 to this council in 2015/16 (£30,000 in 2014/15).

d) The Monitoring Officers salary includes Returning Officer fees in 2015/16 of £12,308 (£3,305 in 2014/15).

The council did not have any other employees receiving more than £50,000 remuneration for the year (excluding employer's contributions).
The numbers of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below.

Exit package cost band (inc special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
£0 - £20,000	-	-	1	4	1	4	16,208	42,632
£20,001 - £40,000	-	-	1	1	1	1	32,868	23,083
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	1	-	1	-	176,440
Total	**-**	**-**	**2**	**6**	**2**	**6**	**49,076**	**242,155**
Amounts provided for in CIES not included in bandings	-	-	5	1	5	1	338,698	32,989
Total	**-**	**-**	**7**	**7**	**7**	**7**	**387,774**	**275,144**

The council's Comprehensive Income and Expenditure Statement includes a provision for £338,698 in 2015/16 which is payable to 5 officers in 2016/17. These costs are not included in the bands for 2015/16 and therefore an additional line has been added to reconcile to the total cost of termination benefits reported in the Comprehensive Income and Expenditure Statement for 2015/16.

15. TERMINATION BENEFITS

The council terminated the contracts of 7 employees in 2015/16 (7 in 2014/15). Total costs incurred were £387,774 (£275,144 in 2014/15), of which £167,146 (£151,919 in 2014/15) related to early retirement costs and £220,628 (£123,226 in 2014/15) related to redundancy payments. All staff redundancies were made on a voluntary basis, with no compulsory redundancies. These costs have been charged to the relevant service line shown within the Comprehensive Income and Expenditure Statement.

16. RELATED PARTY TRANSACTIONS

The council is required to disclose material transactions with related parties; bodies or individuals with 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 council.

Central Government

Central Government has significant influence over the general operations of the council; it is responsible for providing the statutory framework within which the council operates, providing the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are shown in note 18.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in note 13. During 2015/16 works and services to the value of £292,778 were commissioned from organisations in which eighteen members had an interest, grants totalling £171,997 were paid to voluntary organisations in which twenty four members had an interest. In all instances, contracts were awarded in accordance with the council's standing orders and grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of these transactions are recorded in the Register of Members' Interests, open to public inspection at the council offices during office hours.

Officers

During 2015/16 works and services to the value of £923,441 were commissioned from organisations in which five officers declared an interest, and grants totalling £22,141 were paid to organisations in which three officers declared an interest. In all instances, contracts were awarded in accordance with the council's standing orders and officers did not take part in any discussions, decisions or administration relating to the grants.

Other public bodies (subject to common control by central government)

The council collects precepts on behalf of Gloucestershire County Council, Gloucestershire Police and Crime Commissioner and the Town and Parish Councils within the district's area. Precepts for the County and Police and Crime Commissioner are shown in the Collection Fund at note 4.

5 members of the district council are also members of Gloucestershire County Council. 24 members of the district council are also members of town or parish councils. Parish Precepts are shown in the Comprehensive Income and Expenditure Statement.

Council employees are eligible to be members of the Local Government Pension Scheme, administered by Gloucestershire County Council. The total employer's contributions into the superannuation fund by the council were £2,100,000 in 2015/16 (£2,083,000 in 2014/15).

South West Audit Partnership (SWAP)

Forest of Dean District Council is a Member of SWAP which is a company limited by guarantee and is wholly owned and controlled, as an in-house company, by the members and is a local authority controlled company for the purposes of Part V of the Local Government and Housing Act 1989. The liability of each member is limited to £1, being the amount that each member undertakes to contribute to the assets of the Company in the event of it being wound up while he is a member or within one year after he ceases to be a member.

Ubico Ltd

On 1st April 2012, a local authority 'Teckal' company was set up to deliver environmental services, jointly owned by Cheltenham Borough Council and Cotswold District Council. At 1 April 2015 Forest of Dean District Council, Tewkesbury Borough Council and West Oxfordshire District Council joined the company as shareholders. Subsequently Stroud District Council joined in January 2016. The council has an equal share of 16.66% in this company. No members of Forest of Dean District Council serve on the company's Board of Directors.

17. EXTERNAL AUDIT COSTS

The total audit fees payable to the council's external auditor in 2015/16 were £54,503 (£75,040 in 2014/15), made up as follows:

	2015/16 £	2014/15 £
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	46,913	61,650
Fees payable to Grant Thornton for work on material business rates balances	-	900
Fees payable to Grant Thornton for the certification of grant claims and returns	7,590	12,490
	54,503	**75,040**

18. GRANT INCOME

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

	2015/16 £000	2014/15 £000
Credited to Taxation and Non Specific Grant Income:		
Revenue Support Grant	1,875	2,643
New Homes Bonus	1,531	1,139
Business Rates Relief Grants	597	561
Council Tax Freeze Grant	50	49
Transparency	8	6
Community Right to Challenge	-	9
Community Right to Bid	-	8
Rural Services Support Grant	-	3
	4,061	4,418
Credited to Services:		
Housing Benefit Grant	22,735	23,211
Places of Safety Grant	500	-
Disabled Facilities Grant	388	314
Starter Homes Local Authority Funding	127	-
NNDR Administration	118	120
Council Tax Administration Subsidy	98	99
DWP Additional Grant	74	38
Discretionary Housing Payments	52	79
Property Searches New Burdens	51	-
Decentralisation and Neighbourhood Planning Grant	35	5
Elections Grant	21	6
Transitional Grant – Council Tax Support	19	-
Business Rates Software Changes	12	-
Right to Move Grant	3	-
Council Tax Flood Relief Grant	3	-
Flooding Repair & Renew Grant	1	68
Letting Agents Transparency & Redress Schemes	1	-
Smoke & Co Alarms Grant	1	-
Council Tax Support New Burdens Funding	-	71
Flooding Business Support Scheme	-	63
DCLG Council Tax Grants	-	15
Inspire Project	-	7
Total	**28,300**	**28,514**

The council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	2015/16 £000	2014/15 £000
Grants Receipts in Advance (Capital Grants)		
Government grant: Council tax leaflets	-	5
Contribution: Gloucestershire Wildlife Trust Biodiversity	-	1
Contribution: S106 Drybrook Housing	73	73
Government grant: Cinderford Northern Quarter	500	-
	573	**79**

19. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (SEGMENTAL REPORTING)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP) 2015/16. However, decisions about resource allocation are taken by the council's Cabinet on the basis of budget reports across services headed by Group Managers. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- charges for revaluation and impairment of assets are excluded
- the cost of retirement benefits is based on the employer's pensions contributions paid rather than current service cost of benefits accrued in the year
- revenue expenditure funded from capital under statute is excluded
- expenditure on some support services is budgeted for centrally and not charged to services.

The income and expenditure of services recorded in the budget reports for the year, together with a reconciliation to the figures shown in the Comprehensive Income and Expenditure Statement, is shown below.

Segmental Analysis General Fund Services 2015/16	Employees Costs £000	Other Service Expenses £000	Support Service Costs £000	Total Expenditure £000	Fees & Other income £000	Gov't Grants £000	Total Income £000	Net Expenditure £000
Customer Services	1,742	25,967	(391)	27,318	(1,014)	(24,768)	(25,782)	1,536
Environmental Services	1,058	398	315	1,771	(261)	(189)	(450)	1,321
Legal and Member Services	553	784	318	1,655	(192)	(167)	(359)	1,296
Planning and Housing Services	1,848	1,661	162	3,671	(1,813)	(487)	(2,300)	1,371
Strategic Services	2,317	4,977	(404)	6,890	(1,042)	(574)	(1,616)	5,274
	7,518	**33,787**	**-**	**41,305**	**(4,322)**	**(26,185)**	**(30,507)**	**10,798**

Segmental Analysis General Fund Services 2014/15	Employee costs £000	Other service expenses £000	Support service costs £000	Total expenditure £000	Fees & other income £000	Government grants £000	Total income £000	Net expenditure £000
Customer Services	2,255	25,813	(270)	27,798	(1,416)	(24,995)	(26,411)	1,387
Environmental Services	943	404	181	1,528	(206)	(143)	(349)	1,179
Financial Services	1,375	975	(247)	2,103	(44)	(16)	(60)	2,043
Legal and Member Services	489	843	228	1,560	(236)	(121)	(357)	1,203
Planning and Housing Services	2,042	1,228	300	3,570	(1,851)	(229)	(2,080)	1,490
Strategic Services	463	3,934	(192)	4,205	(1,138)	(127)	(1,265)	2,940
	7,567	**33,197**	**-**	**40,764**	**(4,891)**	**(25,631)**	**(30,522)**	**10,242**

Note: The Council's management structure was updated in 2015/16. The Financial Services Group is now included in Strategic Services in 2015/16.

Reconciliation of Directorate Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement (CIES)

2014/15 RESTATED Directorate Analysis £000	Not Reported to Management £000	Not included in CIES £000	Net Cost of Services £000	Corporate Amounts £000	Total £000		2015/16 Directorate Analysis £000	Not Reported to Management £000	Not included in CIES £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
10,242	-	66	10,308	9	10,317	Cost of Services in General Fund Service Analysis	10,798	-	133	10,931	-	10,931
-	-	-				Add amounts not reported to management:-	-	-	-			
-	954	-	954		954	Revenue funded from capital under statute	-	378	-	378		378
-	2	-	2		2	Accumulated Absences	-	(5)	-	(5)		(5)
-	(958)	-	(958)		(958)	IAS 19 Pensions adjustment	-	(1,078)	-	(1,078)		(1,078)
-	8	-	8		8	Revaluation losses on property, plant and equipment	-	32	-	32		32
10,242	**6**	**66**	**10,314**	**9**	**10,323**	**Net Cost of Services in the CIES**	**10,798**	**(673)**	**133**	**10,258**	**-**	**10,258**
-	-	-	-	(6,049)	(6,049)	Income from council tax	-	-	-	-	(6,339)	(6,339)
-	-	-	-	(1,766)	(1,766)	Income from NNDR	-	-	-	-	(2,004)	(2,004)
-	-	-	-	(4,417)	(4,417)	Government grants	-	-	-	-	(4,062)	(4,062)
-	-	-	-	(437)	(437)	Capital grants and contributions receivable	-	-	-	-	(535)	(535)
-	-	-	-	(85)	(85)	Net gains from donated assets	-	-	-	-		-
-	**-**	**-**	**-**	**(12,754)**	**(12,754)**	**Total Income**	**-**	**-**	**-**	**-**	**(12,940)**	**(12,940)**
-	-	-	-	100	100	Interest payments	-	-	-	-	80	80
-	-	-	-	1,851	1,851	Precepts and levies	-	-	-	-	1,928	1,928
-	-	-	-	(147)	(147)	Interest and investment income	-	-	-	-	(174)	(174)
-	-	-	-	(687)	(687)	(Gain)/Loss on disposal of non-current assets	-	-	-	-	(149)	(149)
-	-	(66)	(66)	12	(54)	Income from investment properties	-	-	(133)	(133)	(36)	(169)
-	-	-	-	1,350	1,350	Pension scheme interest costs	-	-	-	-	1,165	1,165
-	**-**	**(66)**	**(66)**	**2,479**	**2,413**	**Total Operating Expenses**	**-**	**-**	**(133)**	**(133)**	**2,814**	**2,681**
			10,248	**(10,266)**	**(18)**	**(Surplus)/Deficit on provision of services**				**10,125**	**(10,126)**	**(1)**

20. PROPERTY, PLANT AND EQUIPMENT

2014/15							2015/16					
Other Land and buildings £000	Vehicles, Plant and equipment £000	Infra-structure assets £000	Community assets £000	Surplus assets £000	Total £000		Other Land and buildings £000	Vehicles, Plant and equipment £000	Infra-structure assets £000	Community assets £000	Surplus assets £000	Total £000
						Cost or valuation						
5,579	3,711	607	41	481	10,419	At 1 April	6,119	4,114	607	41	683	11,564
343	432	-	-	-	775	Additions	-	399	-	-	-	399
(31)	-	-	-	54	23	Revaluation increases / (decreases) recognised in the Revaluation Reserve	156	-	-	-	43	199
(2)	-	-	-	(6)	(8)	Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	(50)	-	-	-	(1)	(51)
-	(29)	-	-	(20)	(49)	Derecognition - disposals	-	(331)	-	-	(125)	(456)
-	-	-	-	204	204	Assets reclassified to/from held for resale	-	-	-	-	-	-
230	-	-	-	(30)	200	Other Reclassifications	-	-	-	-	26	26
6,119	**4,114**	**607**	**41**	**683**	**11,564**	**At 31 March**	**6,225**	**4,182**	**607**	**41**	**626**	**11,681**
						Accumulated Depreciation and Impairment						
(37)	(989)	(201)	-	-	(1,227)	At 1 April	(99)	(1,469)	(219)	-	(4)	(1,791)
(127)	(509)	(18)	-	(9)	(663)	Depreciation charge	(106)	(619)	(17)	-	(12)	(754)
70	-	-	-	-	70	Depreciation written out to the Revaluation Reserve	67	-	-	-	-	67
-	-	-	-	-	-	Depreciation written out to the surplus/ deficit on the provision of services	19	-	-	-	-	19
-	29	-	-	-	29	Derecognition - disposals	-	326	-	-	15	341
					-	Assets reclassified to/from held for resale	-	-	-	-	-	-
(5)	-	-	-	5	-	Other Reclassifications	-	-	-	-	-	-
(99)	**(1,469)**	**(219)**	**-**	**(4)**	**(1,791)**	**At 31 March**	**(119)**	**(1,762)**	**(236)**	**-**	**(1)**	**(2,118)**
6,020	**2,645**	**388**	**41**	**679**	**9,773**	**Net Book Value at 31 March**	**6,106**	**2,420**	**371**	**41**	**625**	**9,563**

Depreciation
The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Buildings – 10 – 50 years, depending in the estimated useful life of the asset
- Vehicles, Plant, Furniture and Equipment – between 2 and 10 years, depending on the estimated useful life of the asset
- Infrastructure - 40 years.

Revaluation of Non-Current Assets
The council formally re-values its land and buildings on a rolling programme to ensure they are revalued at least every five years. Valuations at 31st March 2016 were carried out internally by Paul Smith FRICS, IRRV. The basis of the valuations is shown in the Statement of Accounting Policies.

Valued at	Land and Buildings £000	Vehicles Plant and Equipment £000	Infra-structure £000	Community Assets £000	Surplus Assets £000	Investment Properties £000	Total Property Assets £000
Historic Cost	-	4,182	607	41	-	-	4,830
Current Cost in:							
2015/16	6,225	-	-	-	625	2,970	9,820
Total	**6,225**	**4,182**	**607**	**41**	**625**	**2,970**	**14,650**

Non-current assets owned by the council include the following:

	Number of assets held at	
	2015/16	**2014/15**
Other Land and Buildings:		
Off Street Car Parks	17	17
Lorry Parks	1	1
Office Buildings	1	1
Public Conveniences	13	13
Cemetery Buildings	2	2
Swimming Pools	1	1
Vehicles, Plant and Equipment	45	72
Surplus Assets	13	16
Investment Properties	19	25

Componentisation
Under the Code the council is required to account separately for expenditure on major building components incurred from 1st April 2010, so that they can be depreciated over their respective useful lives. No components were identified in 2015/16.

Fair Value Measurement of surplus Assets
The fair values of surplus assets valued at 31st March 2016 have been based on a market approach using current market conditions, recent sale prices and other relevant information for similar assets in the local area. The level of observable inputs is therefore significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Reclassifications
During the year one asset was amalgamated into Surplus from Investment Properties.

21. CAPITAL EXPENDITURE AND CAPITAL 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 the 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 by the council that has yet to be financed. The CFR is analysed in the final part of this note.

	2015/16 £000	2014/15 £000
Opening Capital Financing Requirement	**1,082**	**1,357**
Capital Investment:		
Property Plant and Equipment	399	775
Intangible Assets	178	117
Revenue Expenditure Funded from Capital under Statute	378	954
Sources of finance:		
Capital Receipts	(8)	(643)
Government grants and other contributions	(768)	(999)
Donated Assets	-	(85)
Sums set aside from revenue:		
Direct revenue contributions	(179)	(110)
Minimum Revenue Provision	(306)	(284)
Closing Capital Financing Requirement	**776**	**1,082**
Explanation of movements in year:		
Increase in underlying need to borrow (unsupported by government financial assistance)	-	9
Assets acquired under finance leases	(306)	(284)
Increase/(decrease) in Capital Financing Requirement	**(306)**	**(275)**

Commitments under capital contracts

At the balance sheet date the council was committed to purchasing a number of new recycling vehicles totalling £1.5 million, although no payment had been made or expenditure represented in these accounts. There were also some minor commitments for Social Housing, Information Technology and Regeneration.

22. INVESTMENT PROPERTY

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

	2015/16 £000	2014/15 £000
Rental income from investment property	206	179
Direct operating expenses arising from investment property	(72)	(144)
Net gain/(loss)	**134**	**35**

There are no restrictions on the council's ability to realise the value inherent in its investment property or on its right to the remittance of income and the proceeds of disposal. The council has no contractual obligations to purchase, construct, enhance or develop investment property, however some lease agreements require the council to repair and maintain properties.

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

	2015/16 £000	2014/15 £000
Balance outstanding at start of year	3,129	3,379
Disposals	(169)	(29)
Net gains/losses from fair value adjustments	36	(21)
Transfers:		
to Property, Plant and Equipment	(26)	(200)
Balance outstanding at year-end	**2,970**	**3,129**

Fair Value measurement of Investment Properties
The fair values of Investment properties have been based on a market approach using current market conditions, recent sale prices and other relevant information for similar assets in the local area. Where existing rents have been capitalised, the yield has been obtained by using market knowledge and evidence. The level of observable inputs is therefore significant, leading to the properties being categorised at Level 2 in the fair value hierarchy. In estimating the fair values of the Investment properties, the highest and best use of the properties is their current use.

23. ASSETS HELD UNDER LEASES

Council as Lessee

Finance Leases

The council has acquired a number of refuse collection vehicles under finance leases.
The assets acquired under these leases are carried as Property Plant and Equipment in the Balance Sheet at the following net amounts:

	2015/16 £000	2014/15 £000
Vehicles Plant and Equipment	776	1,082
	776	**1,082**

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

	2015/16 £000	2014/15 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current – payments due within 1 year	329	306
Non-current – payments due after 1 year	447	776
Finance costs payable in future years	68	138
Minimum lease payments	**844**	**1,220**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Not later than 1 year	375	375	329	306
Later than 1 year and not later than 5 years	469	845	447	776
Later than 5 years	-	-	-	-
	844	**1,220**	**776**	**1,082**

Operating Leases

The council has acquired a number of assets by entering into operating leases. In addition, the council has entered into long-term agreements with a number of local schools to operate leisure facilities in premises owned by the schools, outside of the school opening hours. These agreements have been reviewed and it has been determined these are effectively operating leases although no rental payments are made; instead the council contributes to the running costs of the premises. For accounting purposes, it has been decided to disclose a notional payment of £1 per year per leisure centre.

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

	2015/16 £000	2014/15 £000
Vehicles and Equipment		
Not later than 1 year	9	40
Later than 1 year and not later than 5 years	-	19
Later than 5 years	-	-
	9	**59**

The expenditure charged to all service lines in the Comprehensive Income and Expenditure Statement during the year in relation to the Vehicle and Equipment leases was £29,390 (2014/15 £41,328).

<u>Council as Lessor</u>

Finance Leases
The council has leased a number of vehicles to Ubico Ltd.

The council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the vehicles acquired by the lessee and finance income that will be earned by the council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts.

	2015/16 £000	2014/15 £000
Finance lease debtor (net present value of minimum lease payments):		
Current – payments due within 1 year	14	-
Non-current – payments due after 1 year	-	-
Unearned finance income	-	-
Gross investment in the lease	**14**	**-**

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	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Not later than 1 year	14	-	13	-
Later than 1 year and not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
	14	**-**	**13**	**-**

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

Operating Leases

The council owns a number of properties it leases to other organisations under operating leases. All the assets are held as Investment Properties. The future minimum lease payments receivable under non-cancellable leases in future years are:

	2015/16 £000	2014/15 £000
Not later than 1 year	177	188
Later than 1 year and not later than 5 years	475	547
Later than 5 years	748	838
	1,400	**1,573**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

24. INTANGIBLE ASSETS

	2015/16 £000	2014/15 £000
Balance at start of year:		
Gross carrying amounts	1,014	897
Accumulated amortisation	(671)	(553)
Net carrying amount at start of year	343	344
Additions:		
Purchases	178	117
Amortisation for the period	(176)	(118)
Net carrying amount at end of year	345	343
Comprising:		
Gross carrying amounts	1,192	1,014
Accumulated amortisation	(847)	(671)
	345	343

25. FINANCIAL INSTRUMENTS

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

	Long Term		Current	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Financial Assets				
Investments - Loans and Receivables	-	-	10,019	8,028
- Available-for-sale			4,003	8,023
Total Investments	-	-	14,022	16,051
Cash & cash equivalents	-	-	8,106	4,600
Debtors – Loans and Receivables	16	22	1,271	1,866
Total Financial Assets	**16**	**22**	**23,399**	**22,517**
Financial Liabilities at amortised cost				
Finance Leases	447	776	329	306
Creditors – Loans and Receivables	-	-	1,916	2,802
Total Financial Liabilities	**447**	**776**	**2,245**	**3,108**

No financial assets or liabilities have been reclassified during the year.

Fair Values of Assets and Liabilities

Financial liabilities and financial assets (represented by loans and receivables) are carried on the balance sheet at amortised cost. Their fair values can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. As the majority of the assets and liabilities are instruments that will mature in the coming twelve months, the carrying amounts are deemed to approximate to fair value. The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial assets (represented by Available-for-Sale assets) are carried on the balance sheet at fair value. Where an instrument will mature in the next twelve months the fair value is assumed to be equal to its cost, equal to its fair value on the purchase date. The valuation basis therefore uses Level 1 inputs in the fair value hierarchy (i.e. quoted prices in an active market).

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key Risks

The council's activities expose it to a variety of financial risks. The key risks are:

- credit risk – the possibility that other parties might fail to pay amounts due to the council
- liquidity risk – the possibility that the council might not have funds available to meet its commitment to make payments
- re-financing risk – the possibility that the council might be requiring to renew a financial instrument on maturity at disadvantageous rates or terms
- market risk – the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates.

The council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Treasury Officer under policies approved by the council in the annual Treasury Management Strategy. The council provides written principles for risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with banks and financial institutions unless they meet identified minimum credit criteria in accordance with Fitch, Moody's and Standard and Poors ratings services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. The full Investment Strategy for 2015/16 was approved by council on 26 February 2015 and is available on the council's website.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies of £14.022m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits but there was no evidence at 31 March 2016 that this was likely to crystallise.

The following analysis summarises the council's potential maximum exposure to credit risk (using investments outstanding and arranged at 31 March 2016), based on experience of default assessed by the ratings agencies and the council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2016 £000 (a)	Historical experience of default % (b)	Adjustment for market conditions at 31 March 2016 % (c)	Estimated maximum exposure to Default £000 (a*c)
Deposits with banks and financial institutions				
AAA rated counterparties	-	0.04	0.04	-
AA rated counterparties	2,004	0.01	0.01	-
A rated counterparties	12,018	0.07	0.07	9
Other counterparties	-	-	-	-
	14,022			**9**

The historical experience of default has been taken from average one year default rates published by the three main rating agencies at May 2016, relating to 2015 figures. Whilst current economic conditions have raised the overall possibility of default, the council maintains strict credit criteria for investment counterparties.

The council also uses non-credit rated institutions, such as smaller building societies or bank subsidiaries where the parent has a satisfactory rating. In these circumstances, these investments are classified as Other Counterparties.

No breaches of the council's counterparty criteria occurred during the reporting period and the council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The council does not generally allow credit for its trade debtors as payment is due immediately. This means that all of the £440,586 trade debtor balance is technically past its due date for payment. The past due amount can be analysed by age as follows:

	2015/16 £000	2014/15 £000
Less than 3 months	418	765
3 to 6 months	3	11
6 months to 1 year	-	15
Over 1 year	20	47
	441	**838**

Liquidity risk

The council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If needed, the council has ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise the finance to meet its commitments under financial instruments. The council has no borrowings and all trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk – the council has limited exposure 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 financial instrument periods. For instance, a rise in variable and fixed interest rates will have the following impacts:

- for investments held at variable rates higher interest income will be credited to the Comprehensive Income and Expenditure Account
- Investments held at fixed rates will experience a fall in their fair values.

The council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the council's prudential indicators and its expected treasury operations and includes an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Treasury team monitors market and forecast interest rates within the year to adjust exposures appropriately.

If all interest rates had been 1% higher at 31 March 2016, with all other variables held constant, the financial effect would be:

	£
Increase in interest receivable on variable rate investments	93,960
Impact on Surplus or Deficit on the Provision of Services	**93,960**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk – the council, excluding the pension fund, does not generally invest in instruments with this type of risk.

Foreign exchange risk – the council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

26. INVENTORIES

	2015/16 £000	2014/15 £000
Sports Centre Inventories for resale	-	15
Waste wheeled bins	55	41
Other Inventories	58	56
Total Inventories	**113**	**112**

27. DEBTORS

SHORT TERM DEBTORS	2015/16 £000	2014/15 £000
Debtors falling due within one year:		
Central Government bodies	799	1,317
Other Local Authorities	1,326	785
NHS bodies	9	19
Other entities and individuals	3,103	3,004
Prepayments	149	185
Total Debtors and Prepayments	**5,386**	**5,310**
Less Provision for Bad and Doubtful Debts:		
Other entities and individuals	(977)	(801)
Collection Fund	(185)	(114)
Total Provision for Bad and Doubtful Debts	**(1,162)**	**(915)**
Net Debtors and Prepayments	**4,224**	**4,395**

LONG TERM DEBTORS	31st March 2015 £000	During 2015/16 Additions £	During 2015/16 Repayments/ Write Offs £	31st March 2016 £000
Mortgages	21	-	(7)	14
Finance Lease – principal outstanding	-	14	-	14
	21	**14**	**(7)**	**28**

28. CASH AND CASH EQUIVALENTS

	2015/16 £000	2014/15 £000
Cash in Hand held by the Council	-	1
Short term Deposits	9,398	5,487
Cash and cash equivalent assets	**9,398**	**5,488**
Cash and cash equivalent liabilities - bank overdraft	(1,292)	(888)
Total cash and cash equivalents	**8,106**	**4,600**

29. SHORT TERM CREDITORS

	2015/16 £000	2014/15 £000
Creditors falling due within one year:		
Central Government bodies	1,753	1,447
Local Authorities	1,266	1,614
NHS Bodies	1	14
Other entities and individuals	1,831	2,090
Untaken Leave Accruals	81	87
Receipts in advance	1,716	1,620
Total Creditors and Receipts in advance	**6,648**	**6,872**

30. PROVISIONS

	Balance at 1st April £000	Additional provisions made in Year £000	Amounts used in Year £000	Unused Amount Reversed £000	Balance at 31st March £000
Short term					
General Insurance	1	-	-	-	1
MMI Scheme	-	11	-	-	11
Business rates retention – appeals	63	576	(216)	-	423
Land Charges appeals	48	-	(48)	-	-
Redundancy and early retirement costs	33	338	(33)	-	338
Total 2015/16	**145**	**925**	**(297)**	**-**	**773**
Total 2014/15	**256**	**98**	**(209)**	**-**	**145**

General Insurance

The Insurance Provision was established to fund the cost of insurance policy excesses arising from claims against the council by third parties. The provision represents the value of an assessment of the council's liability in respect of the current insurance claims outstanding with the council's insurers. Transfers between the Insurance Provision and the Insurance Reserve are made in order to provide adequate funding for the outstanding claims liability notified by the insurance company.

The insurance reserve is used to fund losses for which the council does not carry insurance cover, fluctuations in insurance premiums and corporate risk management strategy implementation.

Municipal Mutual Insurance

The Council has a potential liability in respect of the run-off of Municipal Mutual Insurance (MMI) to the value of £82,104 as at 31st March 2016 (£93,051 31st March 2015). The liability will only materialise if the assets of the company do not cover the insurance claims yet to be settled. (See Contingent Liability note 31).

In 2015/16 Ernst & Young (who managed MMI's business affairs and assets) set a total levy of 25%, (including 15% levy already paid in 2013/14), against clients/owners potential liabilities as an estimate of the amount that would be needed to achieve a solvent run-off. The 10% balance of the levy (£10,947) has been included in the 2015/16 accounts as a provision, payable in 2016/17. The likelihood and timing of any additional liabilities is unknown at this stage.

Business Rates Retention

The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1st April 2013.

From this date local authorities assume a share of the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This includes amounts paid over to central government in respect of 2012/13 and prior years. Consequently the council considers it necessary to make a provision to cover its share of the repayments likely to be made. The provision is based on the expected success rate of appeals lodged at 31st March 2016, and has been classified as short term to reflect the estimated time until settlement.

A total provision of £63k was set aside in 2014/15 to cover the likely costs. Due to the unforeseen impact of a change in the way in which doctors surgeries were valued £216k was used in 2015/16 to meet appeals settled in the year. The provision was increased by £576k in 2015/16 leaving to £423k to cover future estimated losses estimated to arise in 2016/17.

Land Charges Appeals

A number of search companies commenced legal proceedings in 2014/15 regarding charges made for personal searches of the Land Charges Register. The council made provision for the estimated value of those claims (£48k) in 2014/15. These proceedings were concluded and £48k paid by the council in 2015/16.
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Redundancy and Early Retirement

The redundancy provision relates to 5 members of staff due to leave in 2016/17.

31. CONTINGENT LIABILITIES

Two Rivers Housing

The council transferred its housing stock to Two Rivers Housing on 31st March 2003. As part of the transfer arrangements the council provided a warranty to Two Rivers Housing and its funders covering future liabilities or claims that may occur in respect of land transferred to them. The warranty covers potential liabilities such as contamination caused by previous land use which could give rise to a potential risk to the occupants of houses built on the land.

The council decided to self-insure the liability instead of paying for insurance cover following an environmental study that concluded that the risk of contamination of the land is very low. A minimum sum of £2m will be retained within Useable Capital Receipts to cover this potential liability. These arrangements will be kept under review in 2016/17.

Municipal Mutual Insurance Ltd

The council's former insurers Municipal Mutual Insurance Ltd ceased trading in 1992; the council became a party to the scheme of administration for liabilities outstanding at that time. Whilst there is a very low risk that the assets of the company will not meet the liabilities from insurance claims, the scheme guarantees that the council will reimburse the total of payments made in respect of claims less £50,000. At 31st March 2016 this potential total liability equated to £82,104, (£93,051 31st March 2015) made up as follows:

	2015/16 £000
Gross claim payments to date	159,472
15% levy paid 2013/14	(16,421)
10% levy provision 2015/16	(10,947)
Net Payments	132,104
Levy retention	50,000
Potential liability 31st March 2016	82,104

This is kept under review annually to ensure that a solvent run-off of the company's business is still anticipated.

In 2015/16 Ernst & Young (who managed MMI's business affairs and assets) set a total levy of 25%, (including 15% levy already paid in 2013/14), against clients/owners potential liabilities as an estimate of the amount that would be needed to achieve a solvent run-off. The 10% balance of the levy (£10,947) has been included in the 2015/16 accounts as a provision. (See Provisions note 30)

The likelihood and timing of any additional liabilities is unknown at this stage.

32. TRANSFERS TO / FROM EARMARKED RESERVES

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement on page 16. Movements in the *earmarked* reserves shown on the statement are detailed below.

	Balance at 1 April 2014 £'000	Transfers out 2014/15 £'000	Transfers in 2014/15 £'000	Balance at 1 April 2015 £'000	Transfers out 2015/16 £'000	Transfers in 2015/16 £'000	Balance at 1 April 2016 £'000
Earmarked Reserves							
Capital Reserve	**1,306**	-	80	**1,386**	(72)	89	1,403
Equalisation Reserves	**2,037**	(660)	416	**1,793**	(160)	1,044	2,677
Repairs & Renewals Reserve	**474**	(257)	480	**697**	(204)	290	783
Reserves for Commitments	**326**	(326)	113	**113**	(101)	106	118
Other earmarked reserves	**3,129**	(802)	927	**3,254**	(264)	85	3,075
	7,272	**(2,045)**	**2,016**	**7,243**	**(801)**	**1,614**	**8,056**

Purpose of reserves

Capital Reserve – to finance the general fund capital programme and new initiatives**.**

Equalisation Reserves – to smooth out fluctuations in expenditure or income as a result of cyclical events, for example local elections. Also to cushion the impact of fluctuating activity levels (for example housing benefit payments) or movements in investment recovery, interest or exchange rates.

Repairs and Renewals Reserves – to meet the cost of planned and reactive repairs to buildings and infrastructure and to fund the renewals programme for computer equipment**.**

Reserves for Commitments – to cover the cost of budget commitments where spending did not take place in the year approved, but is planned to take place in the following year.

Other earmarked reserves – sums built up to cover the future costs of planned expenditure, for example organisational restructures and council initiatives**.**

33. UNUSABLE RESERVES

The council keeps a number of reserves on the Balance Sheet which do not represent usable resources for the council as they are required to be held for statutory reasons, or to comply with proper accounting practice.

Reserve	31st March 2016 £000	31st March 2015 £000	Purpose of Reserve
Revaluation Reserve	1,621	1,420	Store of gains on revaluation of non-current assets not yet realised through sales
Capital Adjustment Account	10,480	10,743	Store of capital resources set aside to meet past expenditure
Collection Fund Adjustment Account	(381)	603	Balancing account to allow for differences in statutory requirements and proper accounting practices for council tax surpluses/deficits
Pensions Reserve	(30,555)	(36,960)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet
Deferred Capital Receipts Reserve	28	21	Holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place e.g. from mortgage repayments.
Accumulated Absences Account	(81)	(87)	Balancing account to allow for differences in statutory requirements and proper accounting practices for staff leave and additional hours not taken at the year end
Total Unusable Reserves	**(18,888)**	**(24,260)**	

Revaluation Reserve

The Revaluation Reserve contains the gains made by the council arising 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
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 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 £000	2014/15 £000
Balance at 1st April	**1,420**	**1,380**
Upward revaluation of assets	266	119
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1)	(26)
Difference between fair value depreciation and historical cost depreciation written off to Capital Adjustment Account	(24)	(33)
Accumulated gains on assets sold or scrapped written off to Capital Adjustment Account	(40)	(20)
Balance at 31st March	**1,621**	**1,420**

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 additions to those assets under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The account is credited with amounts set aside by the council as finance for the costs of acquisition, construction and subsequent costs.

The account contains accumulated gains and losses on Investment Properties. The account also contains revaluation gains accumulated on Property Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the account apart from those involving the Revaluation Reserve.

	2015/16 £000	2014/15 £000
Balance at 1st April	**10,743**	**10,353**
Reversal of items relating to capital expenditure debited or credited to CIES:		
Charges for depreciation and impairment of non-current Assets	(754)	(663)
Revaluation losses on Property Plant & Equipment	(32)	(8)
Amortisation of Intangible Assets	(176)	(118)
Revenue expenditure funded from capital under statute	(378)	(954)
Amounts of Non-current Assets written off on disposal or sale as part of the gain/loss on disposal to CIES	(284)	(35)
Adjusting amounts written out of the Revaluation Reserve	64	53
Net written out amount of the cost of Non-current Assets consumed in year	**(1,560)**	**(1,725)**
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	8	658
Capital grants and contributions credited to CIES that have been applied to capital financing	738	792
Application of grants to capital financing from the Capital Grants Unapplied Account	30	292
Statutory provision for the financing of capital investment charged against the General Fund	306	284
Capital expenditure charges against the General Fund	179	110
Movements in the market value of Investment Properties debited or credited to CIES	36	(21)
Financing and movement in the market value of Investment properties in year	**1,297**	**2,115**
Balance at 31st March	**10,480**	**10,743**

Collection Fund Adjustment Account

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

	2015/16 £000	2014/15 £000
Balance at 1st April	**603**	**335**
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(984)	268
Balance at 31st March	**(381)**	**603**

Pension Reserve

The Pension 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 council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on the resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council 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. Further information is shown within note 35, pages 67 to 72.

Deferred Capital Receipts Reserve

This comprises capital receipts receivable in future years, for example from finance leases and mortgage repayments, which are not usable until they are received. The amount at 31st March 2016 includes £13,500 for vehicles and plant leased to Ubico Ltd under a finance lease.

	2015/2016 £	2014/2015 £
Balance at 1 April	21	29
Transfer of deferred sale proceeds credited as part of the loss/profit on disposal to the CIES	7	(8)
Balance at 31 March	**28**	**21**

Accumulated Absences Account

	2015/2016 £	2014/2015 £
Balance at 1 April	(87)	(85)
Settlement or cancellation of accrual made at the end of the preceding year	87	85
Amounts accrued at the end of the current year	(81)	(87)
Balance at 31 March	**(81)**	**(87)**

34. IMPAIRMENT LOSSES

During the year, the council has not recognised any impairment losses.

35. DEFINED BENEFIT PENSION SCHEMES

Participation in the pension scheme

As part of the terms and conditions of employment of its officers and members, the council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The council participates in the Local Government Pension Scheme, administered by Gloucestershire County Council. This is a funded defined benefit final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets.

The principle risks to the authority of the pension scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute, as described in the accounting policies note 1.3 on page 19.

Transactions relating to post-employment benefits

We recognise the costs of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund in the Movement in Reserves Statement (MIRS). The following transactions have been made in the Comprehensive Income and Expenditure Statement (CIES) and the General Fund Balance via the MIRS during the year:

	2015/16 £000	2014/15 £000
Comprehensive Income and Expenditure Statement (CIES):		
Services Cost comprising:		
Current service cost	(1,184)	(1,013)
Past service costs/gain	(3)	(90)
(Gain)/loss from settlements	165	10
Financing and Investment Income and Expenditure:		
Net interest expense	(1,165)	(1,350)
Total post-employment benefit charged to Surplus or Deficit on Provision of Services	(2,187)	(2,443)
Other post-employment benefit charged to CIES:		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(1,377)	4,173
Actuarial gains and losses arising on changes in financial assumptions	6,576	(9,641)
Other experience	1,293	777
Total post-employment benefit charged to CIES	**4,305**	**(7,134)**
Movement in Reserves Statement:		
Reversal of net charges made to Surplus or Deficit on Provision of Services for post-employment benefits in accordance with the Code	2,187	2,443
Actual amount charged against General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	2,100	2,083

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 plan is as follows:

	2015/16 £000	2014/15 £000
Present value of the defined benefit obligation	(74,579)	(82,411)
Fair value of plan assets	44,024	45,451
Net liability arising from defined benefit obligation	**(30,555)**	**(36,960)**

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities Local Government Pension Scheme	
	2015/16 £000	**2014/15 £000**
Opening balance at 1st April	**(82,411)**	**(72,196)**
Current service cost	(1,184)	(1,013)
Interest cost	(2,597)	(3,073)
Contributions by scheme participants	(269)	(281)
Re-measurement gain/(loss):		
Arising from changes in financial assumptions	6,576	(9,641)
Other experience	1,293	777
Past service costs	(3)	(90)
Liabilities extinguished on settlements	1,377	368
Benefits paid	2,505	2,606
Unfunded benefits paid	134	132
Closing Balance at 31st March	**(74,579)**	**(82,411)**
31st March 2016 – Present value of Funded liabilities	**(72,173)**	**(79,770)**
31st March 2016 – Present value of Unfunded liabilities	**(2,406)**	**(2,641)**
Closing balance 31st March	**(74,579)**	**(82,411)**

Reconciliation of movements in the fair value of the scheme (Plan) assets:

	Funded Assets Local Government Pension Scheme	
	2015/16 £000	**2014/15 £000**
Opening fair value of scheme assets	**45,451**	**40,287**
Interest income	1,432	1,723
Re-measurement gain/(loss):		
Return on plan assets (excluding the amount included in the net interest expense)	(1,377)	4,173
Contribution by employees into the scheme	269	281
Contribution by employer	1,966	1,951
Contributions by employer in respect of unfunded benefits	134	132
Effect of settlements	(1,212)	(358)
Unfunded benefits paid	(134)	(132)
Benefits paid	(2,505)	(2,606)
Closing fair value of scheme assets as at 31st March	**44,024**	**45,451**

Local Government Pension scheme assets at 31st March comprised:

	Fair Value of Scheme Assets					
	2015/16			2014/15		
	Quoted prices in active market £000	Quoted prices not in active market £000	Total £000	Quoted prices in active market £000	Quoted prices not in active market £000	Total £000
Cash and cash equivalents	483	-	483	687	-	687
Equity instruments (by industry type):						
Consumer	2,709	-	2,709	2,439	-	2,439
Manufacturing	1,327	-	1,327	1,084	-	1,084
Energy and Utilities	798	-	798	1,153	-	1,153
Financial Institutions	2,128	-	2,128	2,158	-	2,158
Health and Care	346	-	346	432	-	432
Information Technology	238	-	238	-	-	-
Other	913	-	913	1,090	-	1,090
Debt Securities:						
Corporate Bonds (investment grade)	2,270	-	2,270	2,307	-	2,307
Corporate Bonds (non-investment grade)	171	-	171	174	-	174
UK Government	4,023	-	4,023	4,279	-	4,279
Other	606	-	606	744	-	744
Property:						
UK Property	2,401	865	3,266	2,254	780	3,034
Overseas Property	-	226	226	-	234	234
Private Equity:	-	129	129	-	135	135
Investment Funds and Unit Trusts:						
Equities	1,470	18,824	20,294	1,501	19,831	21,332
Bonds	1,927	113	2,040	1,970	121	2,091
Other	-	2,061	2,061	-	2,080	2,080
Derivatives:						
Other	(4)	-	(4)	(2)	-	(2)
Closing fair value of scheme assets as at 31st March	**21,806**	**22,218**	**44,024**	**22,270**	**23,181**	**45,451**

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels, etc.

The Gloucestershire County Council pension fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 1 April 2013. The significant assumptions made in their calculations have been:

	Local Government Pension Scheme	
	2015/16 **£**	**2014/15** **£**
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	22.5 years	22.5 years
Women	24.6 years	24.6 years
Longevity at 65 for future pensioners		
Men	24.4 years	24.4 years
Women	27.0 years	27.0 years
Rate of inflation/pension increase (CPI)	2.2%	2.4%
Rate of increase in salaries **	3.7%	3.8%
Rate for discounting scheme liabilities	3.5%	3.2%

* Salary increases are assumed to be RPI plus 0.5% plus an additional allowance for promotional salary increases.

The Local Government Pension Scheme's assets consist of the following categories by proportion of the total assets held:

	2015/16 %	2014/15 %
Equity investments	81	80
Bonds	10	10
Property	8	8
Cash	1	2
Total	**100**	**100**

Commutation

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

Sensitivity analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the 31st March 2016, and assumes for each change that the assumption analysed changes whilst all other assumptions remain constant. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous financial year.

Change in assumptions at year ended 31 March 2016	Approximate % increase to Employer	Approximate cost to Employer £000
0.5% decrease in Real Discount Rate	9%	6,908
1 year increase in member life expectancy	3%	2,237
0.5% increase in the Salary Increase Rate	2%	1,727
0.5% increase in the Pension Increase Rate	7%	5,106

The above figures have been derived based on the membership profile of the scheme as at the most recent actuarial valuation, being 31st March 2013.

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employer's contributions at as constant a rate as possible. Funding levels are monitored on an annual basis, with the next triennial valuation due on 31st March 2016.

The council is anticipated to pay employers contributions of approximately £2,154k for the period 1st April 2016 to 31st March 2017. The weighted average duration of the defined benefit obligation for scheme members is 17.0 years as at 31st March 2016 (17.0 years as at 31st March 2015).

36. CASH FLOW STATEMENT – NON-CASH ITEMS INCLUDED IN SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES

The cash flows from operating activities include the following items:

	2015/16 £000	2014/15 £000
Interest received	(174)	(147)
Interest paid	69	100

The surplus on the provision of services has been adjusted for the following non-cash movements:

	2015/16 £000	2014/15 £000
Depreciation	(930)	(663)
Impairment and downward valuations	(32)	(8)
Movement in bad debt provision	(176)	(118)
Increase (-) / decrease in creditors	772	(2,788)
Increase / decrease (-) in debtors	(504)	242
Increase / decrease (-) in inventories	1	46
Movement in pension liability	(87)	(360)
Carrying amount of non-current assets sold or derecognised	(284)	(29)
Other non cash items charged to the net surplus or deficit on the provision of services	(1,161)	(16)
	(2,401)	**(3,694)**

The surplus on the provision of services has been adjusted for the following financing activities:

	2015/16 £000	2014/15 £000
Proceeds from the sale of PPE, investment property and intangible assets	434	675

37. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2015/16 £000	2014/15 £000
Purchase of property, plant and equipment, investment property and intangible assets	582	948
Purchase of Investments	27,775	34,000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(427)	(701)
Proceeds form the sale of short and long term investments	(29,775)	(28,033)
Net cash (inflows) / outflows from investing activites	**(1,845)**	**6,214**

38. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2015/16 £000	2014/15 £000
Cash payments for the reduction in finance lease liabilities	307	285
Net cash flows from financing activites	**307**	**285**

39. AUTHORISATION OF ACCOUNTS FOR ISSUE

IAS 10 *Events after the Balance Sheet Date* requires the establishment of a date after which events will not have been recognised in the Statement of Accounts. For the audited accounts this is the date they are signed by the Section 151 Officer. On this basis, the date beyond which there can be no reasonable expectation that events could have been taken into account by the council is 22nd September 2016. This is the date after which any events are not recognised in the accounts for the year 2015/16.

THE COLLECTION FUND - INCOME AND EXPENDITURE ACCOUNT

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund. It shows the transactions in relation to Business Rates and Council Tax and how these have been distributed to the Government, major preceptors and the General Fund.

2014/15 £000		Note	2015/16 £000
	INCOME		
41,628	**Council Tax**	1	42,699
11,925	**Non-Domestic Rates**	3	12,300
484	**Contribution towards previous year's deficit - non-domestic rates**		
54,037	**Total Income**		**54,999**
	EXPENDITURE		
40,353	**Precepts & Demands from major preceptors and the Authority - Council Tax**	2	41,182
	Non-Domestic Rates	3	
5,653	Shares paid to county council and the billing authority		6,208
5,653	Payment of central share to government		6,208
120	Charge payable to General Fund for Costs of Collection		119
13	Other transfers to General Fund per the NDR regulations		102
	Impairment of debts/appeals for Council Tax		
64	Increase in provision		77
	Impairment of debts/appeals for non-domestic rates		
148	Increase in provision		1,731
1,225	**Contribution towards previous year's surplus - Council Tax**		1,541
	Contribution towards previous year's surplus - Non Domestic Rates		572
53,229	**Total Expenditure**		**57,740**
808	**Surplus / (Deficit) for the Year**		**(2,741)**
1,725	Balance of fund at 1st April		2,533
2,533	**Balance of fund at 31st March**	4	**(208)**

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

Council Tax is levied as an amount per property. Each property is allocated to a tax band depending on its assessed value, with Z being the lowest value and H being the highest. For the purposes of creating a tax base, each band is defined as a proportion of a band D property. For example a band B property is defined as 7/9ths of a band D property.

The tax base is calculated in terms of band D equivalent properties and reflects a projected collection rate (98%) which anticipates changes during the year arising from successful appeals against valuation banding, new properties, demolition, disabled persons relief and exemptions.

The tax rate, expressed as an amount per band D property, is calculated by aggregating demands on the Collection Fund from Forest of Dean District Council, Gloucestershire County Council, Gloucestershire Police and Crime Commissioner and the various parish councils throughout the district and dividing it by the tax base.

The tax base for 2015/16 was as follows:

Band	Number of chargeable dwellings	Proportion to Band D	Band D equivalent	Tax base
Z	8.75	5/9	4.86	4.76
A	3,577.44	6/9	2,384.96	2,337.26
B	7,021.95	7/9	5,461.51	5,352.29
C	6,791.71	8/9	6,037.08	5,916.35
D	4,841.83	1	4,841.83	4,744.99
E	3,623.40	11/9	4,428.60	4,340.03
F	1,805.32	13/9	2,607.68	2,555.53
G	870.24	15/9	1,450.40	1,421.40
H	65.27	2	130.54	127.93
Armed Forces Class O contribution in lieu of council tax			199.00	195.02
Council Tax base at 31st March 2016			27,546.47	26,995.56
Council tax collectable (excl Parish Precepts)				£39,427,555
Parish Precepts collectable			£1,897,434	
Less Localisation support for Council Tax (LSCT)			£150,970	£1,746,464
Total tax collectable				£41,174,019
Band D tax for 2015/16 (excluding Parish Precepts)				£1,460.52

2. PRECEPTS AND DEMANDS

Significant precepts on the fund for 2015/16 are as follows:

	Precept £000	Surplus £000	Total £000
Gloucestershire County Council	29,438	1,104	30,542
Gloucestershire Police & Crime Commissioner	5,608	210	5,818
Forest of Dean District Council	6,128	227	6,355
Special Precepts	8	-	8
	41,182	**1,541**	**42,723**

3. BUSINESS RATES

Under the arrangements for uniform business rates, the council collects non-domestic rates for its area based on local rateable values multiplied by a uniform rate set by the government. Certain reliefs are available and the figure shown is net of these reliefs. Up until 2012/13 the total amount collectible for the year, less deductions for the cost of collection and bad and doubtful debts, was paid to a central pool (NNDR pool) managed by central government, which in turn paid back to authorities' general funds their share of the pool based on a standard amount per head.

From 1st April 2013 the Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities' general funds to retain a proportion of the business rates generated in their area, subject to their general funds paying a 'tariff' payment to the government if the amount exceeds a 'baseline funding' level or receiving of a 'top-up' if it is below the funding level.

District councils such as Forest of Dean receive 40%, County Councils 10% and central government 50% of business rates collectible, with write offs, provision for impairment of debts and any surplus or deficit generated being shared in the same proportions. If growth exceeds a certain threshold then the council's general fund must pay a 'levy' to central government on the extra growth, or if the rates collectible fall below a certain amount the council receives a 'safety net' payment from the government.

The council is a member of the Gloucestershire Business Rates Pool, in which any levy payment or safety receipt is 'pooled' across several authorities. This enables each pool member to benefit from a lower levy rate payable should the growth in its business rates exceed its levy threshold, whilst receiving from the pool a safety net payment should its rates fall below its safety net threshold, contributed by the pool member.

However in 2014/15, due to substantial losses arising from successful business rates appeals at one of the other pooling member authorities, the council has incurred additional costs of £316k to contribute towards the pool deficit, in accordance with the pooling arrangements.

The total non-domestic rateable value at 31st March 2016 was £35.12 million (£34.69 million at 31st March 2015) and the national non-domestic multipliers for 2015/16 were 49.3p (48.2p in 2014/15) (standard rate) and 48.0p (47.1p in 2014/15) (small business rate), resulting in gross income of £12.30 million in 2015/16 (£11.93 million in 2014/15).

4. FUND BALANCE

The fund balance for council tax is shared between the council and its major precepting authorities (Gloucestershire County Council and the Gloucestershire Police & Crime Commissioner), in proportion to their precepts. The fund balance for non-domestic rates is shared between the council, Gloucestershire County Council and central government, in the statutory proportions.

The respective authorities' share of the balance is as follows:

Council Tax	**FODDC share £000**	**County Council share £000**	**Police share £000**	**Central Government Share £000**	**Total £000**
Balance at 1st April 2015	251	1,210	230	-	1,691
Increase in the Year	(15)	(68)	(18)	-	(101)
Balance at 31st March 2016	**236**	**1,142**	**212**	**-**	**1,590**
Business Rates					
Balance at 1st April 2015	337	84	-	421	842
Increase in the Year	(1,056)	(264)	-	(1,320)	(2,640)
Balance at 31st March 2016	**(719)**	**(180)**	**-**	**(899)**	**(1,798)**
Fund Balance at 31st March 2016	**(483)**	**962**	**212**	**(899)**	**(208)**

GLOSSARY OF FINANCIAL TERMS

ACCOUNTING CODE OF PRACTICE
Although the preparation and control of accounting is regulated, there is no statutory basis for accounting entries. Instead, Local Authorities have to comply with the CIPFA/LASAAC Code of Practice on Local authority accounting in the United Kingdom (The Code).

ACCOUNTING PERIOD
This is the length of time covered by the accounts. It is normally a period of 12 months commencing on 1 April. The end of the accounting period is the balance sheet date.

ACCOUNTING POLICIES
The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its financial statements.

ACCOUNTS
A generic term for statements setting out details of income and expenditure or assets and liabilities or both, in a structured manner. Accounts may be categorised either by the type of transactions they record, e.g. revenue account, capital account or by the purpose they serve, e.g. management accounts, final accounts, balance sheets.

ACCRUAL
Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

ACTUAL
Actual, as opposed to budget, expenditure and income directly attributable to an accounting period.

ACTUARIAL BASIS
The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.

AUDIT OF ACCOUNTS
An audit is an examination by an independent expert of an organisation’s financial affairs to check that the relevant legal obligations and codes of practice have been followed.

BALANCES
Working balances are reserves needed to finance expenditure in advance of income from debtors, precepts and grants. Any excess may be applied, at the discretion of the council, to reduce future demands on the Collection Fund or to meet unexpected costs during the year. Balances on holding accounts and provisions are available to meet expenditure in future years without having adverse effect on revenue expenditure.

BILLING AUTHORITY
The authority that sets council tax and collects it from council tax payers.

BUDGET
A financial plan that expresses an organisation’s service delivery plans and capital programmes in monetary terms.

BUDGET STRATEGY
A document setting out how an organisation is going to meet its policies and priorities, taking into account the resources available to the organisation. This will include proposals for efficiency savings and possible service changes or reductions, which may free up resources for use on other policies or priorities.

CAPITAL EXPENDITURE
This is expenditure on items providing benefits to the organisation over more than one year, such as land, buildings or vehicles.

CAPITAL FINANCING
This describes the various sources of finance used to pay for capital expenditure. There are various options available and used by the council: capital receipts, capital grants, capital contributions and revenue financing.

CAPITAL GRANTS
Grants received towards capital expenditure on a specific service or project.

CAPITAL PROGRAMME
This is a financial plan of the capital expenditure projects that the organisation intends to carry out over a specified time period.

CAPITAL RECEIPT
This is income resulting from the sale of assets such as land or property. The Government decides what proportion of each capital receipt can be used by the council to finance new capital expenditure. Capital receipts cannot be used to fund revenue expenditure.

CASH AND CASH EQUIVALENTS
Cash in hand plus deposits in banks or building societies, repayable on demand or within 24 hours, and deposits maturing within 3 months of the date taken out.

CIPFA
The Chartered Institute of Public Finance and Accountancy. This is the professional body for accountants working in local government and other public bodies. The Institute provides financial and statistical information services for local government and advises central Government and other bodies on local government and public finance matters.

COLLECTION FUND
This is a statutory fund kept separate from the main accounts of the council. It records all income due from council Tax and National Non Domestic Rates and shows how that income was shared between central government, the County Council and the Police and Crime Commissioner.

CONSISTENCY
One of the fundamental accounting concepts, it requires accountants to treat similar items of income and expenditure in the same way both within an accounting period and from one accounting period to the next.

CONTINGENT ASSET
An asset which exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events, for example a claim for compensation that a council is pursuing through the due legal process, where the outcome will only be decided by the decision of the courts

CONTINGENT LIABILITY
A liability which exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events, for example, the default by a borrower on a loan from a third party for which the council has given a guarantee.

COUNCIL TAX
A local tax levied on dwellings within the local authority area. The level of taxation is based on the capital value of the property, which is categorised into one of eight bands from A to H, and the number of people living in the dwelling.

CREDITOR
Amounts owed by the council for work done, goods received or services rendered within the accounting period, but for which payment was not made at the balance sheet date.

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

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

DEBTOR
An amount due to an organisation within the accounting period not received at the balance sheet date.

DEPRECIATION
A charge made to the revenue account each year that reflects the reduction in value of assets used to deliver services. This is the loss in value of an asset, owing to age, wear and tear, deterioration, or obsolescence.

EMPLOYEE COSTS
These include salaries, wages and employers' national insurance and pension contributions, together with training expenses and charges relating to the index-linking of pensions of former employees.
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ESTIMATE
Original estimate: the estimate for the new year approved before the start of the financial year, usually at the previous November's price levels.

Revised estimate: the original estimate for the year updated by price changes since it was prepared and by supplementary estimates and virements.

Supplementary estimate: an amount approved by the council to be spent in excess of the original estimate.

FINAL ACCOUNTS
Accounts prepared for an accounting period, usually in a summarised form. They include a statement showing the net surplus (profit) or deficit (loss) on the provision of services and a balance sheet. They are produced as a record of steward-ship for interested parties. Local authorities are required by the Accounts and Audit Regulations 1993 (as amended) to publish a Statement of Accounts at the end of each financial year.

FINANCE LEASE
A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee (the person or organisation leasing the asset).

GOVERNMENT GRANTS
Grants made by the Government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some Government grants have restrictions on how they may be used, whilst others are general purpose.

IMPAIRMENT
Impairment of an asset is caused by a consumption of economic benefits (e.g. physical damage such as an office fire) or a deterioration in the quality of service provided by the asset (e.g. an industrial unit closing and becoming a storage facility), or by a general fall in prices of that particular asset or class of assets.

INTEREST
An amount received or paid for the use of a sum of money when it is invested or borrowed.

INTERNATIONAL FINANCIAL REPORTING STANDARDS
Provide the required accounting treatment and disclosure of transactions so that an organisation's financial statements present fairly the financial position of the organisation.

INVENTORIES
Items of raw materials and stores that the council has bought to use on a continuing basis but has not yet used.

MATERIALITY
One of the main accounting concepts, it ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.

NATIONAL NON-DOMESTIC RATES
An NNDR rate (multiplier) is set annually by central government and is applied to the rateable value of a business to calculate the non-domestic rates collected by Billing Authorities. The rates collected are shared between central government, district and county councils in statutory proportions.

NON CURRENT ASSET
Assets which can be expected to be of use or benefit to the council for more than one accounting period.

OPERATING LEASE
A lease under which the ownership of the asset remains with the lessor (the person or organisation leasing the asset) and is equivalent to contract hiring.

PRECEPT
The levy made by a precepting authority (County Council, Police Authority, Parish Council) on the billing authority, requiring it to collect income from Council Taxpayers on their behalf.

PROVISION
A sum of money set aside in the accounts for liabilities or losses that are due but where the amount due or the timing of the payment is not know with certainty.

REVENUE EXPENDITURE
Expenditure on the day to day running costs of the council such as wages and salaries, utility costs, repairs and maintenance.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)
Expenditure which can by law be financed from capital resources (e.g. capital receipts) but which does not result in a non-current asset for the authority e.g. renovation grants.

REVENUE SUPPORT GRANT
A general grant paid by central Government to local authorities to provide the services that it is responsible for delivering.

TEMPORARY BORROWING
A sum of money borrowed for a period of less than one year.

VALUE FOR MONEY
An expression describing the benefit obtained (not just in financial terms) for a given input of money. The phrase is widely used within public bodies, but there are
many difficulties in its use because value is a subjective measure and there are rarely supporting objective measures. The council's external auditor is required to consider value for money with the three objectives of economy of input, efficiency of operation and effectiveness of output in service provision.

FOREST OF DEAN DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2015/2016

1. SCOPE OF RESPONSIBILITY

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

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

The Council has developed and approved a code of corporate governance, which is consistent with the principles of national best practice as set out in the CIPFA/SOLACE Framework “Delivering Good Governance in Local Government”. A copy of the code can be obtained on request. This statement explains how the Council has complied with the code and also meets the requirements of the 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 has issued its “Statement on the Role of the Chief Financial Officer in Local Government (2010)”. The Annual Governance Statement reflects compliance of this statement for reporting purposes. The Council’s Chief Financial Officer is the Statutory Section 151 Officer (s151 Officer).

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

- identify and prioritise the risks to the achievement of the Council’s policies, aims and objectives;
- evaluate the likelihood of those risks occurring;
- assess the impact should those risks occur; and
- manage the risks efficiently, effectively and economically.

The governance framework has been in place at the Forest of Dean District Council for the year ended 31st March 2016 and up to the date of approval of the annual statement of accounts.

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 authority's vision of its purpose and intended outcomes for citizens and service users;
- reviewing the authority's vision and its implications for the authority's governance arrangements;
- measuring the quality of services for users, ensuring they are delivered in accordance with the authority's objectives and ensuring that they represent the best use of resources;
- defining and documenting the roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication;
- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;
- reviewing and updating standing orders, standing financial instructions, a 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 the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010);
- undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities;
- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- whistle blowing 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 appropriate training;
- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation; and
- incorporating good governance arrangements in respect of partnerships, including shared services and other group working, and reflecting these in the authority's overall governance arrangements.

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

Focusing on the purpose of the authority and on outcomes for the community, and creating and implementing a vision for the local area
• A corporate planning process, including consultation with the community and key stakeholders, on budget priorities to identify and communicate the Council's purpose and intended outcomes for citizens and service users. • An annual service planning process informed by the corporate priorities and objectives (as set out in the Annual Report which includes the Corporate Plan), legislation and government guidance - which links to individual performance appraisals. • An annual review of the Council's vision and corporate priorities, as part of the budget process. • Performance management to measure the quality of service for users to ensure services are delivered in accordance with the Council's objectives and represent best use of resources. • A Partnership Protocol guiding the Council in its governance of partnerships and a Partnership Register that is updated annually.

• Annual accounts published on a timely basis to help communicate the Council's financial position and performance. • An Annual Report published each year, which summarises financial and other performance over the previous financial year and sets out the Corporate Plan for the current year. • All Cabinet, Committee and Council reports clearly outline their purpose, so the community can understand what is trying to be achieved. Reports also address financial, legal, equalities, risk and sustainability implications to aid understanding of the potential impact of their recommendations.
Members and officers working together to achieve a common purpose with clearly defined functions and roles
• The roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions are defined in the Council's Constitution. • A clear scheme of delegation for officers is included within the Constitution. • Defined codes of conduct are included in the Constitution for elected members and Council employees, along with specific codes for dealing with planning and licensing matters. • The three statutory officers (Head of Paid Service, Monitoring Officer and s151 Officer) regularly meet with other officers in the Corporate Governance Group. • The Monitoring Officer and s151 Officer report directly to the Head of Paid Service and are members of the Corporate Leadership Team. • Monthly meetings are held between the Leader, Deputy Leader, Head of Paid Service and Strategic Director to maintain a shared understanding of roles and objectives. • The Constitution includes a protocol on member/officer relations, to ensure effective communication and work between members and officers. This was updated in October 2015. All members and staff are asked to sign to say they agree to be bound by its terms. • The s151 Officer leads the promotion and delivery of good financial management through the Corporate Leadership Team, Performance Management meetings, attendance at Cabinet and Committee meetings and specialist workshops and training for officers and members. • The Strategic Group Manager responsible for Community, Client and Commercial services is the Client officer responsible for the GO Shared Services, ensuring the Council continues to receive good financial, procurement and human resources advice and services. The same Strategic Group Manager is also the Client officer for Revenues and Benefits, ensuring that the services provided under the s101 agreement with Gloucester City Council are in compliance with the terms agreed. From April 2016 this role will extend to cover the client function for all 2020 Partnership shared services. • The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
• A new member code of conduct was adopted by full Council on the 25th June 2012 in accordance with the Localism Act 2011. This was updated in October 2015. • A Standards Committee to oversee the code was set up in May 2014 and independent persons are appointed to work with the Monitoring Officer. • Internal procedures and monitoring arrangements which ensure compliance with relevant laws and internal policies. • A whistle blowers' charter for receiving and investigating complaints from the public and employees, which has been publicised to employees, contractors and the public.

• A highly regarded internal audit service run in partnership with other authorities – the South West Audit Partnership Ltd. (SWAP). • The financial management of the Council is conducted in accordance with up to date financial procedure rules set out in Part 4 of the Constitution. • Communication channels with staff include face-to-face staff briefings, a monthly email corporate briefing (copied to members), an intranet site and a staff forum, along with informal and formal meetings with the recognised Trade Unions.
Making informed and transparent decisions which are subject to effective scrutiny and managing risk
• An up to date Constitution, scheme of delegation and supporting written procedures, which clearly define how decisions are taken and the processes and controls required to manage risks. • An independent Audit Committee, which meets good practice standards and includes one member independent of the Council. • A Scrutiny function able to constructively challenge decision-makers, including those who work in partnership with the Council. • All Cabinet, Committee and full Council meetings are open to the public, except where personal or confidential matters are discussed. • The Council publishes a Forward Plan providing details of key decisions to be made by the Cabinet. • The Strategic Overview and Scrutiny Committee publishes a work-plan that is reviewed at each Committee meeting. • The Audit Committee has approved a Risk Management Strategy that identifies how risks are managed. • Responsible officers are required to maintain operational risk registers and senior officers review the Strategic Risk Register on a quarterly basis. The Strategic Risk Register is reported to the Audit Committee and the Cabinet on a regular basis. • Any overdue internal audit (SWAP) recommendations with a score of 4 (medium/high priority) or 5 (high priority) are reported to the Audit Committee. The Corporate Governance Group reviews all overdue SWAP recommendations at its meetings.
Developing the capacity and capability of members and officers to be effective
• A comprehensive member training and development programme – including a full induction programme for new members. • A corporate training programme for employees, and support for continuous professional development. This includes the Learning Gateway, a resource providing access to a range of online courses and tutor-led training. • Personal Development Appraisals for employees, identifying the development needs in relation to their roles • An induction programme for all new staff. • Clear job descriptions and person specifications for all employee roles.
Engaging the local people and other stakeholders to ensure robust public accountability
• A Customer Feedback policy for handling comments, compliments and complaints. • A Communications and Engagement Strategy. • Ensuring clear channels of communication with all sections of the community and other stakeholders. • The ability for members of the public to ask questions at Cabinet meetings, Strategic Overview and Scrutiny Committee meetings and meetings of Full Council.

- The Statement of Accounts is published on the website and summary financial information is included in the Council Tax leaflet sent to every household and the Annual Report, explaining the key financial areas to the public.

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 South West Audit Partnership (SWAP) Director of Quality (Head of Internal Audit), the officer Corporate Governance Group and also by 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:

- Senior managers and team leaders completing managers' assurance statements at the end of the financial year. These governance declarations provide appropriate management assurance that key elements of the system of internal control are in place and working effectively and help to identify areas for improvement.
- The work of the Corporate Governance Group (CGG), chaired by the Monitoring Officer, particularly monitoring and progressing an annual Governance Action Plan, linked to the key areas of focus in the Annual Governance Statement. Corporate governance updates are a standing item on each Corporate Leadership Team (CLT) meeting.
- Corporate Leadership Team (including the s151 Officer and the Monitoring Officer) reviewing the Strategic Risk Register on a quarterly basis and operational risk registers being maintained by each Group Manager.
- The SWAP Director of Quality (Head of Internal Audit) providing the Audit Committee, as the Committee charged with Governance, with an Annual Opinion on the control environment of the Council, which includes its governance arrangements.
- The Standards Committee promoting and maintaining high standards of conduct by councillors and co-opted members.
- The Monitoring Officer supporting the Constitution Working Group to review elements of the Constitution, ensuring the Constitution is kept up to date.
- An annual review of the Constitution being undertaken and the latest revised version adopted by Full Council in October 2015.
- The member development programme, led by the Member Development Group, including an induction process for newly elected members.
- The s151 Officer ensuring training and awareness sessions are carried out for the Audit Committee.
- The external auditors (Grant Thornton) presenting progress reports to the Audit Committee.
- The external auditor's Annual Audit Letter and follow-up of management responses to issues raised in the Letter or other reports – overseen by the Audit Committee.
- Quarterly performance reports, including the Strategic Risk Register and budget position, being presented to the Cabinet and the Scrutiny Sub Committee for Performance and Value for Money, demonstrating performance management against agreed service plans, performance indicators and budgets.
- The Cabinet and the Audit Committee reviewing the Annual Governance Statement.
- Reports on the progress made against the governance action plan (arising from the previous

Annual Governance Statement) being presented to the Audit Committee on a quarterly basis.

- The Strategic Overview and Scrutiny Committee addressing any key decisions made by the Cabinet that are 'called-in' by other members before implementation. Pre-decision scrutiny also aids the decision-making process. Four standing Sub Committees of the Strategic Overview and Scrutiny Committee have in place since May 2013.
- The Audit Committee reviewing the Annual Statement of Accounts, the Treasury Management Strategy and reports from both internal audit (SWAP) and external audit (Grant Thornton), including quarterly progress reports.
- Full Council approving the annual budget, reviewing and approving the Treasury Management Strategy, following recommendations from the Cabinet.
- SWAP monitoring the quality and effectiveness of systems of internal control. SWAP audit reports including an opinion that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports including recommendations for improvement are detailed in an action plan agreed with the relevant service manager. All agreed recommendations being entered on the Council's performance management system to facilitate progress monitoring.
- The SWAP Director of Quality offered 'X Assurance' in respect of the areas reviewed during the year, as most were found to be adequately controlled with risks generally well managed.
- The Council's Financial Procedure Rules and Contract Procedure Rules being kept under review and revised periodically.
- Other explicit review/assurance mechanisms, such as the annual report from the Local Government Ombudsman and reports from SWAP or Grant Thornton.

5. SIGNIFICANT GOVERNANCE ISSUES

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

No.	Key Area of Focus	Planned actions
1.	2020 Vision Partnership - delivery of shared services	• Ensure robust client management arrangements are in place to enable the Council to have assurance over the quality of shared services provided and the level of savings achieved.
2.	Business continuity and disaster recovery	• Ensure all business continuity plans are kept up to date and work robustly in a shared service environment. • Support joint work on future emergency planning response to ensure capacity to respond to civil emergencies is enhanced.
3.	Contracts and Procurement	• Undertake full review of non-staff expenditure to ensure contract documentation is in place and publicised where required by Transparency Regulations, including updating and adequately monitoring the use of the contracts register.
4.	Partnership commissioning framework	• Develop commissioning skills in key members of staff to support managing our partnership and shared service relationships in order to deliver good outcomes for the community and the Council.

No.	Key Area of Focus	Planned actions
5.	Actions arising from SWAP audit reports	• Tighten up monitoring of delivery of actions arising from SWAP audits by: o Ensuring that original target dates still show against outstanding actions even when a revised target date is agreed.
6.	Planning Peer Challenge follow up	• Action recommendations arising from the Planning Peer Challenge in March 2016 and report progress to the Development Control Working Group on a six monthly basis.

We propose to address these matters to improve our governance arrangements further over the coming year. A governance action plan to address these key areas of focus will be drawn up and managed by the Corporate Governance Group. The Corporate Governance Group and the Audit Committee will monitor progress regularly. All actions will be assigned to a named officer as part of their 2015/2016 work-plan.

We are satisfied that these steps will address the needs identified in our review of effectiveness and further improve governance arrangements at the Forest of Dean District Council.

Signed on behalf of Forest of Dean District Council

Councillor Patrick Molyneux
Leader of the Council

Date

Sue Pangbourne
Head of Paid Service

Date

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOREST OF DEAN DISTRICT COUNCIL

We have audited the financial statements of Forest of Dean District Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Section 151 Officer and auditor

As explained more fully in the Statement of the Section 151 Officer's Responsibilities, the Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, 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 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 Section 151 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 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement 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: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and auditor

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

We are required under Section 20(1)(c) 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 to secure value for money through economic, efficient and effective use of its resources

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

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

Conclusion

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

Certificate

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2016 in accordance with the requirements of the Act and the Code until we have completed our consideration of an objection brought to our attention by a local authority elector under Section 27 of the Act. We are satisfied that this matter does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

Peter Barber

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

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

27 September 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOREST OF DEAN DISTRICT COUNCIL (the "Authority")

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2016 issued on 27 September 2016 we reported that, in our opinion, the financial statements:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

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

In our audit report for the year ended 31 March 2016 issued on 27 September 2016 we reported that, in our opinion, in all significant respects, the Authority had put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ending 31 March 2016.

Certificate

In our report dated 27 September 2016 we explained that we could not formally conclude the audit on that date until consideration of an objection brought to our attention by a local authority elector under Section 27 of the Local Audit and Accountability Act 2014 had been completed. These matters have now been dealt with. No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources. We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office on behalf of the Comptroller and Auditor General.

Peter Barber
Peter Barber

Associate Director for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Hartwell House, 55-61 Victoria Street, Bristol, BS1 6FT

20 December 2016