



Forest of Dean
— DISTRICT COUNCIL —

**STATEMENT
OF
ACCOUNTS
2018/19**



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NARRATIVE REPORT

INTRODUCTION TO FOREST OF DEAN DISTRICT COUNCIL

The Forest of Dean district has a population of 86,000 (2017 Office for National Statistics) living in an area covering 526 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. The Forest of Dean is an attractive place to live, work and visit.

The Forest of Dean District Council is extending its property investment portfolio in order to secure long term revenue streams from tenancy arrangements. We are investing £2.3 million to regenerate the former Lawnstone House and Bungalow site next to the Council offices in Coleford, and the build of 10 new apartments, 3 Commercial units and public space and gardens commenced in 2018/19, on the newly named Foxglove Gardens location.

Political Structure in the 2018/19 Municipal year

Local Councillors are elected by the community to decide how the Council should carry out its various activities. They represent public interest as well as individuals living within the ward in which he or she has been elected to serve a term of office. They have regular contact with the general public through Council meetings, telephone calls and some Councillors may hold surgeries. Surgeries provide an opportunity for any ward resident to visit and talk to their Councillor face to face.

The Council has 48 elected members representing 27 wards within the Forest of Dean. There are also 41 parish Councils. Elections are held every four years, with the latest elections held in May 2019. Additional elections may arise from time to time if a councillor or parish councillor leaves office.

The political make-up of the Council in the 2018/19 municipal year was:

Conservative party	19 Councillors
Labour Party	9 Councillors
United Kingdom Independence Party (UKIP)	4 Councillors
Forest First	5 Councillors
Independent	4 Councillors
Independent Non Aligned	3 Councillors
Green	2 Councillors
Conservative no group	1 Councillor
Independent no group	1 Councillor
Total	48 Councillors

There was no overall political majority in 2018/19. There was a vacancy at 31/3/19, with 47 elected 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.

STATEMENT OF ACCOUNTS 2018/19

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 2018/19 was made up as follows:

Cabinet Member	Portfolio
Tim Gwilliam (Forest First)	Leader and Cabinet Member for Policy and Strategy, Leisure and Tourism, the Arts, Schools Support, Children and Young People.
Roger James (Forest First)	Deputy Leader and Cabinet Member for Finance, Governance, Performance and Shared Working.
Chris McFarling (Green)	Cabinet Member for Environment, Wildlife, Heritage and Culture.
Julia Gooch (Independent Non-Aligned)	Cabinet Member for Town Centres, Business Support and Jobs.
Paul Hiatt (Forest First)	Cabinet Member for Communities & Parish and Town Councils and Community Safety.
Richard Leppington (UKIP)	Cabinet Member for Development, Asset Management, Infrastructure and Housing.
Alan Grant (UKIP)	Cabinet Member for Planning Policy and Health and Wellbeing.

The Chairman and Deputy Chairman for the Council for 2018/19 were:

Chairman	Councillor Marilyn Smart OBE
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

On 1st November 2017 the Council transferred the majority of its staff under TUPE legislation to Publica Group (Support) Limited, a wholly owned local authority company, limited by guarantee, operating with Mutual Trading Status to deliver services on behalf of the Council. Eight key statutory and other officers remain employed by the Council at 31st March 2019.

The Council's Corporate Leadership Team supports the work of the councillors, and is led by the Head of Paid Service, Mr Peter Williams. The statutory role of Section 151 officer was held by Mr Paul Jones FCPFA in 2018/19 and was replaced by Mr Clive Howey CPFA in April 2019. The statutory role of monitoring officer is held by Mrs Claire Hughes.

Bankers

The Council's banking services are provided by Lloyds Bank, 130 High Street, Cheltenham, GL50 1EW.

External Auditor

The appointed external auditor in 2018/19 was Grant Thornton UK LLP, 2 Glass Wharf, Temple Quay, Bristol, BS2 0EL.

COUNCIL VISION AND PRIORITIES

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 achieve:

- Strong communities
- Thriving economy
- Enhanced environment
- Value for money

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, council and Publica employees working together to ensure that the council continues to deliver on the issues that matter most to local people and 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 2018/19. We continue to get recognition for our good performance, sound financial management and value for money. The Council's Annual Report for 2018/19 should be read in conjunction with the Statement of Accounts 2018/19 to obtain 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. The range of indicators measured and reported includes waste collection, planning appeals, customer service, leisure performance, housing benefit claims and performance and customer complaints. Details of these reports for 2018/19 can be found on the Council's website, under 'Councillors & meetings' in the quarterly performance reports reported to the Cabinet Committee. Performance of the Council is expected to be enhanced over the coming years due to the transfer of staff and the sharing of services with Publica Group (Support) Ltd. See developments in service delivery below.

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.

Publica Group (Support) Limited

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 Publica Group (Support) Limited in 2017/18; providing front line services shared with Cotswold District Council and West Oxfordshire District Council. The Council's Information, Communications and Technology (ICT), Finance, Procurement and Human Resources support is also shared with Cheltenham Borough Council, in addition to the above Councils, using a common platform 'Business World' Enterprise Resource Planning (ERP) system, enabling service resilience within the Councils. Publica Group (Support) Limited is wholly owned by the four Councils.

A key principle of the partnership is that each Council has retained its own identity, with its own elected members and continues to make decisions taking account of the needs of its local community. Staff continue to work in each location. Some members of staff provide a service predominantly to one Council; others provide a service for more than one Council.

STATEMENT OF ACCOUNTS 2018/19

The Managing Director of Publica Group (Support) Limited is Mr David Neudegg. Each partner Council has a Head of Paid Service who is responsible for the partner Council services.

Publica Group (Support) Limited has commenced a transformation programme which seeks to streamline practices and the organisation to ensure the delivery of efficient and value for money services for the partner Councils.

Ubico Limited

Ubico Limited was originally formed in 2012 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 and Gloucestershire County Council joined in 2016 and each of the seven authorities are now equal shareholders.

South West Audit Partnership (SWAP)

The Council have a contract with South West Audit Partnership (SWAP) for the provision of the internal audit service. All partner Councils of Publica Group (Support) limited use this company, ensuring an independent consistent approach to the audit and governance of our services. More details of SWAP are provided in the Related Parties note 15, page 47.

Affordable Housing Scheme Developments

During 2018/19 the Council delivered 21 new affordable homes. Of this delivery 66% was for affordable housing for rent: Whilst delivery is low compared to previous years, analysis of future delivery indicates that Registered Provider partners are in contract to deliver 120 new affordable homes over the next two years. In addition discussions are ongoing with Registered Provider partners for the delivery of new affordable housing in the longer term.

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 Homes England (HE) on this project, which will benefit the whole district. In 2006, 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. The Council secured £3.8m Growth Funds from Gfirst LEP to support the first phase of the spine road construction.

In September 2018, Gloucestershire College opened the doors of their new £16m Forest Campus in the Cinderford Northern Quarter providing a mix of full and part-time vocational and academic courses. This site will also be hosting sixth form provision delivered by Dene Magna School from September 2019.

In October, the Council received a Campaign to Protect Rural England (CPRE) Gloucestershire Award for the Kings Lodge housing development in Valley Road, Cinderford. The award recognised a well-designed partnership housing project that has transformed a derelict brownfield site into an attractive environment for sustainable living.

In November 2018, a scoping study was prepared to look at Phase 2 of the spine road and new junction access to serve further council owned regeneration plots. This information was used to support a bid to the Government's One Public Estate Programme and in March 2019 a £100,000 Sustainable Grant was secured from this source to advance the necessary planning work.

Annual monitoring of protected species (bats, newts, dormice) continues to assess how the ecological mitigation measures are working. All survey data is available from the Council's website.

Lydney Coastal Community Team

The Council continues to act as accountable body and key partner of the Lydney Coastal Community Team (LCCT) which was established in 2015. The Team's Executive and Stakeholder Groups are both chaired by the Environment Agency (EA) as the land owner at Lydney Harbour. EA continue to work on the proposed land transfer at Lydney harbour. A programme of legal and due diligence work is underway to prepare the Harbour Revision Order that will be needed as part of the formal public consultation process.

In September 2018, LCCT members and Publica staff came together for a clean-up of the Lydney Docks and Beachley Point area as part of the Severn Estuary Partnership's 'Beach Clean' event.

In January 2019, the team submitted a £1.9M bid to the Coastal Community Fund (round 5) for the Destination Lydney Harbour project, consisting of a number of elements which cover the area from the A48 roundabout on Harbour Road to the docks and harbour and serve to improve connections between these areas and the town centre. Broadly categorised as Improvements to Access Routes and Wayfinding, Enhancements to the Landscape, Enabling Increased Use of the Canal, Docks and Harbour. The project is intended to complement the Gfirst LEP-funded Links Lydney Cycle Improvement Scheme. In March 2019, the Council was advised that this bid had not been successful but had been included on a reserve project list.

Dean Forest Railway as a member of LCCT completed a £170,000 restoration project of St Mary's Footbridge using Rural Development Programme England funding which was formally re-opened in March 2019.

In March 2019, the Council secured £50,000 Coastal Revival Funding to contribute towards the repair of the outer sea gates. The current LCCT Economic Plan and LCCT news is available from the Council's website.

Five Acres Redevelopment Site

In October 2018, Full Council resolved to acquire the Five Acres site from Homes England for £1 with the aim of redeveloping the site to create a destination leisure facility alongside some enabling development. In late October 2018, the former College and Leisure Centre sites were handed back to Homes England with vacant possession. A Ministerial decision from the Ministry of Housing, Communities and Local Government is required to allow Homes England to transfer this site to the Council on the terms reported to Full Council. The Council has established the Five Acres Programme Board and governance arrangements needed to progress the redevelopment of this site.

To date this Board has authorised several key pieces of technical work/survey to prepare the Council to take ownership. A Council web page has been set up to share information on this project.

Forest Economic Partnership (FEP)

FEP was launched in January 2018 as a way of bringing together business, education, public sector, people, ideas and resources to give the Forest of Dean a voice and to help deliver a thriving and sustainable economy.

The Council has been instrumental in setting up the main Stakeholder Group and the four sub-groups which are driving the work of the Partnership. In 2018/19, the Partnership was Chaired by Andrew Callard, a local businessman and the Vice-Chair was Cllr Leppington, the Council's Cabinet Member for Development, Asset Management, Infrastructure & Housing. Over the course of the first year, the partnership attracted some 150 members, contributed to 5 strategic consultation exercises and working with Dene Magna School helped them to launch a flexible work experience placement scheme. In November 2018, the Council received a "Small Business Friendly Award" from the Federation of Small Businesses Gloucestershire & West of England for the most innovative small business campaign for FEP. In March 2019, FEP produced their first promotional brochure designed and printed in the Forest which highlights the Forest schools, features 14 Forest businesses, an A-Z directory of social enterprises and profiles the business support services. The Council is hosting a web page to help share information on this project.

Council's Leisure Services

The management and operation of the Council's leisure centres have been contracted to Freedom Leisure since 2015/16, in order 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 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 Local Government Finance Settlement for 2013/14 marked the introduction of the new local government resource regime with a significant change in the way local authorities are financed. Under the new regime, more than 60% of the Council's Government funding comes directly from Business Rates and, as a consequence, has the potential to vary either upwards or downwards during the year. This is a key strand of the Government policy to localise financing of local authorities and brings the potential for increased risks or increased rewards.

The principles of the settlement allow authorities to spend locally what is raised locally, whilst recognising the savings already made by local government. Most noticeably, there has been a shift away from freezing council tax to using council tax to generate additional funding. Reserves are noted as being one element of an efficiency plan through a voluntary drawdown of reserves as the price for greater certainty for future settlements.

The Government's policy of phasing out revenue support grant and in due course potentially allowing Councils to benefit from a higher share of business rates creates a need for this Council to develop a long-term strategy which is significantly different from that followed in past years. The Council has a direct financial interest in economic and business growth in the District, and will have a larger stake in it under the Government's proposals for reforming business rates.

On 1st September 2017 the Department for Communities and Local Government (now known as the Ministry of Housing, Communities and Local Government) published an 'invitation to local authorities to pilot 100% business rates retention in 2018/19 and to pioneer new pooling and tier-split models. Gloucestershire's bid to pilot this scheme in 2018/19 was successful.

Under the pilot arrangement, 100% of growth is shared locally, with 30% going to the Districts, 50% to the County Council and 20% to the Strategic Economic Development Fund. The overall pilot gain to Gloucestershire in 2018/19 was circa £14m. After allowing for the creation of a £1.4m 'risk reserve', the benefit to Forest of Dean District Council is circa £516k and Council approved that this has been ring-fenced to fund one-off economic growth initiatives specific to the District. This pilot scheme ended on 31st March 2019, with Gloucestershire not being invited to be part of the 2019/20 pilot scheme for other Local Authorities.

Budget Strategy

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.

STATEMENT OF ACCOUNTS 2018/19

INTRODUCTION TO THE 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 2018/19 and the Council's assets and liabilities at the year end.

The Accounts for the year ending 31st March 2019 have been prepared and published in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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 (note 1 to the notes to the accounts)	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 and the Expenditure and Funding Analysis	The Comprehensive Income and Expenditure Statement shows the cost in the year of providing services, in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis (included in the note on segmental reporting) reconciles this to the amount chargeable to General Fund reserves in the year.
Balance Sheet	This summarises the overall financial position of the Council at the end of the financial year, 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.

STATEMENT OF ACCOUNTS 2018/19

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

General Fund Revenue Budget

During 2018/19 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 £3k. This underspend has been transferred to the Future Deficits Reserve.

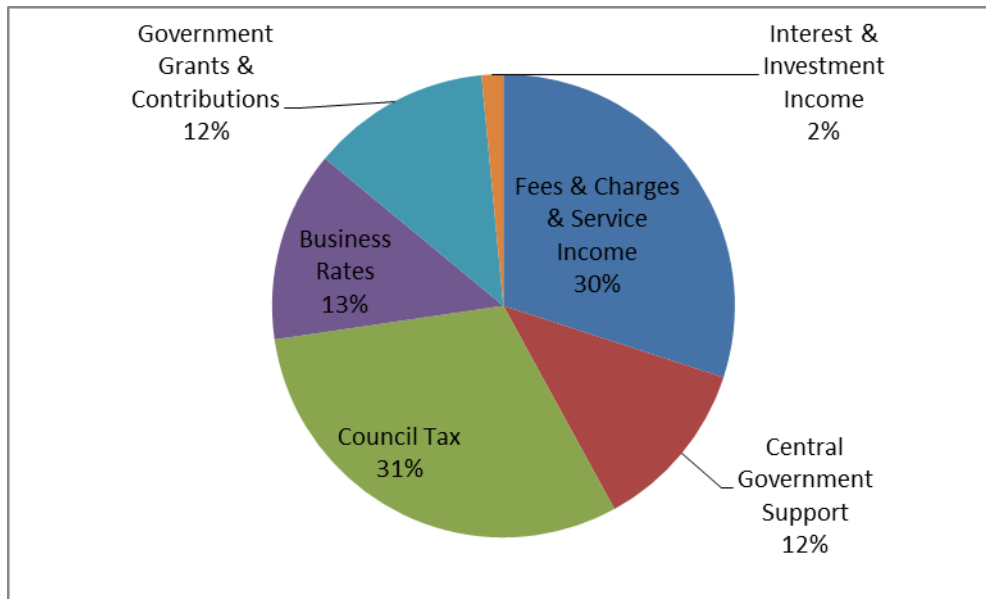
REVENUE OUTTURN 2018/19	Original Budget 2018/19 £	Current Budget 2018/19 £	Outturn 2018/19 £	(Under) / Overspend 2018/19 £
DIRECTORATES				
Chief Finance Officer (note I below)	1,955,750	2,022,610	2,042,705	20,095
Executive Director Commissioning (note ii)	7,804,950	5,982,740	5,619,627	(363,113)
Executive Director (note iii)	1,230,160	1,097,370	910,061	(187,309)
Group Finance Director (note iv)	719,710	563,210	688,349	125,139
NET EXPENDITURE ON SERVICES	11,710,570	9,665,930	9,260,742	(405,188)
Capital charges	(234,230)	1,190,870	1,272,812	81,942
Interest and investment (income) and expenditure	(453,910)	(565,870)	(580,355)	(14,485)
Transfers to / (from) earmarked reserves	(206,250)	624,950	1,111,875	486,925
NET EXPENDITURE TO BE FINANCED	10,816,180	10,915,880	11,065,074	149,194
FINANCED BY:				
New Homes Bonus	(1,495,200)	(1,495,200)	(1,495,274)	(74)
Section 31 National Non-Domestic Rates Grant	(1,231,890)	(1,295,149)	(1,278,298)	16,851
Share of Non-Domestic Rates	(3,106,620)	(6,519,499)	(6,519,499)	-
Council Tax Collection Fund Contribution	(57,510)	3,318,928	3,224,354	(94,574)
Council Tax	(4,924,960)	(4,924,960)	(4,924,966)	(6)
Other Specific Government Grants	-	-	(75,042)	(75,042)
Total Funding	(10,816,180)	(10,915,880)	(11,068,725)	(152,845)
Surplus transferred to Reserves	-	-	(3,651)	(3,651)
(i) Includes service strategy and internal audit (ii) Includes waste/recycling, leisure and revenues commissioning, parking, public conveniences, democratic services and elections, corporate management and planning and regeneration (iii) Includes commercial services, housing enabling and enforcement and public protection (iv) Includes support services, transformation and property.				

The transfer to the general fund balance is shown in the Movement in Reserves Statement on page 17. The Expenditure and Funding Analysis on page 50 links the increase in the general fund balance shown on the previous page, together with the increase in earmarked reserves, with the surplus shown in the Comprehensive Income and Expenditure Statement, showing the adjustments made to ensure the statement complies with generally accepted accounting practice.

STATEMENT OF ACCOUNTS 2018/19

Where the money came from

The following chart provides an analysis of our main sources of income this year. The Government provides income in the form of general and specific grants, and determines the amount of business rates we receive through pooling arrangements. Since the new local government resource regime announced as part of the 2013/14 Local Government Finance settlement, more emphasis is now put on raising income from business rates and council tax locally, as the amount of central government revenue support grant received is phased out.



STATEMENT OF ACCOUNTS 2018/19

How the money was spent

The Council provides a wide range of services for the district both directly and indirectly through partnership working. The activities vary widely and include provision for the collection of refuse and recycling, provision for leisure services, car parking, cemeteries and environmental health and many other services. These are summarised at service level in the table below. Further details will be reported to Cabinet and Council as part of the Financial Outturn 2018/19 report on 4th and 11th July 2019 respectively and will be available to view on the Council's website <https://www.fdean.gov.uk>.

Service	Net (Income) Expenditure £
Chief Finance Officer	2,042,705
Council Advisory Services	3,658,623
Council and Company Support	1,344,959
Planning and Regeneration	616,045
Customer Services	265,513
Executive Director	198,611
Professional Services	445,937
Business Support	1,689,696
Commercial Development	839,463
Legal, Land and Property	(1,840,810)
Total Service Expenditure	9,260,742

Capital Expenditure

In 2018/19 the Council spent £3.431 million on capital projects, grants and loans, across the general fund capital programme. Key expenditure on capital schemes include:-

	£000
- Investment Property	2,186
- Section 106 Grants and Contributions	577
- Disabled Facilities Grants	384

The Council plans to continue to fund capital from a range of sources including revenue reserves, developer contributions and capital receipts, and will make further use of prudential borrowing to support the Council's major capital schemes where it is both prudent and affordable.

STATEMENT OF ACCOUNTS 2018/19

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. This Council has adopted the Code and complies with its requirements, one of which is the receipt by the Council of an Annual Review 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. The Bank of England increased the base rate in August 2018 up to 0.75% from 0.50%.

During the year the Council paid £12,165 in borrowing costs (which was £12,165 more than budgeted for the year); and earned £357,855 investment income (which was £7,855 more than budgeted). The majority of the increase was due to investment diversification into property funds which have a rate of return of 4.29%, this has enhanced the annual average rate of return. The overall impact was an expense to the General Fund of £4,310 compared to the revised budget.

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 2019 was £35,067,000, an increase of £5,275,000 over the figure for 31st March 2018 of £29,792,000. The financial assumptions at 31st March 2019 were less favourable than they were at 31st March 2018, with a negative impact on the pension liability.

The majority of staff transferred to a new company Publica Group (Support) Limited on 1st November 2017. Full details of the accounting treatment and impact on the Council's pension liability are included in the Pensions note 35, page 75.

Reserves, Balances and Provisions

At the year-end usable reserves stood at £18.065 million, an increase of £0.067 million during the year. Of the usable reserves at the year-end, non-earmarked General Reserves or 'Balances' were £0.733 million.

At the year-end provisions (other than those held to cover possible bad or doubtful debts) were £0.293 million, an increase of £0.076 million during the year.

Changes in accounting policies and estimates

The Council has reviewed its accounting policies during the year and revised them in accordance with the 2018/19 Code of Practice in Local Authority Accounting. The policies are detailed in note 1 to the accounts (pages 19 to 36) and the changes in accounting policies are detailed in note 2 on page 37

Changes in statutory functions and impact of new legislation

Homelessness Reduction Act 2017

The Homelessness Reduction Act 2017 set out new duties on English local authorities with the aim of preventing homelessness. These include the duty to provide advisory services, the duty to assess all eligible applicants' cases and agree a plan, duties in cases of threatened homelessness, duties owed to those who are homeless and duties to help to secure accommodation.

Neighbourhood Planning Act 2017

The Neighbourhood Planning Act 2017 came into force on 27th April 2017 and ensures that planning decision-makers take account of well-advanced neighbourhood development plans and gives these plans full legal effect at an earlier stage. It introduces a process for modifying neighbourhood development orders and plans that the Government intends to be more proportionate.

The legislation makes changes to how pre-commencement conditions can be used and gives the Secretary of State power to make regulations prescribing their use in certain circumstances. Local authorities will be required to record specified prior approvals for permitted development rights on the planning register. The Act also makes further changes to the law on compulsory purchase, following reforms introduced by the Housing and Planning Act 2016. It clarifies the statutory framework for compensation, which does not affect the fundamental principles on which it is assessed. The Act also makes further technical changes, such as introducing a general power to obtain temporary possession of land and a requirement to bring compulsory purchase orders into operation within a set period of time.

General Data Protection Regulation (GDPR)

This Act came into force on 25th May 2018. To ensure they will be compliant, significant changes have been made to our procedures, policies and IT systems. A legal basis must be established for processing data. All notices must be reviewed to give information to data subjects about their data processing activities and to ensure that detailed requirements of the GDPR are reflected. A Data Protection Officer must be appointed to advise on GDPR and monitor compliance.

FURTHER INFORMATION

Further information about the accounts is available from Publica, Business Support Services, 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 3rd June 2019 and 14th July 2019 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 2019, in writing, during this period.

**Clive Howey CPFA,
Chief Finance 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 15 to 18 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 31st March 2019.

**CLIVE HOWEY CPFA,
Chief Finance Officer**

DATE: 19th September 2019

STATEMENT OF ACCOUNTS 2018/19

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 both the Expenditure & Funding Analysis and in the Movement in Reserves Statement.

2017/18 Restated				2018/19		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
			<i>Continuing Operations</i>			
1,351	(9)	1,342	Chief Finance Officer	1,584	(15)	1,569
31,182	(25,004)	6,178	Executive Director Commissioning	28,089	(22,200)	5,889
2,876	(1,607)	1,269	Executive Director	3,085	(1,811)	1,274
5,427	(1,568)	3,859	Group Finance Director	4,945	(3,564)	1,381
40,836	(28,188)	12,648	Cost of Services	37,703	(27,590)	10,113
2,110	(1,011)	1,099	Other operating expenditure (note 9)	2,177	(437)	1,740
702	(354)	348	Financing and Investment (income) and expenditure (note 10)	977	(802)	175
2,482	(15,955)	(13,473)	Taxation and non-specific grant (income) and expenditure (note 11)	3,342	(16,645)	(13,303)
46,130	(45,508)	622	(Surplus) or Deficit on the provision of services	44,199	(45,474)	(1,275)
		(1,828)	Surplus on revaluation of non-current assets (note 33)			(383)
		151	Deficit on revaluation of non-current assets (note 33)			181
		176	Deficit on revaluation of equity instruments designated at fair value through Other Comprehensive Income (note 33)			-
		<u>(2,513)</u>	Remeasurement of the net defined benefit liability /(asset) (note 35)			<u>3,163</u>
		(4,014)	Other Comprehensive (Income) and Expenditure			2,961
		<u>(3,392)</u>	Total Comprehensive (Income) and Expenditure			<u>1,686</u>

2017/18 has been restated to reflect a management restructure and a change in the policy for accounting for overheads from 2018/19 (see note 2). The changes have not affected the surplus on the provision of services or total comprehensive income and expenditure.

STATEMENT OF ACCOUNTS 2018/19

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 2018 £000	Note	31 March 2019 £000
10,373 Property, Plant & Equipment	20	9,919
2,469 Investment Property	22	4,756
130 Intangible Assets	24	67
6,824 Long Term Investments	25	7,759
1,012 Long Term Debtors	27	2,162
20,808 Long Term Assets		24,663
7,063 Short term Investments	25	5,080
70 Inventories	26	46
4,917 Short term Debtors	27	3,936
4,157 Cash and cash equivalents	28	2,360
16,207 Current Assets		11,422
(2,047) Short term borrowing	25	(1,002)
(4,965) Short term creditors	29	(3,966)
(28) Grants Receipts in Advance - capital	17	(28)
(217) Provisions	30	(347)
(7,257) Current Liabilities		(5,343)
(2,605) Grants receipts in advance - capital	17	-
(29,792) Other long term liabilities	35	(35,067)
(32,397) Long Term Liabilities		(35,067)
(2,639) Net Assets		(4,325)
17,998 Usable Reserves		18,065
(20,637) Unusable Reserves	33	(22,390)
(2,639) Total Reserves		(4,325)

Signed:

Clive Howey CPFA, Chief Finance Officer

Councillor Clive Elsmore, Chairman of
Audit Committee

STATEMENT OF ACCOUNTS 2018/19

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year of 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 unusable reserves.

The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to council tax for the year. The net increase or decrease line shows the statutory general fund balance movement in the year following those adjustments.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2017	851	7,602	8,453	9,273	494	18,220	(24,251)	(6,031)
<u>Movement in Reserves during 2017/18</u>								
Total Comprehensive Income and (Expenditure)	(622)	-	(622)	-	-	(622)	4,014	3,392
Adjustments between accounting basis and funding basis under regulations (Note 5)	(527)	-	(527)	1,056	(129)	400	(400)	-
Transfers to/from earmarked reserves (Note 32)	1,031	(1,031)	-	-	-	-	-	-
Increase / (decrease) in 2017/18	(118)	(1,031)	7,304	1,056	(129)	(222)	3,614	3,392
Balance at 31 March 2018	733	6,571	7,304	10,329	365	17,998	(20,637)	(2,639)
<u>Movement in Reserves during 2018/19</u>								
Total Comprehensive Income and (Expenditure)	1,276	-	1,276	-	-	1,276	(2,962)	(1,686)
Adjustments between accounting basis and funding basis under regulations (Note 5)	(370)	-	(370)	(1,664)	825	(1,209)	1,209	-
Transfers to/from earmarked reserves (Note 32)	(906)	906	-	-	-	-	-	-
Increase / (decrease) in 2018/19	-	906	906	(1,664)	825	67	(1,753)	(1,686)
Balance at 31 March 2019	733	7,477	8,210	8,665	1,190	18,065	(22,390)	(4,325)

STATEMENT OF ACCOUNTS 2018/19

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.

2017/18 Restated £'000		2018/19 £'000
622	Net (surplus) or deficit on the provision of services	(1,276)
4,097	Adjust net surplus or deficit on the provision of services for non-cash movements (note 36)	1,153
1,012	Adjust for items in the net surplus or deficit on the provision of services that are investing or financing activities (note 36)	501
5,731	Cash (inflows) generated from operating activities	378
(4,660)	Investing activities (note 37)	613
(1,222)	Financing activities (note 38)	806
(151)	Net (increase) / decrease in cash and cash equivalents	1,797
(4,006)	Cash and cash equivalents at beginning of the year	(4,157)
(4,157)	Cash and cash equivalents at end of the year (note 28)	(2,360)
151	Net increase / (decrease) in cash and cash equivalents	(1,797)

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 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Government Accounting in the United Kingdom 2018/19 (The Code), supported by International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) 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, in accordance with the performance obligations in the contract and IFRS15 Revenue Contracts with Customers.
- 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.

STATEMENT OF ACCOUNTS 2018/19

- 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.

The majority of staff transferred to Publica Group (Support) Limited on 1st November 2017 and the liability for the accumulated absences accrual in respect of these staff has been transferred to this company at a cost of £64.6k. This is included as a cost to the Council in the Comprehensive Income and Expenditure Statement, for which there is no statutory override as the officers are no longer employed by the Council.

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 can no longer withdraw any offer of benefits.

STATEMENT OF ACCOUNTS 2018/19

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 and Publica Group (Support) Limited are members of the Local Government Pension Scheme, administered by Gloucestershire County Council. The Council's liabilities under the Local Government Pension Scheme cover all staff that were members of the scheme at the date of transfer to Publica (1st November 2017), as well as the remaining staff still employed by the Council. The actuarial valuation as at 31st March 2019 has been prepared on this basis.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council and Publica, and is accounted for as a defined benefits scheme.

- The liabilities of the Gloucestershire pension scheme attributable to the Council and ex Council staff transferred to Publica on 1st November 2017 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.

STATEMENT OF ACCOUNTS 2018/19

- Interest income 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 authority operates and manages its corporate and support services separately and expenditure relating to these activities is reported to key decision makers as separate activities. These overheads are not therefore apportioned to services.

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 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.

1.9 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.

1.10 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.

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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 (EUUV) 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 (see paragraph 1.18 *Fair Value Measurement*).
- 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).

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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.

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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 1st 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.

1.11 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.

1.12 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.

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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.

1.13 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 in 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.

1.14 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.

1.15 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.

1.16 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

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- 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.

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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.

1.17 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.

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Financial Assets

Under IFRS 9 applicable from 2018/19, the authority's financial assets are classified into three types:

- Financial assets at amortised cost – where payments consist solely of principal and interest and the reason for holding is to collect cash flows
- Fair value through Other Comprehensive Income (OCI) – where payments consist solely of principal and interest and the reason for holding is to collect cash flows and sell *and* where payments do not consist solely of principal and interest but where the authority has designated the instrument as Fair value through OCI
- Fair value through Profit and Loss (P&L) - where payments do not consist solely of principal and interest.

Under IAS39, which applied up until 2018/19, financial assets were classified as:

- Loans and receivables – assets that had fixed or determinable payments and were not quoted in an active market. These were initially measured at fair value and carried at amortised cost.
- Available-for-sale assets – those that had a quoted market price and/or did not have fixed or determinable payments. These were initially measured and carried at fair value, except in the case of equity instruments that did not have a quoted price in an active market and for which a reliable fair value could not be established; these were permitted to be carried at cost.

Financial assets at amortised cost

These 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.

Deposits, bonds and loans are assessed on recognition for impairment due to the likelihood that payments due under the contract will not be made and, if material, a provision for twelve month expected credit losses set aside from the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the risk of default increases significantly after initial recognition and for trade and lease receivables a provision is set aside based on expected lifetime credit losses, if deemed significant or material.

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.

Fair value through OCI

These are initially measured at cost (equivalent to fair value) and carried at fair value. 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.

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. Dividends from equity instruments designated by the authority as Fair value through OCI are credited to the same line when they become receivable by the Council.

Changes in fair value are balanced by an entry to the Financial Instruments Revaluation Reserve (FIRR) (formerly the Available-for-Sale Reserve), with the gain or loss being recognised in Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Any gains or losses held in the FIRR on de-recognition of the asset are credited or charged to the General Fund Balance via the Movement in Reserves Statement.

Fair value through P&L

These are initially measured at cost and carried at fair value. 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.

Dividends are credited to the Financing and Investment Income and expenditure line in the Comprehensive Income and Expenditure Statement (CIES) when they become receivable by the Council. Changes in fair value and any gains or losses on de-recognition are charged or credited to the same line in the CIES and , in the case of pooled investment funds reversed to the Pooled Investment Funds Adjustment Account via the Movement in Reserves Statement (MIRS). Sale proceeds on de-recognition are credited to usable capital receipts via the MIRS.

1.18 FAIR VALUE MEASUREMENT

The Council measures certain non-financial assets (Surplus Assets, Investment Property and Assets Held for Sale) and its Available-for-sale financial assets at fair value at the balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest. In the case of a non-financial asset, the authority takes into account the market participants' ability to use the asset in its 'highest and best use' or by selling it to another market participant that would use the asset in its 'highest and best use'.

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Inputs to the valuation techniques used in measuring fair value are categorised within the fair value hierarchy as follows:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 - directly or indirectly observable inputs other than quoted prices
- Level 3 - unobservable inputs for the asset or liability.

1.19 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.

1.20 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.

1.21 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.

1.22 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.

1.23 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.

1.24 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.

1.25 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.

1.26 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.

1.27 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.

1.28 JOINTLY CONTROLLED OPERATIONS

Jointly controlled operations are activities undertaken by the Council, together with other organisations, involving the shared use of assets and resources of the organisations 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 charges or 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.

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.

1.29 GROUP ACCOUNTS

Ubico Limited

At 31st March 2019 the Council had a 14.29% shareholding in Ubico Limited, a local authority owned company which (from 2015/16) has seven members, providing environmental services to the shareholder Councils. Since the Council has no control or joint control or significant influence over the company, there is no requirement to produce consolidated group accounts.

Publica Group (Support) Limited

While the Council has an interest in the Company the Council's share of profit for the year and net assets at the balance sheet date have not been consolidated into the Council's single entity accounts. The figures involved are not material to the accuracy of the accounts, and the Council has not prepared Group Accounts on this basis.

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2. CHANGES IN ACCOUNTING POLICY AND ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

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

From 1st April 2018 the Council adopted IFRS 9 Financial Instruments, which has resulted in the reclassification of financial instruments as at that date and the earlier recognition of the impairment of financial assets. The reclassifications have had an effect on the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement (CIES) for 2018/19 since at that date the authority's Pooled Investment Funds were reclassified from Available-for-Sale financial assets to Fair Value through P&L, resulting in changes in their fair values being credited or charged from that date to the CIES. However the changes in fair value have not impacted on usable reserves due to the application of a mandatory statutory override, reversing the changes to a Pooled Investment Funds Adjustment Account.

The impairment changes have not had any impact on the financial statements because the impairment charge for financial assets such as bank deposits and certificates of deposit has been deemed not to be material and provision for doubtful debts on service assets (e.g. trade receivables) had already been made.

From 2018/19 the Council has operated and managed its corporate and support services separately, reporting expenditure relating to these activities to key decision makers as separate activities. Consequently these overheads are no longer apportioned to services.

From 1st April 2018 the council adopted IFRS15 Revenue Contracts with Customers, however following a review of the major income streams this has not had a material impact on the financial statements.

The following standards and amendments are being introduced in the 2020/21 Code:

- IFRS 16 Leases

IFRS 16 is not anticipated to have a material effect on the financial statements or balances of the Council since the changes mainly affect the recognition of leases by lessees and the authority does not have any finance lease liabilities or material operating leases (see note 23 on the Council as Lessee).

3. CRITICAL JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out on pages 19 to 36, the Council has had to make certain judgements about balances and transactions which may be uncertain depending on future events.

Publica Group (Support) Limited

The Council jointly owns (with West Oxfordshire District Council, Cotswold District Council and Cheltenham Borough Council) Publica Group (Support) Limited, a wholly owned company, limited by guarantee, operating with Mutual Trading Status to deliver services on behalf of the Council and services to other member Councils under contract. While the Council has an interest in the Company the Council's share of profit for the year and net assets at the balance sheet date have not been consolidated into the Council's single entity accounts. The figures involved are not material to the accuracy of the accounts, and the Council has not prepared Group Accounts on this basis.

In addition the company is considered to be an employment vehicle, employing and paying staff and then recharging these costs back to the Councils. It does not trade and does not make a profit, with any surpluses generated being redistributed back to the Councils. Each Council has retained its governance

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arrangements and member control over decisions. Publica are unable to make financial decisions that will have an impact on the Medium Term Financial Strategy of the Councils, without proper approval having been given by each Council in accordance with the Council's constitution and financial and contract rules.

Pension Liability

No allowance has been made in the Councils' accounts for the transfer out of any Local Government Pension Scheme (LGPS) pension liability to Publica Group (Support) Limited. The service contract and tripartite agreement between the Council, Gloucestershire Pension Fund and Publica Group (Support) Limited mean that the pension liability and risk relating to the pension fund remains with the Council, following the TUPE transfer of the majority of the Council's staff to Publica on 1st November 2017. Therefore the Council is reporting the pension liability for both staff transferred to Publica, and the Council's retained staff, in the accounts. Although Publica, as the employer of many of the current staff may be initially responsible for paying any exit contributions (for example), for any of its staff that are members of the LGPS, such cost will be reimbursed by the relevant Council. The accounts have been prepared on the basis that the full pension fund liability for the LGPS sits in the Council's accounts. There are no separate disclosures for Publica as they are not responsible for any LGPS liability.

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 the year end, together with an estimated reduction in the rating list, based on historical experience.

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.

Recycling vehicles within the waste contract

The Council provided the funding for a number of recycling vehicles during 2016/17 to support the waste contract. These vehicles have been provided to BIFFA in an exchange for a reduction of the contract price over a number of years. In assessing the accounting treatment of this transaction the Council has considered the criteria under IAS 17 Leases, IAS 18 Revenue and paragraphs 2.1.2.25 and 4.1.2.18 of the Code. These indicate that in substance, the payment to Biffa is a prepayment for the future services to be provided and this reflects the economic reality.

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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 31st March 2019 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.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by approximately £7,917 for every year that useful lives had to be reduced.</p>
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% to 5%. A sensitivity analysis is included in Note 35- Pensions.
Non-domestic rates (NDR) appeals provision	<p>This provision has been set up to meet losses arising from the successful appeal of businesses against the rateable value of their properties.</p> <p>For appeals up to 31st March 2017 the provision is based on an expected success rate of appeals submitted at 31st March 2017 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.</p> <p>Appeals from 1st April 2017 onwards are subject to a new process known as Check, Challenge, Appeal. As yet there is limited information upon which to base an estimate of the provision necessary under the new process, so the estimated provision has been based on 2% of the Rating list (2017) as at 31st March 2019.</p>	<p>For appeals up to 31st March 2017 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 £2,000, of which the Council's share would be £1,000. This would reduce any collection fund surplus able to be distributed to the Council in future years. Note - certain categories of appeals are estimated at 100% expected success rate, based on experience to date.</p> <p>For appeals from 1st April 2017 a 1% change in the level of provision would equate to a change in provision of £192,000.</p>

5. ADJUSTMENTS BETWEEN ACCOUNTING AND FUNDING BASIS UNDER THE 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.

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2017/18 Usable Reserves				2018/19 Usable Reserves		
General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000		General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
			Adjustments to Revenue Resources <i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements</i>			
			Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (charged or credited to the Capital Adjustment Account)			
(860)	-	-	Charges for depreciation, amortisation and impairment of non-current assets	(628)	-	-
(278)	-	-	Revaluation losses on Property, Plant and Equipment	(213)	-	-
157	-	-	Movements in the fair value of Investment properties	101	-	-
613	-	-	Capital grants and contributions	1,882	-	(889)
(751)	-	-	Revenue Expenditure Funded from Capital Under Statute	(1,085)	-	-
34	(105)	-	Amounts of non-current assets written off on sale as part of the gain/loss on disposal	28	(51)	-
-	-	-	Newly identified existing assets	-	-	-
24	-	-	Pension costs transferred from the Pensions Reserve	(346)	-	-
			Fair value gains and losses of pooled Investment Funds	(65)	-	-
72	-	-	Council tax and NNDR net deficit transferred to the Collection Fund Adjustment Account	(8)	-	-
55	-	-	Holiday Pay transferred from the Accumulated Absences Account	1	-	-
(934)	(105)	-	Total adjustments to Revenue Resources	(333)	(51)	(889)
			Adjustments between Revenue and Capital resources			
950	(950)	-	Transfer of non-current asset sale proceeds from revenue to capital receipts	437	(437)	-
(4)	4	-	Payments to the government housing receipts pool funded by a transfer from capital receipts	(1)	1	-
177	-	-	Statutory provision for the repayment of debt transferred to the Capital Adjustment Account	46	-	-
321	-	-	Capital expenditure financed from revenue balances transferred to the Capital Adjustment Account	209	-	-
1,444	(946)	-	Total adjustments between Revenue and Capital Resources	691	(436)	-
			Adjustments to Capital resources			
-	16	-	Use of capital receipts to finance capital expenditure	-	2,165	-
-	-	129	Application of capital grants and contributions to fund capital expenditure	-	-	64
-	(21)	-	Transfer from Deferred Capital Receipts upon receipt of cash	-	(14)	-
17	-	-	Capital Grants and loans repaid	12	-	-
17	(5)	129	Total adjustments to Capital Resources	12	2,151	64
527	(1,056)	129	Total adjustments between Accounting and Funding basis under the regulations	370	1,664	(825)

STATEMENT OF ACCOUNTS 2018/19

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Section 151 Officer on 31st May 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information, where material. The impact of the recent 'McCloud judgement' regarding local authority pensions has not been reflected in the pension figures shown in the accounts on the basis of immateriality. The effect of the judgement has been assessed, resulting in a potential additional charge to the CIES in the year and an increase in the present value of funded liabilities at 31st March 2019 of £0.274 million. There would be no impact on usable reserves as the additional charge would be reversed to the Pensions Reserve.

7. CHANGES IN OPERATIONS AND DISCONTINUED OPERATIONS

The Council has not discontinued any operations in 2018/19. However, the majority of front line and support services staff transferred during 2017/18 to Publica Group (Support) Ltd, a company wholly owned by Forest of Dean District Council, Cotswold District Council, West Oxfordshire District Council and Cheltenham Borough Council. This company provide these services to the Council.

8. 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:

	2018/19 £000	2017/18 £000
Car Parking Expenditure	129	217
Car Parking Income	(119)	(130)
Revaluations of Car Parks	-	110
Net Deficit	10	197

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 the Planning, Housing and Regeneration Group shown on the face of Comprehensive Income and Expenditure Statement.

9. OTHER OPERATING (INCOME) AND EXPENDITURE

	2018/19 £000	2017/18 £000
Parish Council precepts	2,165	2,060
Levies	38	37
Payments to the Government Housing Capital Receipts Pool	1	4
(Gains)/Losses on Disposal of non-current assets	(27)	(52)
VAT Shelter and Right to Buy income	(437)	(950)
Net Other Operating Expenditure	1,740	1,099

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

10. FINANCING AND INVESTMENT (INCOME) AND EXPENDITURE

	2018/19 £000	2017/18 Restated * £000
Interest payable and similar charges	13	13
Net interest on the net defined benefit liability / (asset)	790	843
Interest receivable and investment income	(359)	(159)
Fair value changes in financial assets (pooled Funds)	65	
Income and expenditure in relation to investment properties and changes in their fair value	(335)	(349)
Net Financing and Investment Expenditure	174	348

* 2017/18 restated to exclude support service recharges, excluded from 2018/19 income & expenditure

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

	2018/19 £000	2017/18 £000
Council Tax	(7,266)	(6,945)
Non-Domestic Rates (income) and expenditure:		
- Billing authority share	(6,383)	(5,009)
- Collection Fund (surplus) / deficit	60	111
- Tariff payable to central government	3,340	2,444
- Levy payable to central government less Pool surplus	(58)	37
- NDR renewable energy contribution	(109)	(146)
Non-ring-fenced government grants	(2,848)	(3,764)
Capital grants and contributions	(39)	(201)
Net Taxation and Non Specific Grant Income	(13,303)	(13,473)

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12. 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	2018/19						
	Salary including Fees and Allowances	Expense Allowances	Compensation for loss of office	Benefits-in-kind	Total Remuneration excluding pension contributions	Pension contributions	Total Remuneration including pension contributions
	£	£	£	£	£	£	£
Head of Paid Service	78,095	1,468	-	-	79,563	13,979	93,542
Monitoring Officer/Acting Returning Officer/Capability Lead – Organisation Development	58,455	1,882	-	-	60,337	10,182	70,519
	136,550	3,350	-	-	139,900	24,161	164,061
	2017/18						
Head of Paid Service (to 31/10/17 -note e)	56,000	1,591	-	-	57,591	10,024	67,615
Head of Paid Service (from 1/11/17-note f)	28,453	517	-	-	28,970	4,074	33,044
Strategic Group Mgr (to 31/10/17 note e)	38,084	693	-	-	38,777	6,817	45,594
Strategic Group Mgr (to 31/10/17 note f)	38,084	522	-	-	38,606	6,895	45,501
Monitoring Officer (2017/18)	58,763	104	-	-	58,867	8,950	67,817
	219,384	3,427	-	-	222,811	36,760	259,571

Notes:

- a) For the purposes of this disclosure, senior employee means Head of Paid Service and chief officers whose annual 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.

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- c) The statutory role of Section 151 Officer for the Council is carried out by the Chief Finance Officer, Paul Jones FCPFA, under a secondment arrangement with Cheltenham Borough Council, at a cost of £35,700 (£35,000 plus expenses in 2017/18). Note – this arrangement has changed in 2019/20, with a full time Chief Finance Officer, Mr Clive Howey CPFA, being employed direct by the Forest of Dean District Council.
- d) The Monitoring Officers salary includes Returning Officer fees in 2018/19 of £1,572 (£8,761 in 2017/18). The monitoring officer remains employed by the Council.
- e) The existing Head of Paid Service and one Strategic Group Manager were transferred to new roles within Publica Group (Support) Limited on 1st November 2017
- f) One Strategic Group Manager remained employed by the Council, appointed to the position of Head of Paid Service 1st November 2017

The Council did not employ any other staff receiving more than £50,000 remuneration for the year (excluding employer's pension 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 (including 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 £	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
£0 - £20,000	-	-	2	2	2	2	9,077	19,471
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	2	-	2	-	144,493
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-	-	-
Total	-	-	2	4	2	4	9,077	163,964
Amounts provided for in CIES not included in bandings	-	-	-	-	-	-	-	-
Total	-	-	2	4	2	4	9,077	163,964

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13. MEMBERS' ALLOWANCES

In 2018/19 the Council paid £328,060 (2017/18 £324,731) in allowances and expenses to its 48 members. The Expenditure reflects members' allowances approved by Council for 2018/19. Full details of the Members' Allowances scheme for 2018/19 can be found on the Council's website.

14. TERMINATION BENEFITS

The Council terminated the contracts of 2 employees in 2018/19 (4 in 2017/18). Total costs incurred were £9,077 (£163,964 in 2017/18), of which £0 (£76,918 in 2017/18) related to early retirement costs and £9,077 (£87,046 in 2017/18) 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.

15. 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 17.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in note 13. During 2018/19 works and services to the value of £278,060 were commissioned from organisations in which twenty one members had an interest, grants totalling £573,803 were paid to voluntary organisations in which eighteen 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.

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 notes to the Collection Fund.

5 members of the District Council are also members of Gloucestershire County Council. 18 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 paid into the Pension fund by the Council were £606,000 in respect of 2018/19 (£2,239,000 in 2017/18).

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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 Limited

Ubico Limited was set up on 1st April 2012, to deliver environmental services, jointly owned by Cheltenham Borough Council and Cotswold District Council. During 2015 and 2016, Forest of Dean District Council, Tewkesbury Borough Council, West Oxfordshire District Council, Stroud District Council and Gloucestershire County Council joined the company as shareholders. This Council holds an equal 1/7th shareholding in the Company.

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

While the Council has a 1/7th shareholding in Ubico Ltd, no members of Forest of Dean District Council serve on the company's Board of Directors, the Council is not deemed to have significant influence over the company. The separate operating practices, management structure and majority-voting on the Ubico board do not constitute any means of joint-control over the company. The Council's interest is therefore classed as an investment in Ubico.

Publica Group (Support) Limited

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

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

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

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

During 2018/19 the Council purchased services from Publica Group (Support) Limited to the value of £6,101,315 (£2,440,556 in 2017/18 from November 2017) and the company generated a surplus for the year of £58,012 (£13,534 for the part year in 2017/18). Whilst the Council is a partner, the Council's share of Publica's net assets of £71,546 have not been included or consolidated in the Council single-entity accounts as they are not deemed material to the accounts.

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Chief Finance Officer (CFO)

Forest of Dean District Council shared its Chief Finance Officer with Cheltenham Borough Council under a secondment agreement in 2018/19. The CFO was an employee of, and paid by, Cheltenham Borough Council. While the Officer was shared and has influence in both Councils, he was required to act separately for each Council.

In April 2019/20, Forest of Dean District Council ceased this agreement and now employ a full time CFO, employed by and paid by Forest of Dean District Council. This new CFO is dedicated to working for and on behalf of this Council.

Decisions on overall policy and the strategic direction are set by Cabinet and Council, with the CFO enacting the Members' will.

16. EXTERNAL AUDIT COSTS

The total audit fees payable to the Council's external auditor in 2018/19 were £68,495 (£58,253 in 2017/18), made up as follows:

	2018/19 £000	2017/18 £000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor	36	47
2017/18 Additional Fees paid to Grant Thornton UK LLP in 2018/19	6	-
Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns	22	7
Fees Payable to Grant Thornton UK LLP for CFO Insights Licence	4	4
	68	58

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17. GRANT INCOME

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

	2018/19 £000	2017/18 £000
Credited to Taxation and Non Specific Grant Income:		
Revenue Support Grant	-	721
New Homes Bonus	1,495	1,930
Business Rates Relief Grants	1,278	1,005
Transparency	8	8
Rural Services Delivery Grant	-	100
Distribution of Surplus on National Levy Account	39	-
Council Tax Discount for Family Annexes	28	-
	2,848	3,764
Credited to Services:		
Housing Benefit Grant	18,220	21,108
Community Housing Fund	111	-
Disabled Facilities Grant	376	412
NNDR Administration	119	119
Council Tax Administration Subsidy	99	104
DWP Additional Grant	113	83
Discretionary Housing Payments	124	110
Other Government Grants	379	188
Capital Grants & Contributions	39	201
S106 Maintenance	1,467	-
Contributions from County Council	43	120
Total	23,938	26,209

A number of grants and contributions previously identified as Grants receipts in Advance have now been recognised as income in the Comprehensive Income and Expenditure Account and then made available to fund capital expenditure or transferred to reserves as appropriate, via the Movement in Reserves statement. The balances at the year-end are as follows:

	2018/19 £000	2017/18 £000
Grants Receipts in Advance (Capital Grants)		
S106 Contributions	-	2,100
Government grant: Cinderford Northern Quarter	-	505
Total Long Term Liabilities	-	2,605
Disabled Facilities Grant	28	28
Total Current Liabilities	28	28
Total Grants Receipts in Advance (Capital Grants)	28	2,633

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18. SEGMENTAL REPORTING

EXPENDITURE AND FUNDING ANALYSIS

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Council (government grants, rents council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18 Restated*			2018/19			
Net expenditure chargeable to General Fund balances £000	Adjustments between the funding and accounting basis (note 18) £000	Net expenditure in the Comprehensive Income and Expenditure Statement £000		Net expenditure chargeable to General Fund balances £000	Adjustments between the funding and accounting basis (note 18) £000	Net expenditure in the Comprehensive Income and Expenditure Statement £000
1,882	(540)	1,342	Chief Finance Officer	2,043	(474)	1,569
5,851	327	6,178	Executive Director Commissioning	5,620	269	5,889
1,323	(54)	1,269	Executive Director	1,298	(24)	1,274
3,897	(38)	3,859	Group Finance Director	2,154	(773)	1,381
12,953	(305)	12,648	Net Cost of Services	11,115	(1,002)	10,113
(11,804)	(222)	(12,026)	Other income and expenditure	(12,021)	632	(11,389)
1,149	(527)	622	(Surplus) or Deficit	(906)	(370)	(1,276)
(8,453)			Opening General Fund Balance including earmarked reserves at 1 April	(7,304)		
1,149			Add (Surplus) or deficit in year	(906)		
(7,304)			Closing General Fund Balance including earmarked reserves at 31 March (ii)	(8,210)		

* 2017/18 has been restated to reflect a management restructure and a change in the policy for accounting for overheads from 2018/19

(i) The Narrative statement reported outturn 2018/19 classifies £388k revenue expenditure funded from capital under statute (REFCUS) within the Executive Director group, Disabled facilities grants; this is included in the adjustments between the funding and accounting basis above.

(ii) The Narrative statement reported outturn 2018/19 classifies £1,466k revenue expenditure funded from capital under statute (REFCUS) within the Group Finance Director group, Section 106 grants; this is included in the adjustments between the funding and accounting basis above.

(iii) For a split between the General Fund Balance and earmarked reserves see the Movement in Reserves Statement

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Note to Expenditure & Funding analysis

2017/18 Restated*				Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2018/19			
Adjustments for capital purposes (note 1 below)	Net changes for the Pension Adjustments (note 2)	Other Differences (note 3)	Total Adjustments		Adjustments for capital purposes (note 1 below)	Net changes for the Pension Adjustments (note 2)	Other Differences (note 3)	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
165	(705)	-	(540)	Chief Finance Officer	145	(619)	-	(474)
452	(69)	(56)	327	Executive Director Commissioning	168	102	(1)	269
-	(54)	-	(54)	Executive Director	(24)	-	-	(24)
-	(39)	1	(38)	Group Finance Director	(846)	73	-	(773)
617	(867)	(55)	(305)	Net Cost of Services	(557)	(444)	(1)	(1,002)
(994)	843	(71)	(222)	Other Income and Expenditure from the Funding Analysis	(231)	790	73	632
				Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit				
(377)	(24)	(126)	(527)		(788)	346	72	(370)

*2017/18 has been restated to reflect a new management structure from 2018/19.

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Notes

(1) Adjustments for capital purposes

This column adds in revaluation gains/losses on Property, Plant and Equipment and Revenue Expenditure funded from capital under statute (REFCUS) in the service lines and for:

- Other operating expenditure – adds gains/losses on disposals of Property, Plant and Equipment
- Financing and investment income and expenditure – the statutory charges for capital financing (Minimum Revenue Provision) and revenue financing of capital expenditure are deducted as these are not chargeable under generally accepted practices, and changes in the fair value of Investment properties are added
- Taxation and non-specific grant income and expenditure – this line is credited with capital grants receivable in the year which have no conditions or for which conditions were satisfied in the year.

Depreciation and amortisation charges are included in the service lines in the Net Expenditure chargeable to the General Fund balances column of the Expenditure and Funding analysis (as they are included in reports to management), but then reversed out in Other Income and Expenditure so they have no impact on council tax. The reversal is removed in the Other Income and expenditure line in the Adjustments for capital purposes column above to ensure such charges are included in the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement.

(2) Net change for the Pensions Adjustments

- for services - the removal of employer pension contributions and their replacement with current and past service costs
- for Financing and investment income and expenditure – the addition of net interest on the pensions defined benefit liability.

(3) Other Differences

- For Financing and Investment Income and Expenditure – adjustments to the general fund for changes in the fair value of pooled investment funds.
- For Taxation and non-specific grant income and expenditure – timing differences between the income for council tax and non-domestic rates (NDR) credited under statutory regulations and that recognised under generally accepted accounting practice.
- For services – the addition of the accumulated absences accrual representing annual and other leave due to staff at 31st March 2019

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SEGMENTAL INCOME

The net expenditure chargeable to the general fund balance in the Expenditure and Funding Analysis includes the following items on a segmental basis:

	2018/19		2017/18 Restated*	
	Depreciation, amortisation and impairment £000	Revenues from external customers £000	Depreciation, amortisation and impairment £000	Revenues from external customers £000
Chief Finance Officer	-	(15)	-	(9)
Executive Director Commissioning	344	(3,213)	339	(3,204)
Executive Director	15	(1,245)	14	(1,163)
Group Finance Director	269	(2,066)	507	(1,567)
Total included in cost of services	628	(6,539)	860	(5,943)
Financing & Investment income & Expenditure	-	(453)	-	(247)
Taxation and other Non-Specific Grant Income	-	(110)	-	(147)
Total included in Fees, Charges & other service income, Note 19	628	(7,102)	860	(6,337)

*2017/18 has been restated to reflect a new management structure from 2018/19.

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19. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2018/19 £000	2017/18 Restated £000
Expenditure		
Employee benefit expenses	2,156	4,123
Publica Contract	6,663	2,644
Other service expenses	28,092	32,934
Depreciation, amortisation, impairment	628	860
Revaluation losses on Property, Plant & Equipment (note 5)	213	278
Loss on disposal of non-current assets (see note 9)	(27)	9
Investment Properties Changes in Fair Value	58	(157)
Interest payments	803	856
Precepts and levies	5,546	4,579
Payment to capital receipts pool	1	4
Total Expenditure	44,133	46,130
Income		
Fees, charges and other service income	(6,540)	(6,134)
Publica Contract	(562)	(203)
Gain on disposal of non-current assets (see note 9)	-	(61)
VAT Shelter /Right to Buy Income (see note 9)	(437)	(950)
Interest and investment income	(349)	(107)
Income from council tax and non-domestic rates	(13,648)	(11,843)
Government grants and contributions	(23,938)	(26,210)
Total Income	(45,474)	(45,508)
(Surplus) or Deficit on the Provision of Services	(1,341)	622

- 2017/18 Restated to gross up some elements of Income and expenditure and disclose the Publica Contract separately

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20. PROPERTY, PLANT AND EQUIPMENT

2017/18						2018/19					
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											
6,373	3,055	630	166	681	10,905	7,161	2,713	649	162	1,834	12,519
-	187	32	(4)	-	215	-	54	38	-	-	92
901	-	-	-	743	1,644	73	-	-	-	(5)	68
(113)	-	-	-	(165)	(278)	(80)	-	-	-	(145)	(225)
-	(529)	(13)	-	-	(542)	-	(963)	-	(12)	-	(975)
-	-	-	-	575	575	-	-	-	-	-	-
7,161	2,713	649	162	1,834	12,519	7,154	1,804	687	150	1,684	11,479
At 31st March											
Accumulated Depreciation and Impairment											
(53)	(1,677)	(249)	-	-	(1,979)	(138)	(1,741)	(267)	-	-	(2,146)
(117)	(576)	(20)	-	-	(713)	(120)	(359)	(19)	-	-	(498)
32	-	-	-	-	32	134	-	-	-	-	134
-	-	-	-	-	-	12	-	-	-	-	12
-	512	2	-	-	514	-	938	-	-	-	938
(138)	(1,741)	(267)	-	-	(2,146)	(112)	(1,162)	(286)	-	-	(1,560)
7,023	972	382	162	1,834	10,373	7,042	642	401	150	1,684	9,919
Net Book Value at 31st March											

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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 1 and 10 years, depending on the estimated useful life of the asset
- Infrastructure – 20 - 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 2019 were carried out externally by Carter Jonas. 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	Total Property Assets £000
Historic Cost	-	1,805	686	150	-	2,641
Current Cost in:						
2016/17	2,108	-	-	-	-	2,108
2017/18	2,829	-	-	-	-	2,829
2018/19	2,217	-	-	-	1,684	3,901
Total	7,154	1,805	686	150	1,684	11,479

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

	Number of assets held at 31 March	
	2019	2018
Other Land and Buildings:		
Off Street Car Parks	18	18
Lorry Parks	1	1
Office Buildings	1	1
Public Conveniences	13	13
Cemetery Buildings	2	2
Swimming Pools	1	1
Vehicles, Plant and Equipment	26	30
Surplus Assets	14	17

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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 2018/19.

Fair Value Measurement of surplus Assets

The fair values of surplus assets valued at 31st March 2019 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 as Level 2 in the fair value hierarchy.

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.

	2018/19 £000	2017/18 £000
Opening Capital Financing Requirement	46	223
<i>Capital Investment:</i>		
Property Plant and Equipment	92	215
Investment Properties	2,186	-
Intangible Assets	67	112
Revenue Expenditure Funded from Capital under Statute	1,085	751
Sources of finance:		
Capital Receipts	(2,165)	(16)
Government grants and other contributions	(1,056)	(741)
<i>Sums set aside from revenue:</i>		
Direct revenue contributions	(209)	(321)
Minimum Revenue Provision	(46)	(177)
Closing Capital Financing Requirement	-	46
<i>Explanation of movements in year:</i>		
Increase in underlying need to borrow (unsupported by government financial assistance)	-	-
Assets acquired under finance leases	(46)	(177)
Increase/(decrease) in Capital Financing Requirement	(46)	(177)

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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:

	2018/19 £000	2017/18 £000
Rental income from investment property	285	195
Direct operating expenses arising from investment property	(51)	(59)
Net gain/(loss)	234	136

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.

	2018/19 £000	2017/18 £000
Balance at start of year	2,469	2,887
Additions:		
Purchases	1,568	-
Construction – Work in Progress	618	-
Net gains/losses from fair value adjustments	101	157
Transfers:		
to Surplus	-	(575)
Balance at year-end	4,756	2,469

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.

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23. ASSETS HELD UNDER LEASES

Council as Lessee

Finance Leases

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

	2018/19 £000	2017/18 £000
Vehicles Plant and Equipment	-	46
	-	46

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:

	2018/19 £000	2017/18 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current – payments due within 1 year	-	46
Non-current – payments due after 1 year	-	-
Finance costs payable in future years	-	1
Minimum lease payments	-	47

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000
Not later than 1 year	-	47	-	46
Later than 1 year and not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
	-	47	-	46

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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:

	2018/19 £000	2017/18 £000
Property, Plant & Equipment		
Not later than 1 year	27	9
Later than 1 year and not later than 5 years	29	1
Later than 5 years	36	-
	92	10

The expenditure charged to all service lines in the Comprehensive Income and Expenditure Statement during the year in relation to the Property, Plant & Equipment leases was £20,511 (2017/18 £13,788).

Council as Lessor

Finance Leases

The Council has leased a number of vehicles to Ubico Limited.

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.

	2018/19 £000	2017/18 £000
Finance lease debtor (net present value of minimum lease payments):		
Current – payments due within 1 year	8	10
Non-current – payments due after 1 year	33	18
Unearned finance income	4	2
Gross investment in the lease	45	30

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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	
	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000
Not later than 1 year	10	10	8	10
Later than 1 year and not later than 5 years	23	13	21	12
Later than 5 years	12	7	12	6
	45	30	41	28

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:

	2018/19 £000	2017/18 £000
Not later than 1 year	207	187
Later than 1 year and not later than 5 years	709	614
Later than 5 years	667	740
	1,583	1,541

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.

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24. INTANGIBLE ASSETS

	2018/19 £000	2017/18 £000
Balance at start of year:		
Gross carrying amounts	820	900
Accumulated amortisation	(690)	(734)
Net carrying amount at start of year	130	166
Additions:		
Purchases	67	112
Amortisation for the period	(130)	(148)
Net carrying amount at end of year	67	130
Comprising:		
Gross carrying amounts	747	820
Accumulated amortisation	(680)	(690)
	67	130

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25. FINANCIAL INSTRUMENTS

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

	Long Term		Current	
	2018/19 £000	2017/18 Restated* £000	2018/19 £000	2017/18 Restated* £000
Investments				
Financial assets at amortised cost (note 1 below)	2,000	4,000	5,019	4,017
Fair value through P&L – pooled Funds (note 2)	5,759	2,824	61	3,046
Total Investments	7,759	6,824	5,080	7,063
Cash & cash equivalents				
Loans and Receivables	-	-	269	1,022
Financial assets at amortised cost	-	-	-	-
Fair value through P&L (note 3)	-	-	2,091	3,135
Total cash & cash equivalents	-	-	2,360	4,157
Debtors				
Loans and Receivables	2,162	1,012	490	1,383
Financial assets at amortised cost	-	-	-	-
Total included in debtors (note 4)	2,162	1,012	490	1,383
Total Financial Assets	9,921	7,836	7,930	12,603
Financial Liabilities at amortised cost				
Finance Leases	-	-	-	46
Borrowings	-	-	1,002	2,001
Creditors (note 5)	-	-	2,084	2,214
Total Financial Liabilities	-	-	3,086	4,261

* Restated to show the Investments in the IFRS9 categories applying from 2018/19 – see Note 2 to the accounts on page 37.

- (1) These comprise deposits with banks and other local authorities and (from 2018/19) bank certificates of deposit.
- (2) These comprise units in the CCLA pooled property fund purchased during 2017/18 and units in the Schroders Income Maximising Fund and CCLA Diversified Income Fund, the carrying (fair) value of which has been assessed using Level 1 inputs in the fair value hierarchy (quoted prices for identical units) at 31st March 2019.
- (3) These comprise money market funds that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.
- (4) Further details of current debtors are given in note 27, page 67. The figures shown above exclude payments in advance and non-exchange transactions, such as taxes and grants due, which are not classified as financial instruments.
- (5) Further details of current creditors are given in note 29, page 68. The figures shown above exclude receipts in advance, which are not classified as financial instruments.

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Income, Expense, gains and losses

	2018/19				2017/18			
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available-for-sale £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available-for-sale £'000	Total £'000
Interest expense	12	-	-	12	2	-	-	2
Fee expense	-	-	-	-	-	-	-	-
Total expenses in Surplus or Deficit on the Provision of Services	12	-	-	12	2	-	-	2
Interest Income	-	-80	-278	-358	-	-96	-62	-158
Total income in Surplus or Deficit on the Provision of Services	-	-80	-278	-358	-	-96	-62	-158
(Net gain)/loss for the year	12	-80	-278	-346	2	-96	-62	-156

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.

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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 2018/19 was approved by Council on 22nd February 2018 and is available on the Council's website.

The Council used the creditworthiness services Arlingclose Limited during 2018/19. The maximum investment that could be made with an approved UK counterparty was £5 million, and with an approved non-UK counterparty £2 million in 2018/19. 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 counter-parties.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £12.839m 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 default applies to all of the Council's investments but there was no evidence at 31st March 2019 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 31st March 2019), 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 and adjusted to reflect current market conditions.

	Amount at 31 March 2019 £000 (a)	Historical experience of default % (b)	Adjustment for market conditions at 31 March 2019 % (c)	Estimated maximum exposure to Default £000 (a*c)
Deposits with banks and financial institutions				
AAA rated counterparties	-	-	-	-
A rated counterparties	1,000	1.63	1.22	12
Local Authorities	6,019	1.99	1.22	71
Unrated pooled Funds	5,820	-	-	-
	12,839			83

The historical experience of default has been taken from average one year default rates published by the three main rating agencies at March 2019, relating to 2018 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.

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The Council does not generally allow credit for its trade debtors as payment is due immediately. This means that all of the £466,119 trade debtor balance is technically past its due date for payment. The past due amount can be analysed by age as follows:

	2018/19 £000	2017/18 £000
Less than 3 months	452	371
3 to 6 months	7	6
6 months to 1 Year	2	-
Over 1 year	6	-
	466	377

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 long term borrowings and all trade and other payables are due to be paid in less than one year.

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 Statement.
- 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 during 2018/19, with all other variables held constant, the financial effect would be:

	£
Increase in interest receivable on variable rate investments	79,692
Impact on Surplus or Deficit on the Provision of Services	79,692

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.

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26. INVENTORIES

	2018/19 £000	2017/18 £000
Waste wheeled bins	39	57
Other Inventories	7	13
Total Inventories	46	70

27. DEBTORS

LONG TERM DEBTORS	31 March 2018 £000	During 2018/19		31 March 2019 £000
		Additions £000	Repayments/ Adjustments £000	
Mortgages	2	-	(1)	1
Recycling Vehicles	982	1,540	(403)	2,119
Finance Lease - principal outstanding	28	14	-	42
	1,012	1,554	(404)	2,162

SHORT TERM DEBTORS

	2018/19 £000	2017/18 £000
Debtors falling due within one year:		
Central Government bodies	1,130	1,158
Other Local Authorities	594	764
NHS bodies	38	20
Other entities and individuals	2,849	3,921
Prepayments	590	379
Total Debtors and Prepayments	5,201	6,242
Less Provision for Bad and Doubtful Debts:		
Other entities and individuals	(1,063)	(1,149)
Collection Fund	(202)	(176)
Total Provision for Bad and Doubtful Debts	(1,265)	(1,325)
Net Debtors and Prepayments	3,936	4,917

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28. CASH AND CASH EQUIVALENTS

	2018/19 £000	2017/18 Restated* £000
Short term Deposits	120	441
Money Market Funds	2,091	3,135
Bank Current Accounts	149	581
Total cash and cash equivalents	2,360	4,157

*Restated to show money market funds separate from deposits

29. SHORT TERM CREDITORS

	2018/19 £000	2017/18 £000
Creditors falling due within one year:		
Central Government bodies	128	1,148
Local Authorities	1,060	780
NHS Bodies	-	25
Other entities and individuals	2,776	3,009
Untaken Leave Accruals	2	3
Total Creditors and Receipts in advance	3,966	4,965

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
Business rates retention – Appeals	216	149	(19)	-	346
Total 2018/19	217	154	(19)	-	347
Total 2017/18	283	175	(240)	(1)	217

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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.

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 recorded by the Valuation Office at 31st March 2019 relating to appeals raised against charges up to 31st 2017 and, for 2017/18 and 2018/19 charges, on an estimated reduction on the rating list based on historical experience, together with other known likely reductions. It has been classified as short term to reflect the estimated time until settlement.

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 2019/20.

Municipal Mutual Insurance Limited

The Council's former insurers Municipal Mutual Insurance Limited 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.

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At 31st March 2019 this potential total liability equated to £82,104 made up as follows:

	2018/19 £
Gross claim payments to date	159,472
15% levy paid 2013/14	(16,421)
10% levy paid 2016/17	(10,947)
Net Payments	132,104
Levy retention	(50,000)
Potential liability 31st March 2019	82,104

This position has not changed since 2016/17 but is kept under review annually to ensure that a solvent run-off of the company's business is still anticipated. 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 17. Movements in the *earmarked* reserves shown on the statement are detailed below:

	Balance at 1 April 2017 £000	Transfers out 2017/18 £000	Transfers in 2017/18 £000	Balance at 31 March 2018 £000	Transfers out 2018/19 £000	Transfers in 2018/19 £000	Balance at 31 March 2019 £000
Earmarked Reserves							
Capital Reserve	917	(483)	80	514	(88)	80	506
Equalisation Reserves	815	(114)	529	1,230	(12)	295	1,513
Repairs & Renewals Reserve	906	(512)	276	670	(319)	326	677
Reserves for Commitments	91	(84)	-	7	(7)	4	4
Other earmarked reserves	4,873	(1,144)	421	4,150	(1,369)	1,996	4,777
Total	7,602	(2,337)	1,306	6,571	(1,795)	2,701	7,477

Purpose of reserves

Capital Reserves – 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.

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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 2019 £000	31st March 2018 £000	Purpose of Reserve
Revaluation Reserve	3,717	3,551	Store of gains on revaluation of non-current assets not yet realised through sales
Financial Instruments Revaluation Reserve	(175)	(175)	Store of gains and losses arising from changes in the fair value of Available-for-Sale financial assets not yet realised through sales
Pooled Investment Funds Adjustment Account	(66)	-	Store of gains and losses arising from changes in the fair value of pooled investment funds since 1 st April 2018
Capital Adjustment Account	11,025	9,374	Store of capital resources set aside to meet past expenditure
Collection Fund Adjustment Account	12	20	Balancing account to allow for differences in statutory requirements and proper accounting practices for council tax surpluses/deficits
Pensions Reserve	(36,943)	(33,434)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet. The net liability arising from defined benefit obligation is £35,067k, as shown in note 35. The difference between the liability and the reserve balance of £36,943k at 31 st March 2019 relates to the prepayment of pension contributions made in 2017/18, in respect of the financial year 2018/19. See note 35, page 75.
Deferred Capital Receipts Reserve	42	30	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	(2)	(3)	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	(22,390)	(20,637)	

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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 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date were consolidated into the Capital Adjustment Account.

	2018/19 £000	2017/18 £000
Balance at 1st April	3,551	1,905
Upward revaluation of assets	383	1,828
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(181)	(151)
Difference between fair value depreciation and historical cost depreciation written off to Capital Adjustment Account	(36)	(31)
Balance at 31st March	3,717	3,551

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains gains arising from increases in the value of investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost, or when the investments are disposed of and the gains realised.

	2018/19 £000	2017/18 £000
Balance at 1st April	(175)	-
Downwards revaluation of investments	-	(175)
Upwards revaluation of investments	-	-
Balance at 31st March	(175)	(175)

Pooled Investment Funds Adjustment Account

This reserve contains gains and losses on pooled funds arising from changes in their fair value from 1st April 2018. Such changes are initially charged to the surplus or deficit in the provision of services but reversed out to this reserve by a statutory override in the Movement in Reserves Statement.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The account is debited with the cost of acquisition,

STATEMENT OF ACCOUNTS 2018/19

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 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 5 provides details of the source of all the transactions posted to the account apart from those involving the Revaluation Reserve.

	2018/19 £000	2017/18 £000
Balance at 1st April	9,374	9,848
Reversal of items relating to capital expenditure debited or credited to CIES:		
Charges for depreciation and impairment of non-current Assets	(498)	(712)
Revaluation losses on Property Plant & Equipment	(213)	(278)
Amortisation of Intangible Assets	(130)	(148)
Revenue expenditure funded from capital under statute	(1,085)	(751)
Amounts of Non-current Assets written off on disposal or sale as part of the gain/loss on disposal to CIES	(37)	(28)
Adjusting amounts written out of the Revaluation Reserve	36	31
Net written out amount of the cost of Non-current Assets consumed in year	(1,927)	(1,886)
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	2,165	16
Capital grants and contributions credited to CIES that have been applied to capital financing	992	613
Application of grants to capital financing from the Capital Grants Unapplied Account	64	128
Statutory provision for the financing of capital investment charged against the General Fund	46	177
Capital expenditure charges against the General Fund	209	321
Movements in the market value of Investment Properties debited or credited to CIES	101	157
Other - Rounding Adjustment	1	-
Financing and movement in the market value of Investment properties in year	3,578	1,412
Balance at 31st March	11,025	9,374

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.

	2018/19 £000	2017/18 £000
Balance at 1st April	20	(52)
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	(8)	72
Balance at 31st March	12	20

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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 on page 75.

	2018/19 £000	2017/18 £000
Balance at 1st April	(33,434)	(35,971)
Remeasurement of the net defined benefit liability	(3,163)	2,513
Reversal of items relating to retirement benefits charged or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,185)	(2,345)
Employers' pension contributions and direct payments to pensioners payable in the year	2,510	2,369
Effect of business combinations and disposals	(671)	-
Balance at 31st March	(36,943)	(33,434)

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.

	2018/19 £000	2017/18 £000
Balance at 1st April	30	77
Transfer of deferred sale proceeds credited as part of the loss/profit on disposal to the CIES	25	17
Transfer to the Capital Receipts Reserve upon receipt of cash	(13)	(64)
Balance at 31st March	42	30

STATEMENT OF ACCOUNTS 2018/19

Accumulated Absences Account

This account absorbs the differences that would otherwise arise on the General Fund balance from accruing for leave earned but not taken. Statutory arrangements require that the impact on the general Fund Balance is neutralised by transfers to or from the account.

	2018/19 £000	2017/18 £000
Balance at 1st April	(2)	(58)
Settlement or cancellation of accrual made at the end of the preceding year	5	58
Amounts accrued at the end of the current year	(5)	(3)
Balance at 31st March	(2)	(3)

The majority of staff transferred to Publica Group (support) Limited at 1st November 2017. The accumulated absence liability in respect of these staff was transferred to Publica Group, the cost of which is included in the Comprehensive Income & Expenditure Statement for 2017/18. The balance at 31st March 2018 and 31st March 2019 represents the position for the staff remaining with the Council on these dates.

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.

Forest of Dean District Council is a member of the Gloucestershire County Council Pension Fund, for which Gloucestershire County Council is the administering authority. It is contracted out of the State Second Pension. The scheme is a defined benefit statutory scheme that is administered in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). This means that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets.

The principal 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 20.

Publica Group (Support) Limited

During 2017/18 the Council transferred the majority of its staff under TUPE legislation to Publica Group (Support) Limited, a wholly owned local authority company, limited by guarantee, operating with Mutual Trading Status to deliver services on behalf of the Council. The pension fund disclosure notes on the following pages include the staff transferred to Publica. All staff are pooled as the Council continues to underwrite the pension liabilities on the whole scheme.

2018/19 and 2019/20 Up-Front Payment of Pension Scheme Deficit Contributions

In 2017/18 the Council made an up-front payment of the LGPS deficit contributions for the two years 2018/19 and 2019/20 totalling £3.642 million. The up-front payment took advantage of the independent actuary's calculation of the return these contributions could achieve once invested by the Pension Fund.

The discount calculated by the actuary for making the up-front payment rather than the normal method of monthly payments in arrears over the two year period was £0.199 million, reducing total payments from £3.841 million to £3.642 million.

The return was judged to be far greater than could have been achieved by investing the amounts as part of the Council's treasury management strategy, so the decision represented good value for money for the Council.

The actual payment made in 2017/18 was £3.642 million, and the actuary calculated the Equivalent Discounted annual Lump Sums Certified across the 2 years as follows:

- £1.766 million relating to 2018/19, and
- £1.876 million relating to 2019/20

The Pension Liability at 31st March 2018 was reduced by the £3.642 million payment, and the full amount was reflected in the actuarial valuation as at 31st March 2018. The £1.776m relating to 2018/19 has been charged to the General Fund in the 2018/19 Statement of Accounts and the £1.876m will be charged in 2019/20, with the amounts credited to the Pension Reserve and charged to the General Fund via the Movement In Reserves Statement.

Transactions relating to post-employment benefits

The Council recognises 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 required to be made 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:

STATEMENT OF ACCOUNTS 2018/19

	2018/19 £000	2017/18 £000
Comprehensive Income and Expenditure Statement (CIES):		
Services Cost comprising:		
Current service cost	(1,395)	(1,443)
Past service costs/gain	-	(59)
Financing and Investment Income and Expenditure:		
Net interest expense	(790)	(843)
Total post-employment benefit charged to Surplus or Deficit on Provision of Services	(2,185)	(2,345)
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)	1,784	1,023
Changes in financial assumptions	(4,857)	1,468
Other experience	(90)	22
Total post-employment benefit charged to CIES	(5,348)	168
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	2,185	2,345
Actual amount charged against General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	2,510	2,369

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:

	2018/19 £000	2017/18 £000
Present value of the defined benefit obligation	(96,496)	(87,623)
Fair value of plan assets	61,429	57,831
Net liability arising from defined benefit obligation	(35,067)	(29,792)

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Reconciliation of present value of the scheme liabilities (defined benefit obligations)

	Funded Liabilities Local Government Pension Scheme	
	2018/19 £000	2017/18 £000
Opening balance at 1st April	(87,623)	(87,953)
Current service cost	(1,395)	(1,443)
Interest cost	(2,291)	(2,185)
Contributions by scheme participants	(223)	(227)
Re-measurement gain/(loss):		
Arising from changes in financial assumptions	(4,857)	1,468
Other experience	(90)	22
Past service costs	-	(59)
Effect of business combinations and disposals	(2,950)	-
Benefits paid	2,795	2,624
Unfunded benefits paid	138	130
Closing Balance at 31st March	(96,496)	(87,623)
31st March 2019 – Present value of Funded liabilities	(93,918)	(85,108)
31st March 2019 – Present value of Unfunded liabilities	(2,578)	(2,515)
Closing balance 31st March	(96,496)	(87,623)

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

	Funded Assets Local Government Pension Scheme	
	2018/19 £000	2017/18 £000
Opening fair value of scheme assets	57,831	51,982
Interest income	1,501	1,342
Re-measurement gain/(loss):		
Return on plan assets (excluding the amount included in the net interest expense)	1,784	1,023
Contribution by employees into the scheme	223	227
Contribution by employer	606	5,881
Contributions by employer in respect of unfunded benefits	138	130
Unfunded benefits paid	(138)	(130)
Benefits paid	(2,795)	(2,624)
Effect of business combinations and disposals	2,279	-
Closing fair value of scheme assets as at 31st March	61,429	57,831

STATEMENT OF ACCOUNTS 2018/19

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 triennial valuation of the scheme as at 1st April 2016. The significant assumptions made in their calculations have been:

	Local Government Pension Scheme	
	2018/19 £	2017/18 £
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	22.4 years	22.4 years
Women	24.6 years	24.6 years
Longevity at 65 for future pensioners*		
Men	24.0 years	24.0 years
Women	26.4 years	26.4 years
Rate of inflation/pension increase (CPI)	2.5%	2.4%
Rate of increase in salaries	2.8%	2.7%
Rate for discounting scheme liabilities	2.4%	2.6%

* Future pensioners numbers assume members aged 45 at the time of the last formal valuation date.

STATEMENT OF ACCOUNTS 2018/19

Local Government Pension scheme assets at 31st March comprised:

Asset Category	Fair Value of Scheme Assets 2018/19			Fair Value of Scheme Assets 2017/18		
	Quoted prices in active markets	Quoted prices not in active markets	Total	Quoted prices in active markets	Quoted prices not in active markets	Total
	£000	£000	£000	£000	£000	£000
Equity Securities:						
Consumer	-	-	-	2,805.3	-	2,805.3
Manufacturing	-	-	-	1,503.9	-	1,503.9
Energy & Utilities	-	-	-	1,100.3	-	1,100.3
Financial institutions	-	-	-	2,324.1	-	2,324.1
Health & Care	-	-	-	929.8	-	929.8
Information Technology	-	-	-	143.6	-	143.6
Other	-	-	-	1,753.0	-	1,753.0
Debt Securities:						
Corporate Bonds - investment grade	6,275.5	-	6,275.5	2,713.1	-	2,713.1
Corporate Bonds - non investment grade	261.5	-	261.5	208.6	-	208.6
UK Government	1,933.8	-	1,933.8	4,188.8	-	4,188.8
Other	-	-	-	635.8	-	635.8
Private equity:						
All	-	135.6	135.6	-	147.0	147.0
Real Estate:						
UK Property	3,895.5	1,307.3	5,202.8	2,818.1	904.0	3,722.1
Overseas property	-	379.6	379.6	-	313.8	313.8
Investment Funds and Unit Trusts:						
Equities	3,704.7	34,513.6	38,218.3	2,296.8	26,106.8	28,403.6
Bonds	4,909.8	-	4,909.8	3,497.0	324.5	3,821.5
Other	-	2,989.8	2,989.8	-	2,236.9	2,236.9
Derivatives:						
Foreign Exchange	(14.5)	-	(14.5)	32.5	-	32.5
Other	6.2	-	6.2	12.0	-	12.0
Cash & Cash equivalents:						
All	1,130.6	-	1,130.6	835.3	-	835.3
Totals	22,103.1	39,325.9	61,429.0	27,798.0	30,033.0	57,831.0

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

	2018/19 %	2017/18 %
Equity investments	71	80
Bonds	18	12
Property	9	7
Cash	2	1
Total	100	100

STATEMENT OF ACCOUNTS 2018/19

Commutation

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

Impact of McCloud judgement

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

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

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 2019, 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 st March 2019	Approximate % increase to Employer	Approximate cost to Employer £000
0.5% decrease in Real Discount Rate	9%	8,788
0.5% increase in the Salary Increase Rate	1%	1,174
0.5% increase in the Pension Increase Rate	8%	7,474

The above figures have been derived based on the membership profile of the scheme as at the most recent actuarial valuation, being 31st March 2016.

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 most recent triennial valuation having taken place on 31st March 2019. The Council is anticipated to pay employers contributions of approximately £606k for the period 1st April 2019 to 31st March 2020. The weighted average duration of the defined benefit obligation for scheme members is 16.2 years as at 31st March 2019 (16.2 years as at 31st March 2018).

STATEMENT OF ACCOUNTS 2018/19

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:

	2018/19 £000	2017/18 £000
Interest received	(359)	(159)
Interest paid	13	13

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

	2018/19 £'000	2017/18 £'000
Depreciation	(498)	(712)
Impairment and downward valuations	(213)	(278)
Amortisation	(130)	(148)
Movement in bad debt provision	86	(84)
Increase (-) / decrease in creditors*	4,086	(56)
Increase / decrease (-) in debtors	88	1,494
Increase / decrease (-) in inventories	(23)	20
Movement in pension liability	(2,112)	3,666
Carrying amount of non-current assets sold or derecognised	(37)	(28)
Other non cash items charged to the net surplus or deficit on the provision of services	(94)	223
	1,153	4,097

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

	2018/19 £000	2017/18 £000
Proceeds from the sale of PPE, investment property and intangible assets	501	1,012

STATEMENT OF ACCOUNTS 2018/19

37. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2018/19 £000	2017/18 £000
Purchase of property, plant and equipment, investment property and intangible assets	2,102	377
Purchase of Investments	6,000	15,000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(489)	(1,009)
Proceeds from the sale of short and long term investments	(7,000)	(19,000)
Other receipts from investing activities	-	(28)
Net cash (inflows) / outflows from investing activities	613	(4,660)

38. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2018/19 £000	2017/18 £000
Cash payments for the reduction in finance lease liabilities	46	177
Other receipts for financing activities*	(240)	601
Cash receipts of short and long term borrowing	1,000	(2,000)
Net cash flows from financing activities	806	(1,222)

STATEMENT OF ACCOUNTS 2018/19

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.

2017/18 £000		Note	2018/19 £000
	INCOME		
47,056	Council Tax	1	49,738
12,212	Non-Domestic Rates	3	12,552
753	Transitional protection payments - non domestic rates		578
287	Contribution towards previous year's deficit - non-domestic rates		137
60,308	Total Income		63,005
	EXPENDITURE		
46,063	Precepts & Demands from major preceptors and the Authority - Council Tax	2	48,779
	Non-Domestic Rates	3	
6,261	Shares paid to county council and the billing authority		6,383
6,261	Payment of central share to government		6,383
119	Charge payable to General Fund for Costs of Collection		119
147	Other transfers to General Fund per the NDR regulations		110
	Impairment of debts/appeals for Council Tax		
73	Increase in provision		67
	Impairment of debts/appeals for non-domestic rates		
454	Increase in provision		255
1,249	Contribution towards previous year's surplus - Council Tax		760
60,627	Total Expenditure		62,856
(319)	Surplus / (Deficit) for the Year		149
702	Balance of fund at 1st April		383
383	Balance of fund at 31st March	4	532

STATEMENT OF ACCOUNTS 2018/19

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 (98.5%) 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 2018/19 was as follows:

Band	Number of chargeable dwellings	Proportion to Band D	Band D equivalent	Tax base
A disabled	8.25	5/9	4.58	4.54
A	3,876.15	6/9	2,584.10	2,558.26
B	7,467.02	7/9	5,807.68	5,749.60
C	7,040.99	8/9	6,258.65	6,196.07
D	5,050.87	1	5,050.87	5,000.36
E	3,789.76	11/9	4,631.93	4,585.61
F	1,852.54	13/9	2,675.89	2,649.13
G	912.91	15/9	1,521.51	1,506.30
H	66.22	2	132.44	131.12
Armed Forces Class O contribution in lieu of council tax			170.34	170.34
Council Tax base at 31st March 2019			28,838.00	28,551.32
Council tax collectable (excl Parish Precepts)				£46,610,888
Parish Precepts collectable				£2,165,335
Total tax collectable				£48,776,223
Band D tax for 2018/19 (excl Parish Precepts)				£1,632.53

STATEMENT OF ACCOUNTS 2018/19

2. PRECEPTS AND DEMANDS

Significant precepts on the fund for 2018/19 were as follows:

	Precept £000	Surplus £000	Total £000
Gloucestershire County Council	35,181	548	35,729
Gloucestershire Police & Crime Commissioner	6,467	100	6,567
Forest of Dean District Council and Parishes	7,128	112	7,240
Special Precepts	3	-	3
	48,779	760	49,539

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.

In 2018/19 the authority benefited from a Pool distribution of £799,845 (£386,802 in 2017/18) less a correcting adjustment of £33,209 relating to the 2016/17 pool. These figures increased significantly as a consequence of the authority's participation in a 100% pilot scheme.

The total non-domestic rateable value at 31st March 2019 was £40.10 million (£39.90 million at 31st March 2018) and the national non-domestic multipliers for 2018/19 were 49.3p (47.9p in 2017/18) (standard rate) and 48.0p (46.6p in 2017/18) (small business rate), resulting in gross income of £12.55 million in 2018/19 (£12.21 million in 2017/18).

STATEMENT OF ACCOUNTS 2018/19

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 1 st April 2018	118	585	107	-	810
Increase in the Year	25	84	23	-	132
Balance at 31st March 2019	143	669	130	-	942

Business rates

	FODDC share £000	County Council share £000	Police share £000	Central Government share £000	Total £000
Balance at 1 st April 2018	(171)	(43)	-	(213)	(427)
Increase in the Year	(5)	(46)	-	68	17
Balance at 31st March 2019	(176)	(89)	-	(145)	(410)

Fund Balance at 31st March 2019	(33)	580	130	(145)	532
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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.

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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.

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 2015 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 known 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.

DRAFT ANNUAL GOVERNANCE STATEMENT 2018/19

1. SCOPE OF RESPONSIBILITY

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

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

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

In addition to this, CIPFA issued its “Statement on the Role of the Chief Finance Officer in Local Government (2015)”. The Annual Governance Statement (AGS) reflects compliance with this statement for reporting purposes.

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 including activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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

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

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

3. THE GOVERNANCE ENVIRONMENT

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

- Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users;
- Reviewing the Council's vision and its implications for the Council's governance arrangements;
- Measuring the quality of services for users, ensuring that they are delivered in accordance with the Council's objectives and ensuring that they represent the best use of resources;
- Defining and documenting the roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication;
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;
- Reviewing and updating Financial Rules, Contract Rules, Constitution, Scheme of Delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
- Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained;
- Ensuring the Council's financial management arrangements conform with the governance requirements of the *CIPFA* Statement on the Role of the Chief Financial Officer in Local Government (2015);
- Undertaking the core functions of an Audit Committee, as identified in *CIPFA's* Audit Committees: Practical Guidance for Local Authorities;
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- Whistleblowing and for receiving and investigating complaints;
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by the appropriate training;
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation; and
- Incorporating good governance arrangements in respect of partnerships, including shared services and other joint working and reflecting these in the Council's overall governance arrangements.

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The main areas of the Council's governance framework, and the key evidence of delivery, are set out below, under the headings of the core principles and sub-principles from the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)

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

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

- The roles and responsibilities of Members generally and all office holders are set out in the Council's Constitution, along with the way in which the various elements of the Council interact and complement each other. The Constitution is supported and underpinned by a separate Code of Conduct for Members and a joint Member / Officer Protocol, which sets out guidelines as to behaviour and practical issues. This is further supported by Publica's¹ Business Conduct rules which set out guidelines for staff on behaviour issues.
- Declarations are made at meetings by Members and Officers, where appropriate, and are recorded in the minutes of the meeting. The Members Code of Conduct requires Members to make declarations of interest when necessary, these are also recorded.
- Registers of interest are completed annually by Members and published on the Council's website. A register of gifts and hospitality received by Members is maintained by the Monitoring Officer
- An employee declaration is completed annually by all staff. A register of gifts and hospitality is maintained by Human Resources.
- The Monitoring Officer and Section 151 Officer report directly to the Head of Paid Service and are members of the Corporate Leadership Team.
- Internal audit reviews are designed to ensure services are complying with internal and external policies and procedures / statutory legislation. Where non-compliance is identified, this is reported to Management and to Members via the Council's Audit Committee.
- Whistleblowing policies have been updated and have been ratified by Cabinet. A Gloucestershire wide counter-fraud unit helps prevent and detect fraud and corrupt practices, including misuse of power. The service reports to Audit Committee and the Publica Board twice a year.

B. Ensuring openness and comprehensive stakeholder engagement

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

- Annual accounts are published in a timely manner to help communicate the Council's financial position and performance.
- An Annual Report is published each year, which summarises financial and other performance over the previous financial year and sets out the Corporate Plan for the current year.
- All Committee, Cabinet and Council reports clearly outline their purpose, so the community can understand what is trying to be achieved. Reports also address financial, legal, equalities, risk

¹ Publica is a local authority owned company, jointly owned by Cheltenham Borough Council and Cotswold, Forest of Dean and West Oxfordshire District Councils. Over 95% of staff formally employed by Forest of Dean District Council are now employed by Publica who deliver services on its behalf.

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and sustainability implications to aid understanding of the potential impact of their recommendations.

- The roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions are defined in the Council's Constitution
- A Scheme of Delegation for officers is included within the Constitution
- Communication channels with staff include one-to-one meetings, a weekly update email (keeping you connected), and an online portal.
- A Customer Feedback form is available publicly for handling comments, complaints and compliments.
- 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, Overview and Scrutiny Committee meetings and meetings of the Full Council.
- A report is produced quarterly regarding the performance of the Council and the achievement of its aims and objectives. The report is presented to the Cabinet and published on the Council's website.
- The Council publishes transparency data on its website which includes, supplier payments, senior management structure charts and the Annual Pay Policy Statement. Where data is not available in the published data sets, instructions are available on how to make a Freedom of Information request and the procedure that will be followed to answer the request.

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

- Defining outcomes
- Sustainable economic, social and environmental benefits

- The Council's corporate priorities, expressed as community outcomes and objectives, set out what the Council hopes to achieve; on its own or in partnership with others. These priorities are supported by the Code of Corporate Governance as good governance should underpin all the work of the Council.
- An annual service planning process is conducted by Group Managers, which is informed by the corporate priorities, legislation and government guidance.
- The corporate priorities deal with the Council's approach to environment and sustainability issues. Detailed proposals arising from the corporate priorities are individually assessed and are included within decision making reports.
- The financial implications of delivering against the Council's priorities are included within the Council's Medium Term Financial Strategy, revenue budgets and capital programme. These key financial documents are updated annually in advance of the forthcoming financial year.

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

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

- The Council has, with three other councils, created a company, Publica Group Support Ltd, to deliver more efficient and improved services. Processes have / are being aligned to ensure consistency across the partner councils.

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- In addition to the creation of Publica, the Council continues to secure savings through improved use of its assets and investments
- The Council has processes in place to identify and respond to external changes, for example: changes to legislation and regulation, emerging risks and opportunities. Corporate processes such as risk management, development and delivery of service plans, performance management processes, budget monitoring and other management processes are designed to capture and incorporate these external factors and to enable the Council to respond appropriately.
- Strategic risk register is discussed by Corporate Leadership Team and reported quarterly to the Audit Committee.
- Projects and services retain their own risk registers and elevate any high/red risks to Corporate Leadership Team for consideration.
- KPIs are identified and included in the service delivery plans for each service, these are reported quarterly.
- Budgets are prepared annually in accordance with objectives, strategies and the Medium Term Financial Strategy, following consultation with customers, stakeholders and officers.
- The Medium Term Financial Strategy is a live document and can be reviewed, updated and reported as necessary, to respond to the changing environment.

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

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

- One of the reasons behind the creation of Publica is to increase capacity across the four partner councils by sharing common processes and procedures and eliminating (as far as possible) single points of failure. By working in partnership, the Councils are able to share the cost of commissioning bespoke, specialist advice.
- The move to provision of services via wholly owned companies is providing the opportunity to engage with a number of Non-Executive Directors that bring a wealth of experience from a range of different economic sectors
- There is a Scheme of Delegation at Member level covering the Council, Cabinet, individual Cabinet Members and other committees. Similarly, there is a scheme of delegation for officer decisions at Executive, Non-Executive and Regulatory meetings. These are reviewed and revised as structures change.
- Financial rules are in place and are reviewed and revised as required.
- An induction programme is available to new employees and Members alike. Training is also provided for both Members and Officers on an on-going basis as appropriate and necessary. Members on certain committees (e.g. Planning and Licensing) are required to undertake training before serving on these committees and there is a continuing obligation on members of the Planning Committee to attend at least 50% of the planning training provided every year.

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

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

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

- Corporate Leadership Team reviews the Strategic Risk Register on a quarterly basis. The Strategic Risk Register is reported to the Audit Committee and Cabinet on a regular basis.
- Risks are identified when undertaking Internal Audit reviews and reported when necessary.
- Performance Management measures the quality of service for users to ensure services are delivered in accordance with the Council's objectives and represent best use of resources.
- Performance is measured on a regular basis and reported to Members and Cabinet.
- Minutes of meetings are published and highlight the challenge made by Members to Officers/Cabinet Members.
- The Internal Audit service is provided by SWAP Internal Audit Services and is run in partnership with other local authorities.
- A risk-based Audit Plan is drafted annually following consultation with Officers, Members and the S151 Officer. The Audit Plan is approved at Audit Committee prior to the financial year.
- Audit reports, once completed are discussed with the service manager. Executive summaries, including findings, and progress on the Annual Plan are reported to Audit Committee, on a quarterly basis.
- Recommendations made in audit reports are followed up 6 months after the completion of the audit and priority 1 and 2 findings are reported to Audit Committee.
- The Audit Committee's Terms of Reference are contained within the Constitution, Members have experience of a scrutiny role and training is provided when appropriate.
- A County wide Counter Fraud Unit supports all the Gloucestershire Local Authorities, West Oxfordshire District Council and other third parties. Where investigations identify possible improvements to the internal control framework. The Counter Fraud Unit will liaise with the Internal Audit team to ensure the improvements are followed up and implemented by Management.
- An ICT Audit and Compliance Manager has been appointed as the Council's Data Protection Officer and therefore has responsibility for Data Protection policies and ensuring that officers are informed and appropriately trained.
- The Council is part of the Gloucestershire Information Sharing Partnership. This will enable data to be shared when necessary.
- Audit reviews ensure data is held securely whether electronically or hard-copy.
- The MTFS is reviewed and updated on a regular basis to ensure the Section 151 Officer, Head of Paid Service and Members are aware of the financial standing of the Council.

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- The authority's services are delivered mainly by Publica Group (Support) Ltd. Biffa provide waste and recycling services. Ubico deliver environmental services including street cleansing and grounds maintenance; Freedom Leisure provide leisure services on behalf of the Council. Contracts and agreements are in place with each of these organisations which include performance management and reporting arrangements. Contractual requirements and performance measures are monitored.
- All new employees take part in an induction programme and ongoing staff development needs are identified through the appraisal process and 1:1s. Appraisals are undertaken annually and a new Learning Management System will be introduced over the next year.

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

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

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

4. REVIEW OF EFFECTIVENESS

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

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

Group Managers and Statutory Officers are required to complete an Annual Assurance Statement at the end of the financial year. These governance declarations provide appropriate management assurance that key elements of the system of internal control are in place and are working effectively and help to identify areas for improvement.

Corporate Leadership Team (including the Section 151 Officer and the Monitoring Officer) reviews the Strategic Risk Register on a quarterly basis and Service/Project Risk Registers are maintained by each Manager/Head of Service.

The SWAP Assistant Director (Head of Internal Audit) provides the Audit Committee, as the Committee charged with governance, with an Annual Opinion on the control environment of the Council, which includes its governance arrangements.

Investigation of, and decisions on, allegations of failure to comply with Members Code of Conduct are considered and determined by the Monitoring Officer and/or an Independent Standards Panel.

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Induction processes are carried out for newly elected members.

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

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

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

Quarterly performance reports, including the Strategic Risk Register and budget position, are presented to the appropriate Member panel, demonstrating performance management against agreed service plans, performance indicators and budgets.

The Audit Committee reviews the Annual Governance Statement.

The Audit Committee reviews 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 approves the annual budget and reviews and approves the Treasury Management Strategy, following recommendations from the Audit Committee.

Internal Audit monitors the quality and effectiveness of systems of internal control. Audit reports include an opinion that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports including recommendations for improvement are detailed in an action plan agreed with the relevant service manager/Group Manager.

The Annual Internal Audit Opinion for 2018/19, in respect of the areas reviewed during the year, was reasonable.

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

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

5. REVIEW OF GOVERNANCE ACTION PLAN FOR 2018/19

When preparing its 2017/18 statement the Council identified a number of areas which required focus and attention. These have been actively monitored throughout the year and progress is detailed in the table below:

	Key Area of Focus	Proposed Actions	Progress
1.	Publica	During 2018/19 the Council needs to ensure that the governance arrangements relating to Publica are fully embedded. This includes implementing new Service	Member Liaison Group (MLG) has been established to facilitate councillor oversight. In addition to the performance reporting to Cabinet, the MLG

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		Delivery Plans which will enable improved performance reporting using a new set of Key Performance Indicators and new arrangements for engagement between Publica and Council Members.	receives performance reports relating to Publica and the Publica Board receives an enhanced performance report on a quarterly basis.
2.	General Data Protection Regulation (GDPR)	The Data Protection Regulatory framework is due to change in May 2018. The Council needs to take action to ensure it is compliant with the new requirements. A detailed action plan will be compiled and actively monitored	An Action Plan has been produced by the Data Protection Officer (DPO). The Plan is actively monitored by the Publica Board, with progress reports to Cabinet. The DPO is also overseeing the Council's services compliance with the new Legislation.
3.	Food Safety	Follow-up audit review planned to ensure risks to the Council have been mitigated by completing the recommendations made in the 2017/18 audit review.	SWAP follow up report agreed by all s.151 Officers and Publica Executive Board – published 6 November 2018 identified that of the 8 actions agreed, 4 are complete with the 4 remaining requiring further monitoring. All actions will be complete by 31 August 2019
4.	Private Water Supplies	Internal Audit will re-visit the service in 2018/19 to ensure that the service has drafted procedures in accordance with legislation and that processes have been implemented and embedded to ensure risks to the Council are mitigated.	This was reported in the Annual Opinion Report presented to the July 2018 Audit Committee and an update of the current position was presented to Publica Exec Board in October 2018 – which was deemed satisfactory. It has been agreed that SWAP will commence with the audit in Feb/March 2019
5.	Licensing	Internal Audit will conduct a follow-up audit review to ensure risks to the Council have been mitigated by the completion of the recommendations made in the 2017/18 audit review.	SWAP follow up report agreed by all s.151 Officers and Publica Executive Board – published 6 November 2018 - identified that of the 11 actions agreed, 6 are complete with the 5 remaining requiring further monitoring. All actions will be complete by 31 March 2019.
6.	Disabled Facilities Grants	Internal Audit will re-visit the service in 2018/19 to ensure that the service has drafted procedures	A review of Disabled Facilities Grants at Forest of Dean District Council was undertaken in

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		<p>in accordance with legislation and that processes have been implemented and comply with procedures so as to minimise risks to the Council.</p>	<p>accordance with the agreed 2017/18 Audit Plan. The objective for this review was to provide assurance that the new processes surrounding Disabled Facility Grant processing were being correctly implemented, and that new Policies were in place to support the update to the procedures.</p> <p>SWAP had originally commenced this review in May/June 2017, but as the new procedures were to be introduced in August 2017 it was postponed until March 2018.</p> <p>The findings to date suggest that controls are not as robust as expected. The DFG process changed in August 2017, but there is no approved policy (or procedure documentation) to reflect the changes, which the new Service Manager is aware of. Up to date policies will be presented to Cabinet in April 2019.</p>
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6. GOVERNANCE ACTION PLAN FOR 2019/20

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

No.	Key Area of Focus	Planned Actions
1	Improve the monitoring of performance and risk of strategic partnerships	<ul style="list-style-type: none"> • Compile a list of strategic partnership and existing reporting lines • Nominate a lead commissioner from the Corporate Leadership Team for key strategic partnerships • Request an audit from SWAP to assist in identifying specific areas of focus
2	Peer review actions	<ul style="list-style-type: none"> • See Peer Review Action Plan at Annex A
3.	New Corporate plan	<ul style="list-style-type: none"> • Gather all relevant evidence e.g. demographic data, health, economic and community safety profiles • Hold workshops with new Cabinet to look at current issues • Develop new Corporate Plan for adoption by Full Council in October 2019
4.	Transitional Governance	<ul style="list-style-type: none"> • Plan and deliver induction programme for the new Council • Update Constitution to reflect new Committee sizes and

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		<p>processes</p> <ul style="list-style-type: none">• Actively monitor performance of new arrangements to identify any further improvements• Invite the Independent Remuneration Panel to review members expenses in September 2019, to report to Full Council in October 2019
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7. APPROVAL OF LEADER AND HEAD OF PAID SERVICE

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

Signed on behalf of Forest of Dean District Council:

Tim Gwilliam
Leader of the Council

Peter Williams
Head of Paid Service

Date:

Date:

Independent auditor's report to the members of Forest of Dean District Council

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

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

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

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We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 14, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

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

Responsibilities of the Authority

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

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

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

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

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

Report on other legal and regulatory requirements - Certificate

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

Use of our report

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

Grant Thornton UK LLP

Barrie Morris, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

26 September 2019