

**COTSWOLD DISTRICT COUNCIL**

**STATEMENT OF ACCOUNTS  
2005/2006**

**INCLUDING AUDIT CERTIFICATE**

## CONTENTS

	Page(s)
Explanatory Foreword	1-8
Statement of Accounting Policies	9-18
Statement of Responsibilities for the Statement of Accounts	19
Statement on Internal Control	20-29
Auditors Report	30-32
The Accounting Statements	
❑ Consolidated Revenue Account	33
❑ Notes to the Consolidated Revenue Account	34-43
❑ Collection Fund	44
❑ Notes to the Collection Fund	45-47
❑ Consolidated Balance Sheet	48
❑ Notes to the Consolidated Balance Sheet	49-67
❑ Statement of Total Movement in Reserves	68
❑ Notes to Statement of Total Movement in Reserves	69-72
❑ Cash Flow Statement	73
❑ Notes to the Cash Flow Statement	74-75

# EXPLANATORY FOREWORD

## 1. The Accounts

This section summarises the Council's accounts for the year ended 31<sup>st</sup> March 2006 which consist of:

### a) Consolidated Revenue Account

This account summarises revenue expenditure and income for all of the Council's services. Included in the Consolidated Revenue Account is the movement on earmarked reserves. The overall balance on the Consolidated Revenue Account appears in the Balance Sheet along with the year-end balance on earmarked reserves.

### b) Collection Fund

This is a statutory fund separate from the main accounts of the Council, which shows the various transactions relating to council tax and business rates.

The account illustrates the amount of Council Tax collected and how the Council Tax has been distributed to preceptors (Gloucestershire County Council, Gloucestershire Police Authority, Town and Parish Councils) and to this Council.

Business rates are collected and paid over to central government (the National Pool). Central government pays an allocation from the National Pool, based on an amount per head of population, as Non Domestic Rate Grant to the Council. This receipt is shown on the Council's Consolidated Revenue Account and does not form part of the Collection Fund.

The balances on the Collection Fund appear in the Consolidated Balance Sheet.

### c) Consolidated Balance Sheet

This sets out the financial position of the Council as at 31st March 2006.

### d) Statement of Total Movement in Reserves

This statement shows the Total Movement in Reserves (from the Balance Sheet) in more detail.

### e) Cash Flow Statement

This statement shows the inflows and outflows of cash arising from transactions in the year with third parties for revenue and capital purposes. This is opposed to the Consolidated Revenue Account, which uses the accruals method of accounting and separates revenue from capital.

### f) Statement on Internal Control

The systems of internal control are designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. The Statement on Internal Control reports the outcome of the annual review of the effectiveness of the Council's systems of internal control.

The accounts and accompanying notes set out the revenue and capital expenditure of the Council during the year 1 April 2005 to 31 March 2006 and provide a balance sheet as at 31<sup>st</sup> March 2006.

## 2. Service Expenditure

	2005/2006 Budget £000	2005/2006 Outturn £000	Difference Between Budget & Actual £	Notes
<b>STATEMENT OF NET EXPENDITURE</b>				
Cultural, Environmental and Planning Services	9,893,160	9,364,098	(529,062)	Note 1
Highways, Roads and Transport Services	(1,012,275)	(948,951)	63,324	
Housing Services	2,144,264	1,974,726	(169,538)	Note 2
Corporate and Democratic Core	1,737,050	1,673,330	(63,720)	
Non Distributed Costs	514,815	118,590	(396,225)	Note 3
Central Services to the Public	376,276	459,862	83,586	
<b>NET COST OF SERVICES</b>	<b>13,653,290</b>	<b>12,641,655</b>	<b>(1,011,635)</b>	
(Surpluses)/deficits on Trading Undertakings that are not included in the net cost of services	(19,285)	(56,961)	(37,676)	
Asset Management Revenue Account	(529,375)	(800,334)	(270,959)	Note 4
Contribution to Housing Pooled Capital Receipts	0	25,158	25,158	
Interest on Pension Scheme Liabilities less Expected Return on Employer Assets	0	700,000	700,000	Note 5
Interest and Investment Income	(1,574,420)	(1,607,694)	(33,274)	
<b>NET OPERATING EXPENDITURE</b>	<b>11,530,210</b>	<b>10,901,824</b>	<b>(628,386)</b>	
Transfers to/(from) other Ear Marked Reserves / Funds	(277,556)	(36,465)	241,091	Note 6
Capital Expenditure Financed from Revenue	0	362,185	362,185	Note 7
Contribution from the pension reserve	(440,000)	(462,000)	(22,000)	
Deferred Charges Written Off	(1,254,000)	(1,383,644)	(129,644)	Note 8
Commutation and Depreciation Adjustment	(394,210)	(288,526)	105,684	Note 9
Transfer from Usable Capital Receipts equal to the contribution to Housing Pooled Capital Receipts.	0	(25,158)	(25,158)	
<b>AMOUNTS TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXATION</b>	<b>9,164,444</b>	<b>9,068,216</b>	<b>(96,228)</b>	
Council Tax Payers - CDC	(4,576,000)	(4,576,000)	0	
Transfer from Collection Fund - Previous Year's Surplus	(36,537)	(36,537)	0	
Revenue Support Grants	(2,191,561)	(2,191,643)	(82)	
Contribution from National Non Domestic Rates	(2,360,346)	(2,360,346)	0	
<b>NET GENERAL FUND (SURPLUS)/DEFICIT</b>	<b>0</b>	<b>(96,310)</b>	<b>(96,310)</b>	

The reasons for major variances are detailed in the table below:

Note:	Reason:
1	This variance is largely due to:  The budgeted provision for pension costs was higher than required under FRS17. This entry is later reversed out of the accounts and does not impact upon the net General Fund Surplus or deficit; and  General operating savings across the Cultural, Environmental and Planning Services.
2	This variance is largely due to housing benefit subsidy, particularly the fraud and error element, received being higher than anticipated.

Note:	Reason:
3	The budgeted provision for pension costs was higher than required under FRS17. The entry is later reversed out of the accounts and does not impact upon the net General Fund surplus or deficit.
4	A review of depreciation on fixed assets increased the notional interest charged on operational assets. This entry reverses out additional costs contained within the net cost of services.
5	This is an adjustment for pension costs, which the Council is obliged to disclose under FRS17. The entry is later reversed out of the accounts and does not impact upon the net General Fund surplus or deficit.
6	The Council planned to utilise £277,556 of revenue reserves to help fund 2005/06 spending. During the year, however, the Council received LABGI grant of £317,144, which, like most other authorities, the Council had not budgeted for, given the unpredictability of the sum. Councillors decided to appropriate this grant to earmarked reserves, effectively negating the planned transfer from reserves.
7	This line shows capital assets or capital projects funded from revenue budgets or earmarked reserves. Revenue budgets funded £60,630 of capital assets. The remaining £301,555 represents earmarked reserves contributions to capital projects such as the Cotswold Leisure Centre, the Cotswold Heritage Centre and the replacement recycling vehicle.
8	This variance is largely due to increased demand for Disabled Facilities Grants and granting 3 new Starter Home Initiative (SHI) loans. The SHI loans are funded by repayments from earlier SHI loans and therefore do not affect the Council's General Fund surplus or deficit.
9	<p>There are two significant reasons for this variance:</p> <ul style="list-style-type: none"> <li>a) The Council updated its accounting policy on depreciation so that fixed assets are depreciated from the year following acquisition, this increased depreciation charges for 2005/06.</li> <li>b) A review of depreciation charges carried out during 2005/06 identified errors in depreciation charged during 2003/04 and 2004/05. These errors have been corrected in 2005/06 resulting in a reduced depreciation charge.</li> </ul> <p>The net effect of these adjustments was lower than anticipated depreciation charges within the net cost of services and a correspondingly lower credit within the appropriations section of the Consolidated Revenue Account.</p>

Some of the Council's transactions occur directly within the Council's earmarked reserves. The revenue budget for 2005/06 did not include planned income and expenditure from the Council's earmarked reserves. This makes direct comparison between the Council's revenue budget and Consolidated Revenue Account difficult. However, with effect from 2006/07 the Council has included earmarked reserves planned income and expenditure within its revenue budget.

The most significant influences on the Council's revenue income and expenditure are as follows:

Description	Amount in 2004/05	Amount in 2005/06
<b>Expenditure:</b>		
Employee Costs	£8,225,381	£8,522,673
Housing Benefit Payments	£12,334,193	£13,038,950
Council Tax Benefit Payments	£3,321,177	£3,602,989
Waste Collection/Recycling Contract	£2,239,701	£3,059,912
<b>Income:</b>		
Government Grants:		
Housing Benefits Subsidy	£12,202,172	£12,907,006
Council Tax Benefits Subsidy	£3,359,358	£3,626,974
Revenue Support Grant	£2,215,057	£2,191,643
Non Domestic Rates Allocation	£2,183,758	£2,360,346
Council Tax	£4,402,448	£4,612,537

The waste collection/recycling contract expenditure has increased due to the introduction of the fortnightly garden waste collection service during 2005/06.

### 3. Local Authority Business Growth Incentive Grant

During 2005/06, the Council was awarded a Local Authority Business Growth Incentive (LAGBI) grant of £317,144 from Central Government. This grant reflected growth in business rateable values within the District for the year to 31 December 2005.

There are many factors that influence the level of business rateable values within the District. Some factors, such as general economic conditions, business relocations etc. are difficult for the Council to predict.

The Council considered the financial impact of the new LAGBI grant and, due to the unpredictability of the level of grant available, decided to take a prudent approach to its budgeting process. Therefore, LAGBI grant income was not included within the Council's financial plans for 2005/06.

Members welcomed the award of the grant and decided to utilise £46K of the grant to reduce the level of Council Tax increase necessary for 2006/07. The remaining LAGBI grant has been allocated to the Council Priorities earmarked reserve where it is available to support projects which meet the Council's stated priorities.

#### 4. Results for the Year

The net General Fund working balance increased in the year by £96,310, (2004/05 increased by £278,881).

Earmarked reserves reduced by £36,464 (2004/05 reduced by £1,053,274). During the year, the Council undertook a review of its earmarked reserves. The purpose of the review was to reduce the number of small value reserves held by identifying obsolete reserves, amalgamating reserves where possible and grouping reserves held for the same purpose together. Balances held on some obsolete reserves were transferred to a new Council Priorities Fund for use by the Council to fund projects that assist the Councils priority areas. As part of this review, Cabinet approved a transfer of £96,228 from the General Reserve into General Fund Working Balances.

The Council also agreed to change the format of reporting on earmarked reserves in the financial statements. Each reserve is now contained within one of seven categories. The categories are reported below together with the movement in the balance between 1 April 2005 and 31 March 2006.

Reserve Category	Purpose	Movement	£
Third Party Funds	Funds held for third parties that the Council cannot utilise for its own activities, e.g. funds held on behalf of the Cotswold Water Park Joint Committee.	Increase	27,000
Council Third Party Funds	Funds from third parties that the Council may utilise at its discretion, e.g. Crime Prevention Initiative, Homelessness Fund, Community Safety.	Increase	111,875
Forward Management Funds	Funds for use in financial planning – e.g. use of reserves to support revenue or capital expenditure.	Reduction	432,638
Smoothing Funds	Funds accumulated over several years to pay for specific, regularly occurring events e.g. elections fund, local plan fund.	Reduction	147,648
Planning Delivery Grant Revenue Funds	The Council's Planning Delivery Grant is allocated to fund a number of projects each year.	Increase	103,940
Service Specific Funds	These are funds established to help finance specific services. Examples of funds in this category include: Museum Purchases Fund, Recycling Vehicle Fund, Planning Appeals and Enforcement. These funds may be established for one off purposes (such as the funding a replacement recycling vehicle) or for ongoing use such as purchasing museum exhibition pieces.	Reduction	179,992
Council Priorities Fund	The Council Priorities Fund has been established for allocation to projects that help the Council to respond to needs in its priority areas.	Increase	577,227
General Reserve	Balance transferred to General Fund Working balance.	Reduction	96,228

Further details can be found on pages 59 to 62 of this statement.

## **5. Capital Expenditure**

In 2005/06 the Council spent £8,121,540 on capital projects (£7,598,043) in 2004/05.

86% of capital expenditure was financed from capital resources (73% in 2004/05) and the balance from revenue, capital grants and other sources.

## **6. Pensions Liability**

During the year, one employee retired prematurely on efficiency grounds. The contribution of £2,838 to the Gloucestershire County Council Pension Fund in respect of this early retirement has been included within the Consolidated Revenue Account.

## **7. Material Assets Acquired or Liabilities Incurred**

During 2005/06 the Council made significant progress on construction of the replacement Cotswold Leisure Centre. The centre opened on 4 April 2006, the remaining external project work will be completed during the current financial year. The project was originally budgeted to cost approximately £7M, however, due to certain changes made to the design of the centre, the net budget has increased to £8M. Actual gross costs to 31 March 2006 are £8.5M. The old leisure centre was sold during the year and generated a capital receipt of £0.6M, thus reducing the current net cost to £7.9M.

The gym equipment within the new leisure centre has been acquired through a finance lease. The equipment has been included on the balance sheet at £212,789 and a corresponding deferred liability is shown for the financing element of the future leasing payments.

## **8. Pension Fund**

The estimated pension fund deficit has increased from £20.1M to £22.8M. Asset returns for the whole pension fund were higher than anticipated at the last FRS17 review. However, the discount rate applied by the actuary for valuing the fund liabilities reduced which had the effect of increasing the fund liabilities hence the increase in the deficit on the fund.

On the advice of the actuary, at the last triennial review, the Council has made a significant provision within its Medium Term Financial Plan to increase contributions to the pension fund, with the objective of eliminating the deficit over a 20 year recovery period. The Council's contribution rate during 2005/06 has been in line with this recovery plan.

## **9. Material Charges or Credits to the Accounts**

The Council received £317,144 from Central Government in the form of Local Authority Business Growth Incentive grant. This grant has been appropriated to the Council's earmarked reserves for use on projects which support the Council's Priorities.

## 10. Significant Changes to Accounting Policies

The accounting policies adopted by the Council are set out on pages 9 to 18. These are reviewed on an annual basis and have been amended as indicated. In particular notes 3 and 4 give details of significant changes to accounting policies or estimation techniques.

## 11. Major Influences on Cash Flow

The key influences on cash flow in 2005/06, besides those already mentioned elsewhere, have been:

- Construction of new Cotswold Leisure Centre
- Affordable Social Housing – including Improvement Grants and Resale Covenant Properties
- Land and property disposals

## 12. Debt Free Status

The Council transferred its housing stock to a housing association on 28<sup>th</sup> February 1997 in a large scale voluntary transfer. Part of the proceeds raised from the transfer were used to redeem the Council's long term borrowing and consequently the Council is now a debt free authority. Its current plans, endorsed within the Medium Term Financial Plan, are to remain debt free.

## 13. Capital Financing Availability

Capital receipts amounting to £18,697,472 are available as at 31<sup>st</sup> March 2006 to fund capital expenditure and commitments (£19,759,451 in 2004/05). The Medium Term Financial Plan for the next five years shows a capital spend programme that is projected to be funded from current and new capital receipts. The plan includes an active programme of disposal of surplus assets.

## 14. Reserves

The reserves and provisions are set out in the Balance Sheet on page 48 of the Statement of Accounts and are detailed on pages 59 to 62.

During the year, the Council carried out a review of its reserves and agreed a new reporting methodology. All reserves now belong to one of seven reporting categories.

The material reserves, together with its category, are summarised as follows:

Reserve	New Reserve Category	Balance as at 31 March 2005 £	Balance as at 31 March 2006 £
Medium Term Financial Plan Revenue Support Fund	Forward Management	1,783,117	1,359,397
Accumulated Interest Fund	Forward Management	876,147	993,572
The General Fund Working Balance	General Fund Working Balance	452,818	549,128

<b>Reserve</b>	<b>New Reserve Category</b>	<b>Balance as at 31 March 2005 £</b>	<b>Balance as at 31 March 2006 £</b>
Planning Delivery Grant Fund	Planning Delivery Grant	230,519	334,459
Building Maintenance Fund	Smoothing Fund	242,990	190,782
Investing to Save Fund (Balance to Council Priorities Fund)	Council Priorities Fund	145,890	0
Local Plan Fund	Smoothing Fund	131,543	40,471
Interest Received in Advance (Balance to Accumulated Interest Fund)	Forward Management	117,180	0
Ring Fenced Benefit Reserve	Forward Management	89,640	246,300
Planning Appeals and Enforcement	Service	64,797	103,678
Council Priorities Fund	Council Priorities	0	577,227

## 15. Outlook

At the end of 2005/06, the Council's finances are still under some pressure, but it continues to make progress in delivering its Medium Term Financial Plan.

Revenue pressures are being addressed by looking for saving from procurement, use of information technology, business transformation and reductions in non-priority services. Over time, some services will also cease and income streams will have to rise to balance the budget in the medium term.

The Medium Term Financial Plan includes a programme of surplus asset disposal to facilitate future capital investment and ensure adequate interest generation to allow a phased withdrawal of reliance on interest in the revenue account.

As mentioned in point 8 above, the Council has acknowledged the deficit on the pension fund and continues its commitment to increase funding to the pension scheme over the next four years.

## 16. Further Information

Further information about the accounts is available from the Financial Services Team, Trinity Road Offices, Cirencester, GL7 1PX.

R.P.Austin,BA.,CPFA.,  
Chief Finance Officer  
Date:

# STATEMENT OF ACCOUNTING POLICIES

## 1. Accounting Standards

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2005 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). They conform to the Accounts and Audit Regulations 2003, Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS) as far as they are applicable to local authorities. Any substantial departures from the SSAPs and FRSs are disclosed. The accounts also conform to the Best Value Accounting Code of Practice (BVACOP) 2005. BVACOP originally came into effect from 1st April 2000 and is updated annually.

## 2. Accounting Concepts

The following accounting concepts are adopted to ensure that the accounts “present fairly”:

### a) Relevance

The Statement of Accounts provides information about the financial performance and position of the authority that is useful for assessing the stewardship of public funds and for making economic decisions.

### b) Reliability

The Statement of Accounts is intended to represent faithfully the financial position and transactions of the Council. This is achieved by complying, in all material respects, with proper local authority accounting practices.

Where there is uncertainty these accounts have been prudently prepared, that is, that a degree of caution has been applied in exercising judgement and making any necessary estimates.

This statement has been prepared to reflect the reality or substance of the transactions and other events that have taken place.

### c) Comparability

Consistent policies are applied both within the accounts for the year and between years. Discretionary changes in accounting policy will only be made on the grounds that the new policy is preferable to the one replaced because it will give a fairer presentation of the transactions and the financial position of the Council.

The impact of changes to accounting policies will, where material, be highlighted.

### d) Understandability

The accounts require a reasonable knowledge of accounting and local government if they are to be properly understood. However, all reasonable efforts have been made to make the accounts as easy to understand as possible.

With effect from the 2005/06 financial year, the Council will produce a Summary Statement of Accounts for circulation to all Cotswold District Council residents and other stakeholders. The Summary Statement of Accounts will be more concise and simpler to understand than the full Statement of Accounts.

**e) Materiality**

Strict compliance with CIPFA's Statement of Recommended Practice is not necessary where the amounts involved are not material to the fair presentation of the financial position of the Council and to the understanding of the Statement of Accounts by a reader. Materiality will depend upon the size and nature of the item in question.

**f) Accruals**

These financial statements, other than cash flow information, are prepared on an accruals basis. This means that income and expenditure is matched to the services provided during the accounting period.

**g) Going Concern**

The accounts are prepared on the assumption that the Authority will continue in operational existence for the foreseeable future. This means that income and expenditure accounts and balance sheet assumes no intention to curtail significantly the scale of operation.

**h) Primacy of Legislative Requirements**

Local authorities derive their powers from statute and the accounting and financial framework is closely controlled by primary and secondary legislation. It is a fundamental principle of local authority accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements will apply.

**3. Changes to Accounting Policies (Updated)**

The Code of Practice on Local Authority Accounting in the United Kingdom 2005 (the SORP) requires that service revenue accounts should be charged with a capital charge for all fixed assets used in the provision of the service. It states that 'Such charges should be the annual provision for depreciation, where appropriate, plus a capital financing charge determined by applying a specified notional rate of interest to the net amount at which the asset is included in the balance sheet'.

For assets carried at current value the rate of interest to be applied in determining capital charges is 3.5%. For assets carried at historical cost the rate applied is 4.95%. In previous years the rate of notional interest applied to assets carried at historic cost has been the same as the rate applied to assets carried at current value. This change brings the Statement of Accounts into line with the SORP. For 2004/05 capital charges included within the Net Cost of Services section of the Consolidated Revenue Account were undercharged by £9,977. The credit from the Asset Management Revenue Account was understated by the same amount. The net impact on the General Fund Surplus was £0.

The Council has amended accounting policy 15 Leasing to comply with the SORP. The Council entered into its first finance lease during 2005/06 therefore there has been no impact on previous years accounts.

The Council has updated accounting policy 20 Cotswold Area of Outstanding Natural Beauty (AONB) / Cotswold Conservation Board to reflect the fact that the Cotswold Conservation Board accounts are now reported separately from the Council's financial statements. In the 2004/05 financial statements the net balance due to the Cotswold Conservation Board of £28,925 was declared within the year-end creditors. For 2005/06 any debtor or creditor

balances will reflect work carried out by the Council on behalf of the Cotswold Conservation Board.

Accounting policy 5 Tangible Fixed Assets has been updated to reflect the change introduced in 2004/05 with regard to capitalisation of staff salaries. This change was introduced to enable the Council to comply with the earlier closedown deadlines imposed by the Accounts and Audit Regulations 2003.

Accounting policy 12 Stocks and Stores has been updated to reflect the change introduced in 2004/05 with regard to earlier valuation of stock to ensure compliance with the earlier closedown deadlines introduced in the Accounts and Audit Regulations 2003.

Accounting policy 18 Reserves and Provisions has been updated to reflect the Council's new Reserves and Provisions Policy, which was adopted by Cabinet on 16 March 2006. There was no impact on the 2004/05 reserves balances. For 2005/06, Cabinet approved a change to the reporting of earmarked reserves; reserves are now classified into seven groups for improved monitoring purposes. 2004/05 comparator figures have also been updated to enable meaningful comparison between years.

#### **4. Changes to Estimation Techniques (Updated)**

There are no changes to estimation techniques.

#### **5. Tangible Fixed Assets (Updated)**

All expenditure on the acquisition or enhancement of tangible fixed assets is capitalised on an accruals basis. Tangible fixed assets provide a benefit to the authority for a period greater than one year. The Council operates a de minimis level on capital expenditure of £100.

Land and property assets are included in the balance sheet at current value, equipment is included at historic cost.

Assets under construction are valued at historic cost until the asset is brought into commission when they are valued according to the revaluation policy.

A proportion of staff time spent on managing construction projects is capitalised and charged to the specific project. The Accounts and Audit Regulations 2003 brought forward the deadline for preparation and approval of the financial statements to 30 June 2006 for the 2005/06 statements. In preparation for this change the Council changed the method of capitalising staff salaries to use a calendar year period. Salaries are capitalised on the basis of actual time spent from 1 January 2005 to 31 December 2005. This change was first introduced in the 2004/05 statements.

#### **6. Revaluation Policy**

The Council has a policy to complete a revaluation review on all properties at a minimum of every 5 years or more frequently if there is reason to believe there has been a material change. In broad terms the land holdings were revalued as at 31st March 2003 and the property holdings were revalued as at 31st March 2004. The basis for the valuation is as follows:

Operational Assets	Lower of: Net current replacement cost Or Net realisable value in existing use
Non Operational Assets	Lower of: Net current replacement cost Or Net realisable value
Community Assets	Historic Cost

Revaluations carried out in previous financial years have been made using the above basis. The valuation basis used for assets revalued in 2005/06 is declared in note B1 of the Balance Sheet on page 47. The Council is not aware of any material changes in the value of other fixed assets therefore valuations have not been updated.

John Doody, Chartered Surveyor, carried out the 5 yearly revaluation of housing enabling land and property assets in December 2003. The value of these assets was £7,563,300. King Sturge International Property Consultants carried out the 5 yearly revaluation of operational assets as at 31 March 2004. The value of these assets was £14,400,000. John Doody, Chartered Surveyor, carried out a valuation of Resale covenant properties in November 2003. The value of these assets was £2,259,900.

## 7. Capital Charges for Fixed Assets (Updated)

The Code of Practice on Local Authority Accounting in the United Kingdom 2005 (the SORP) requires that service revenue accounts should be charged with a capital charge for all fixed assets used in the provision of the service. It states that 'Such charges should be the annual provision for depreciation, where appropriate, plus a capital financing charge determined by applying a specified notional rate of interest to the net amount at which the asset is included in the balance sheet'.

Depreciation is provided on equipment at 25%, buildings are depreciated at 2.5% (based on an assessment of useful lives of 40 years). Land is not depreciated.

The rates of interest to be used are notional and prescribed by the CIPFA/LASAAC Joint Committee (LASAAC being the Local Authority (Scotland) Accounts Advisory Committee).

For assets carried at current value the rate of interest to be applied in determining capital charges is 3.5%. For assets carried at historical cost the rate applied is 4.95%. In previous years the rate of notional interest applied to assets carried at historic cost has been the same as the rate applied to assets carried at current value. This change brings the Statement of Accounts into line with the SORP. For 2004/05 capital charges were understated by £9,977.

A charge for the use of tangible and intangible fixed assets has been made to the net cost of services in the revenue accounts. This charge has been excluded from net operating expenditure of the Council so that the call on the council taxpayer is not increased.

Investment properties are excluded from capital charges.

## 8. Intangible Assets

Purchased intangible assets (e.g. software licences) are capitalised at cost price. Intangible assets are valued on the balance sheet at historic cost and are not revalued. They are depreciated on a straight line basis over four years.

## **9. Capital Receipts (Updated)**

Capital receipts arise mainly from the proceeds of asset disposals and from the repayment of advances.

Receipts from the sale of capital assets sold for less than £10,000 cannot, under the Local Government Act 2003, be classified as capital receipts but instead are treated as a credit to revenue.

Capital receipts are credited to the Capital Receipts Reserve, which is shown on the Consolidated Balance Sheet.

## **10. Deferred Charges (Updated)**

Deferred charges represent expenditure that has been properly capitalised but which does not result in tangible or intangible assets owned by the Council. Deferred charges are written off in the year that they are incurred. Examples include expenditure in respect of Improvement Grants, Community Project Grants and Land Drainage contributions.

Deferred charges are included within gross expenditure in the Net Cost of Services in the consolidated revenue account. They are then reversed out of the consolidated revenue account in the appropriation section.

## **11. Investments (Updated)**

Short-term investments (invested by the Council's officers) are shown in the Consolidated Balance Sheet at cost. Externally managed funds are shown at the lower of cost or market value.

## **12. Stocks and Stores (Updated)**

Stocks and stores are valued at last known price. This is not strictly in accordance with SSAP 9, which requires stocks and stores to be stated at the lower of cost or net realisable value. Given the quantities of stock involved within the organisation, there has been no value for money reason for implementing complex stock recording systems. Therefore, the information required to value stock at cost price is not readily available but the last known price can be found from the latest invoice. It is considered that the difference between the two valuation methods is not material. The stock is continuously monitored to identify obsolete items.

During 2004/05 the Authority introduced a change to stock valuation to enable the Council to meet its earlier closedown liabilities as set out in the Accounts and Audit Regulations 2003. Stock valuation is now carried out as at 28 February each year instead of 31 March each year. The levels of stock held are of such a value that the earlier valuation will not make a material difference to the statement of accounts.

For the 2005/06 financial year, the stock at the Cotswold Leisure Centre has been valued following closure of the old site on 19 March 2006. The stock was transferred to the new Leisure Centre before its opening on 4 April 2006.

Management of the Bourton-on-the-Water Visitor Information Centre is being transferred to Bourton VIC Ltd with effect from 1 June 2006. Stock at this site has therefore been valued as at 31 March 2006.

### **13. Debtors and Creditors**

The revenue accounts are prepared on an income and expenditure basis. Provision is therefore made for goods and services supplied to or by the Council, but not paid at 31st March 2006. The exception to this relates to goods and services costing less than £1,000 and telephone charges, fuel expenses and similar periodic payments. In both instances, the difference between the actual amounts charged annually to the revenue accounts and the amounts that would have been charged if full accrual had taken place is not material.

### **14. Allocation of Central Administrative Expenses**

Overheads have been dealt with on the basis of the CIPFA statement on Accounting for Overheads. The costs of corporate management and regulating any service to the public have been separately identified. All charges and apportionments have been made to support service costs and all their users, including services to the public, divisions of service, trading undertakings, capital accounts, services provided for other bodies and other support services.

### **15. Leasing (Updated)**

Certain vehicles, plant and machinery are leased from finance companies under operating leases. These items are not owned by the Council and do not appear in the Balance Sheet. The annual rental is charged to individual revenue accounts over the period of the lease.

Good practice accounting controls on local authority capital expenditure requires a distinction between operating leases and finance leases. In the case of the latter, adequate provision is required within capital financing resources as the risks and rewards of ownership of a fixed asset are substantially transferred to the lessee. Assets acquired under finance leases are recognised as assets in the Consolidated Balance Sheet and a liability is recorded for the payments due to the Lessor.

An operating lease is one that is not a finance lease.

### **16. Grants**

All revenue grants are accounted for on an accrual basis and income has been credited to the appropriate revenue account.

Grants of a capital nature are also accounted for on an accrual basis. Capital grants that are in respect of fixed assets that appear in the Consolidated Balance Sheet are written down to the Consolidated Revenue Account in accordance with the Council's depreciation policy.

### **17. Pension Costs (Updated)**

The Council participates in the statutory Local Government Pension Scheme (administered by Gloucestershire County Council) in providing retirement benefits for its staff.

Pensions are accounted for within the Consolidated Revenue Account on a current service cost basis. The cash payment in respect of the employer's pension contribution is replaced with the current service cost. The Consolidated Revenue Account now reflects the annual current service cost. To avoid this increasing the Council Tax requirement the entries are then reversed out so that the overall effect is neutral.

## 18. Reserves and Provisions (Updated)

During this financial year the Council has reviewed its reserves with a view to reducing the number of earmarked reserves held. Cabinet members considered the purposes for each reserve and approved some changes to the reserves. As a result the number of reserves held has been reduced, some fund balances have been amalgamated and others have been reclassified into a new Council Priorities Fund. A new reserves and provisions policy was also approved.

Cabinet approves the establishment of all new earmarked reserves and provisions, defines the purpose of the reserve or provision and may delegate authority to commit expenditure from the reserve or provision. At the time of approval, responsibility for the earmarked reserve or provision is clearly identified. Monthly financial reports are provided to the named responsible officer(s).

The reserves and provisions policy states that at the year end any revenue balances carried forward to the following year for specific purposes are to be allocated to a year end fund. The funds allocated here must be spent in the following year or the residual balance will be credited to the Council Priorities Fund.

The introduction of this new policy is intended to strengthen the Council's system of internal controls. There was no impact on the level of reserves held as at 1 April 2005.

In the revision/monitoring of the Medium Term Financial Plan an assessment of the budget requirement is made and this includes taking into account the overall level of Reserves and Provisions. The Chief Finance Officer is required to formally assess the adequacy of Reserves and Balances.

The only provisions the Council holds are provisions for bad debt. Provisions for bad debt are reviewed annually upon closure of the accounts.

## 19. Financial Reporting Standard Number 17

Financial Reporting Standard Number 17 (FRS 17) has been fully implemented with effect from the 2003/04 accounts. The accounting policy regarding the practical approach in introducing these costs to the accounts is as follows:

**The Current Service Costs have to be allocated to all cost centres.** This allocation is based upon a spreadsheet approach. The pensionable pay for each individual employee has been calculated and the Current Service Costs have been calculated on a pro rata method for each employee based upon pensionable pay. Once calculated per employee the Current Service Costs have been allocated within the Financial Information System based upon the same allocation as that for the employee's salary. To prevent numerous recharges between support accounts, current service costs for support services staff are allocated pro rata to current service costs on employees providing direct services.

The Code of Practice on Local Authority Accounting in the United Kingdom 2005: A Statement of Recommended Practice (the SORP) requires the following statement of accounting policies:

The attributable assets of the Local Government Pension Scheme administered by the Gloucestershire County Council on behalf of the Council (the scheme) are measured at market value as follows:

Type of Asset	Valuation
Quoted securities	Mid-market value
Unquoted securities	An estimate of fair value
Unitised securities	Average of the bid and offer price
Property	Open market value or other basis determined with RICS
Insurance Policies	Matching amount/timings benefit amount of the related obligation
Other Insurance Policies	Method giving best approximation of fair value.

The attributable liabilities of the scheme are measured on an actuarial basis.

- Scheme liabilities are discounted at a rate that reflects the time value of money and the characteristics of the liability
- The surplus/deficit in the scheme is the excess/shortfall of the value of the assets in the scheme over/below the present value of the scheme liabilities
- The current service costs are based on the most recent actuarial valuation at the beginning of the period, with the financial assumptions updated to reflect conditions at that date
- The interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period
- The expected return on assets is based on the long term expectations at the beginning of the period and is expected to be reasonably stable
- Actuarial gains and losses may arise from any new valuation and updating the latest actuarial valuation to reflect conditions at the balance sheet date
- Past service costs are disclosed on a straight line basis over the period in which the increases in benefits vest
- Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions should be measured at the date on which the employer becomes demonstrably committed to the transaction.

## **20. Cotswold Area of Outstanding Natural Beauty (AONB) / Cotswold Conservation Board (Updated)**

The Authority in 2004/05 administered the accounts for the Cotswold AONB. For 2004/05 the Statement of Accounts showed the net overall position of the relationship between the Council and the AONB. The Council included the balanced owed to the AONB as a creditor of £28,925 in the balance sheet as at 31 March 2005.

The AONB became the Cotswold Conservation Board, a separate legal entity, on 14<sup>th</sup> December 2004.

During the 2005/06 financial year Cotswold District Council continued to maintain the accounts for the Cotswold Conservation Board under a Service Level Agreement. The accounting systems for the Cotswold Conservation Board are now entirely separate from the Council's accounting systems.

Group accounts are not required, given the relationship the Council now has with the Board.

## **21. Material Estimates Within the Accounts (Updated)**

Not all final outturn figures are known at the time of the preparation of the Statement of Accounts and the Code of Practice calls for a disclosure on material estimates.

The grants provided by the Department of Works and Pensions (DWP) towards the costs of providing the Housing Benefits Services are not finalised until August / September each year. An estimate is made on the level of grant receivable. A review is carried out of payments made in the year and an estimate is made of the amount of grant receivable based upon information available at that early stage.

The DWP make payments on account throughout the year and it is estimated that £12,709 has been overpaid in 2005/06. The Consolidated Revenue Account and Consolidated Balance Sheet reflect this creditor.

## **22. Partnership / Group Accounts**

There were no companies or other organisations for which partnership or Group Accounts were required.

## **23. Depreciation (Updated)**

Property is depreciated over 40 years (2.5% per annum) based on the current value less the residual value, except Investment Property, which is not depreciated as per SORP requirements.

Land holdings are not depreciated.

Plant and equipment is depreciated over 4 years based upon historical costs i.e. 25% value.

Assets acquired under a finance lease are depreciated over the shorter of the lease term and its useful life.

Depreciation is charged from the financial year following acquisition of the asset.

## **24. Covenants**

Certain properties developed by the Authority for social housing needs are sold with resale covenants attached to the properties. In these cases, the Council retains ownership of 30% of the property. The 30% holding in these properties is included within the Council's operational assets. The assets are not depreciated.

## **25. Operational Assets**

Operational assets are fixed assets held and occupied, used or consumed by the authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority. Operational assets are further classified into land and buildings, equipment and community assets. Community assets are assets that the authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions upon their disposal.

## **26. Non-Operational Assets**

Non-operational assets are fixed assets held by the authority but not used or consumed in the delivery of services or the services or strategic objectives of the authority. Non-operational assets can be further classified into investment properties and assets that are surplus to requirements, pending their sale.

## **27. Valuation of Dual Use Leisure Centres**

The Council operates four leisure centres on school sites. The facilities are shared with the respective schools and are known as dual use sites. Each of the leisure centres: Bourton on the Water, Fairford, Chipping Campden and Tetbury, have been valued on the basis of depreciated replacement cost for the whole building which is then apportioned according to economic benefit to the Council and the Local Education Authority respectively.

## **28. Impairment Review**

The value of assets included in the balance sheet is reviewed at the end of each accounting period and where there is reason to believe that its value has changed materially in the period the valuation is adjusted accordingly.

Where an impairment loss on a fixed asset occurs as the result of physical damage or deterioration in the quality of service provided by the asset recognition of the impairment loss will be shown by a charge to the service revenue account. Other impairments (reflecting a general fall in prices) are recognised by a debit to the fixed asset restatement account.

## **29. Post Balance Sheet Events (Updated)**

Post balance sheet events are events that occur after the balance sheet date of 31 March.

Where a material event occurs after the balance sheet date, which provides evidence of conditions existing at the balance sheet date, the balance sheet is adjusted accordingly.

Other material non-adjusting post balance sheet events are declared in notes to the Balance Sheet.

## **30. Contingent Assets (Updated)**

Contingent assets are economic benefits that will become due to the authority if certain events occur. Contingent Assets are not entered into the accounts but are disclosed as a note to the balance sheet.

## **31. Contingent Liabilities (Updated)**

Contingent liabilities are losses that will become a liability of the authority if certain events occur. Contingent Liabilities are not entered into the accounts but are disclosed as a note to the balance sheet.

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## THE AUTHORITY'S RESPONSIBILITIES

### The Authority is required:

To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer.

To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

To approve the Statement of Accounts

### The Chief Finance Officer's Responsibility:

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

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

Selected suitable accounting policies and then applied them consistently;

Made judgements and estimates that are reasonable and prudent;

Complied with the local authority SORP.

### The Chief Finance Officer has also:

Kept proper accounting records that are up to date;

Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts on pages 1 to 75 presents fairly the financial position of the authority as at 31 March 2006 and its income and expenditure for the year ended 31 March 2006.

Signed

Date:

\_\_\_\_\_

R. P. AUSTIN

CHIEF FINANCE OFFICER

In accordance with regulation 10(3) Accounts and Audit Regulations 2003, the statement of accounts is approved by the Audit Committee 26 September 2006.

Signed:

Date:

Position:

# **Cotswold District Council**

## ***Statement on Internal Control 2005/06***

### **1) SCOPE OF RESPONSIBILITY**

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

In discharging this overall responsibility, Cotswold District Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

In accordance with the requirements of the Accounts and Audit Regulations 2003, this statement sets out how the Council has sought to meet these requirements during 2005/06, and how it intends to make further improvements in 2006/07.

### **2) THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control as detailed in this document has been in place at Cotswold District Council for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts.

### **3) THE INTERNAL CONTROL ENVIRONMENT**

Key elements of the Council's internal control environment are described below:

- The Council approved a Corporate Strategy and Corporate Plan at its meeting on 23<sup>rd</sup> November 2004. The Strategy defined how the Council would operate over the coming 3 years. It established the organisation's role and approach to business, and set out the direction

for the future and how it intended to achieve its aims. The success of the Strategy would be monitored and reported on in quarterly reviews of the Corporate Plan, which is an integral part of the Strategy document in that it sets out what the Council seeks to achieve by March 2007, under the headings of its Improvement Agenda. It also identifies the specific tasks that need to be completed, with target dates, and includes those tasks identified to address specifically the weaknesses in the Council's CPA report. Council performance was reviewed by the Audit Commission as part of their work on direction of travel.

- The Council embarked on a Change Plan and launched the "Simply Better" initiative. This initiative consists of a management and service re-structure, the introduction of a Business Improvement project, the Front of House project, Performance Management improvements and Joint Working & Procurement. During the year the Simply Better Programme Board monitored progress and ensured these projects were managed effectively. The next step in this process is to widen the remit of the Simply Better Programme Board to include all strands of the Council's change plan.
- The Council's decision-making processes are set out in the Constitution and Scheme of Delegation. At the beginning of the 2005/06 Municipal year, the Overview and Scrutiny function was reduced from two committees to one, and an Audit Committee was established. Committee meetings are open to the public except where confidential matters are disclosed, and schedules of meetings, agendas, reports and minutes are available to the public on the Council's web site. A rolling Forward Plan is also available which details key decisions to be made in the coming four-month period and members of the public are able to make representations about any of these matters.
- Democratic Services staff support Members in ensuring the requirements of the Constitution are adhered to. The Solicitor to the Council, in her capacity as the Council's Monitoring Officer, ensures compliance with established policies, procedures, laws and regulations, and Internal Audit further supports this through a risk assessed programme of planned audit work covering financial, non-financial and ICT systems. The Council's External Auditor also comments on the internal control environment through the Annual Audit and Inspection Letter.
- The Council maintains service risk registers which are drawn up in conjunction with service delivery plans. A corporate risk register is also maintained based on four specific corporate objectives. A risk group reviews these quarterly and reports on the adequacy of the process to the Audit Committee, while the level of risk itself is considered by Corporate Team and reported to Cabinet. Where appropriate, service risks are escalated to the corporate register which allows decisions or

actions to be taken at Corporate Team level that individual service managers do not have the authority or resources to implement. Risk management procedures continue to be closely aligned to the performance monitoring function but have been significantly improved during the year as described in Section 4, Review of Effectiveness.

- In order to maintain focus on what is a priority, it is important that regular performance is carried out. Performance information is gathered by the Business Improvement Team to inform Corporate Team and Cabinet Members so that services and initiatives can be managed effectively. Key tasks, national and local performance indicators are included in service delivery plans produced in April / May each year and performance against these are monitored and reported quarterly.
- Regular financial monitoring and reporting mechanisms are in place which facilitates assessment of the Council's actual financial position against that expected under the medium term financial plan and against detailed annual budgets. Financial Rules and Procurement Rules are an essential part of the internal control framework and are available on the Council's intranet ensuring all staff has access to information and advice regarding key controls in financial transactions. Through these processes, and the post of Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972, sound financial management is achieved.

#### **4) REVIEW OF EFFECTIVENESS**

Cotswold District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and other reports.

The effectiveness of the system of internal control is reviewed and assessed internally by Internal Audit and other review processes such as the Council's complaints procedure. Independent views are also sought from other external organisations such as the Audit Commission and the Ombudsman.

The Council has not had any major frauds, project failures or litigation during the year. Of the seven complaints made to the Ombudsman, six were not upheld and one has not yet been determined.

- The Constitution in place during 2005/06 was adopted in May 2004 when revised political arrangements came into force. These arrangements were reviewed for effectiveness in the spring of 2005 and some amendments made, notably, the introduction of an Audit

Committee and responsibilities for Portfolio-holders. Council made further amendments at their meeting of 25<sup>th</sup> April 2006 and the Democratic Services Manager was authorised to make any revisions necessary to the Constitution.

- Internal Audit monitors the effectiveness of internal control through a risk assessed four-year strategic audit plan. This is revised annually to reflect changes in the environment and address emerging risks, resulting in an annual audit plan. The 2005/06 annual plan was approved by Overview and Scrutiny Committee 1 which still had responsibility for overseeing the audit function at the time approval was given. Subsequently, the Audit Committee took over this responsibility.
- Following a review of political management arrangements at the end of 2004/05, the Council decided to re-structure the “scrutiny” function. In line with best practice and Audit Commission guidance, the Council opted to introduce an Audit Committee with specific responsibilities for Internal and External Audit, Risk Management, Corporate Governance and the Annual Statement of Accounts. In monitoring and reviewing the Council’s arrangements for Risk Management and Corporate Governance the Committee is able to assess the strength of the controls in place and build on the assurance given by internal and external audit work to make an informed decision about the validity of the Annual Statement of Accounts.
- Throughout the year, the Audit Committee has received quarterly monitoring reports on progress against the plan, significant findings, customer satisfaction ratings and the contractor’s performance in respect of the outsourced element of the service.
- Reports are issued for each audit carried out which gives an assurance opinion on the systems and processes reviewed, and recommends actions to be taken to rectify control weaknesses. Implementation of agreed recommendations is monitored through routine follow up work. Satisfactory assurance has been given on most audits with exceptions being reported in section 5.
- The Internal Audit function is subject to annual review by the Audit Commission who places reliance on their work.
- Performance continues to be reported to Cabinet on a quarterly basis. Summary Service Performance Reports are on an exception basis and highlight successes and areas of concern. The reports state the percentage of performance indicators showing service performance to be either “on target” or “success” and also highlight progress against the Corporate Plan. Summary financial performance information is also included in this report although more detailed financial information is reported separately.

- Following the loss of the Council's equalities officer, the Council did not have an officer in post to ensure compliance with legislative responsibilities. This was highlighted in the 2004/05 Statement on Internal Control as a significant weakness and has now been addressed. Equalities are a Corporate Team responsibility and the Council's approach is that this is mainstreamed across all it does. A Corporate Equalities Group has been established, chaired by a member of Corporate Team, and the Leader of the Council will nominate a Member Champion. In addition, an officer in the Corporate Planning team has been tasked with monitoring compliance with legislation and managing the Council's approach to equalities. Some progress has been made during the year with the highest priority areas being identified for impact assessments to be carried out. The Council had previously achieved Level 1 compliance but this will be reviewed with April 2008 being the target set for achievement of Level 2.
- Cabinet approved a draft policy and protocol on the use of planning obligations (Section 106 agreements) in January 2005 to address concerns that the lack of a corporate approach may result in obligations not being fully documented and monitored or fulfilled. Having identified the potential risk, the Council has introduced a cross-departmental S106 officers group to implement and oversee the process and to ensure that S106 receipts are monitored. (See section 5)
- The Audit Commission act as the Council's external auditor and their Annual Audit and Inspection Letter gave unqualified opinions on the 2004/05 financial statements and Best Value Performance Plan. In addition, they reported that "...the Council has again improved the quality of its financial statements and supporting working papers..."
- The Annual Audit and Inspection Letter includes key issues arising from recently completed work on use of resources and direction of travel. These findings relate to processes in place during 2004/05 and many of the issues raised have been improved upon during the past year. In particular a corporate risk register is now in place and will be regularly monitored, and the approach to the SiC has been revised to give a broader base of assurance. Cabinet approved a policy on reserves in March 2006 which included a revised reporting structure and the closure and re-allocation of certain reserve balances. The Council has effective recovery procedures for all key income systems and will improve target setting to monitor their effectiveness. These actions should bring those systems and processes highlighted in the use of resources assessment up to satisfactory levels.
- Business Continuity Management is not yet fully established but work is ongoing. A recent report to Corporate Team set out the progress already made toward the development of a Business Continuity Management (BCM) plan for CDC and to propose what steps need to be taken to move the plan to an acceptable level of readiness.

Corporate Team have actioned the recommendations made in the report and the Corporate Risk Group will be reconvened with the express purpose of delivering the BCM strategy. This issue is included in the action plan in section 5.

- Training sessions on specific topics continued to be held throughout the year to support staff in carrying out their duties. A programme of training specifically designed to support service managers has been delivered during the year and Financial Services staff held sessions on VAT and the Creditors system for all relevant staff. Additional one-to-one training was provided on specific system usage. Training sessions were also held to underpin the revised risk management process. Further training is planned for the coming year, particularly on wider corporate awareness and internal control (which will incorporate fraud awareness and risk issues).
- The risk management process has been further developed during the year with improved evaluation criteria and an assessment matrix to facilitate the identification of high risk areas. The links between risks and controls are now more clearly established which not only demonstrates how risks are mitigated to an acceptable level, but also acts as a prompt to managers to ensure that the effectiveness of these controls is kept under review. In addition to service risk registers, a corporate risk register has been drawn up which is “owned” by Corporate Team. The Risk Group will assess the information produced from the risk registers and will contribute to the reporting process.

We have been advised on the implications of the results of the review of the effectiveness of the system of internal control by the Authority, and plan to address weaknesses and ensure continuous improvement of the system is in place.

Signed:

.....Councillor Lynden Stowe  
(Leader of the Council)

.....R.P. Austin  
(Chief Executive)

**5) SIGNIFICANT INTERNAL CONTROL ISSUES.**

The following internal control issues have been identified through internal audit, risk management and working with Corporate Team.

<b>No.</b>	<b>Internal Control Issue</b>	<b>Proposed Action</b>	<b>To be implemented by:</b>	<b>Officer(s) Responsible</b>
1	An internal audit of the Council's Counter Fraud measures resulted in Limited Assurance. The recommendations focused on improving the monitoring of existing embedded processes and greater awareness of them.	An action plan has been agreed to address the recommendations ~six priority 2 recommendations were made. Policies and procedures have already been revised and approved by the Audit Committee.	Sept 2006	Principal Auditor
2	Internal audit work has identified significant issues in revenue contract monitoring. (Housing Agency and Waste Management)	Internal audit reports are awaited but the issues have already been raised with relevant service managers. Action plans will be agreed with management and implementation monitored by internal audit.	In accordance with timescales agreed in the action plans	Service Managers (Community Health & Housing and Waste Mgt)
3	Internal audit gave limited assurance opinions to the following audits: <ul style="list-style-type: none"> <li>• Procurement</li> <li>• Day Care Provision</li> <li>• Sickness Management</li> </ul>	Agreed action plans have been drawn up which will be subject to routine quarterly follow-up. This will ensure that improvements continue to be satisfactorily implemented.	In accordance with timescales agreed in the action plans	Internal audit & relevant service managers.
4	Business Continuity Management has not progressed as planned.	The Risk Group will discuss the current situation with a view to supporting relevant officers already involved in the process and help provide corporate support and direction to move this forward.	Sept 2006	Risk Group, Andrew Logan, Claire Ride, Cath Stagg.
5	Service Standards have not been completed	Customer Care standards have been approved by	1.09.06	Head of

		Corporate Team and service standards monitoring will be launched later in the year.		Customer Services group (service managers)
6	A new corporate approach for identifying and documenting planning obligations (Section 106 arrangements) has been introduced.	Review effectiveness of the S106 process.	31.03.07	Internal Audit

Progress against the 2004/05 action plan is shown below.

No.	Internal Control Issue	Proposed Action	To be implemented by:	Officer(s) Responsible	Progress
1	Risk management procedures were insufficiently developed during the year.	A planned audit of risk management highlighted weaknesses and actions to address them. Management has accepted this and the agreed action plan for this audit will be implemented. Senior officers are currently developing a corporate risk register.	As per the agreed action plan	Corporate Team. (Internal Audit to monitor )	Achieved. Revised criteria for assessment & evaluation resulting in better quality information in service risk registers. Corporate risk register now established.
2	Corporate Governance issues, highlighted in a planned internal audit report.	An action plan has been accepted and agreed by management and implementation will be monitored. In particular, issues concerning expert advice to Corporate Team and evidencing decision-making processes will be addressed.	As per the agreed action plan	Corporate Team. (Internal Audit to monitor)	Achieved. CT advised by relevant officers and minutes published on the Council's intranet.
3	Management of the Council's Telecoms system is fragmented resulting in a lack of ownership for the system as a whole.	An action plan has been accepted and agreed by Management.	As per agreed action plan	A.Logan / A.Fotherby. IA to monitor	Incorporated into the Front of House project.
4	Sources of assurance on systems of internal control	Group Heads of Service will be more instrumental in supporting the data gathering process. An	System implemented	Group Heads Internal Audit	Partially achieved.

	within the Council are largely corporate. There is a need to broaden the basis on which assurance can be gained from individual services.	Operational Service Statement of Internal Control will be implemented and data collection procedures will be developed and monitored throughout the year. Training will be given to support this process.	by end of June 2005. and ongoing		The database has been populated with information but, as yet, not fully rolled out. However, more emphasis on management assurance statements encourages a wider basis for assurance.
5	Service Standards have not been completed within target dates.	Corporate Team is reviewing draft corporate standards. Statutory service standards are included in 05.06 SDP's	31.03.06	C/T and service managers.	Not fully achieved. Awaiting "Corporate Standard" See R5 of the 2005/06 action plan.
6	Changes required to the Constitution as identified through the recent review.	Committee structure to be amended to include an audit committee, and Portfolio Holders to have limited Delegated Authority.	Beginning of the new municipal yr.	Democratic Services Manager.	Constitution to be updated following further amendments made on 25/4/06

# AUDITOR'S REPORT

## Independent Auditor's Report to Cotswold District Council

### Opinion on the financial statements

I have audited the financial statements of Cotswold District Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Cotswold District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements presents fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the statement on internal control reflects compliance with CIPFA's guidance, 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

Auditor            Richard Lott, District Auditor and Relationship Manager

Address            Westward House  
                      Lime Kiln Close  
                      Stoke Gifford  
                      Bristol  
                      BS34 8SR

Date:

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's Responsibilities**

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **Auditor's Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;

- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

## **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Cotswold District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

## **Best Value Performance Plan**

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2005/06 on 27 September 2005. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

## **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature: .....

Auditor Richard Lott, District Auditor and the Relationship Manager

Address Westward House  
Lime Kiln Close  
Stoke Gifford  
Bristol  
BS34 8SR

Date

**CONSOLIDATED REVENUE ACCOUNT**

2004/2005 Net Expenditure	Note	2005/2006 Gross Expenditure	2005/2006 Income	2005/2006 Net Expenditure
£		£	£	£
<b>STATEMENT OF NET EXPENDITURE</b>				
8,751,419	Cultural, Environmental and Planning Services	13,653,432	4,289,334	9,364,098
(1,126,376)	Highways, Roads and Transport Services	949,362	1,898,313	(948,951)
2,397,059	Housing Services	15,881,897	13,907,171	1,974,726
1,815,830	Corporate and Democratic Core	1,677,677	4,347	1,673,330
1,164,000	Non Distributed Costs	R5 118,590	0	118,590
1,393,902	Central Services to the Public	5,523,175	5,063,312	459,863
454,258	Cost of Strain on the Pension Fund	0	0	0
<b>14,850,092</b>	<b>NET COST OF SERVICES</b>	<b>37,804,133</b>	<b>25,162,477</b>	<b>12,641,656</b>
(12,631)	(Surpluses)/deficits on Trading Undertakings that are not included in the net cost of services			(56,961)
(412,445)	Asset Management Revenue Account	R4		(800,334)
0	Contribution to Housing Pooled Capital Receipts			25,158
1,380,560	Parish Council Precepts			1,473,235
226,000	Interest on Pension Scheme Liabilities less Expected Return on Employer Assets	R5		700,000
(1,675,353)	Interest and Investment Income			(1,607,694)
<b>14,356,223</b>	<b>NET OPERATING EXPENDITURE</b>			<b>12,375,060</b>
APPROPRIATIONS:				
(902,967)	Transfers to/(from) other Ear Marked Reserves / Funds	Balance Sheet B13		(36,465)
98,703	Capital Expenditure Financed from Revenue			362,185
(1,796,000)	Contribution from the pension reserve	R5		(462,000)
(1,453,011)	Deferred Charges Written Off			(1,383,644)
(400,006)	Commutation and Depreciation Adjustment	R6		(288,526)
0	Transfer from Usable Capital Receipts equal to the contribution to Housing Pooled Capital Receipts.			(25,158)
<b>9,902,942</b>	<b>AMOUNTS TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXATION</b>			<b>10,541,452</b>
SOURCES OF FINANCE:				
4,402,448	Council Tax Payers - CDC			4,576,000
0	Transfer from Collection Fund - Previous Year's Surplus			36,537
1,380,560	Council Tax Payers - Parish Councils			1,473,235
2,215,057	Revenue Support Grants			2,191,643
2,183,758	Contribution from National Non Domestic Rates			2,360,346
<b>(278,881)</b>	<b>NET GENERAL FUND (SURPLUS)/DEFICIT</b>			<b>(96,309)</b>
(173,937)	<b>BALANCE ON GENERAL FUND BROUGHT FORWARD</b>			(452,818)
(452,818)	<b>BALANCE ON GENERAL FUND CARRIED FORWARD</b>			(549,127)

## NOTES TO CONSOLIDATED REVENUE ACCOUNT

### Note R1 Leases

The amount of finance and operating lease rentals paid to lessors in the year are shown below:

Asset Class	Finance Lease Rentals		Operating Lease Rentals	
	2004/05	2005/06	2004/05	2005/06
	£	£	£	£
Operational Land and Buildings	0	0	55,859	45,437
Plant and Equipment	0	0	252,845	175,544

### Note R2 Publicity

Expenditure on advertising was as follows:

	2004/2005	2005/2006
	£	£
Recruitment Advertising	85,604	86,780
Other Advertising	86,060	93,806
	<b>171,664</b>	<b>180,586</b>

Expenditure was incurred in connection with advertising for recruitment of staff, advertising of statutory notices, promotion and marketing of tourism in the District and publicity of the Council's services and activities.

### Note R3 Local Authority (Goods and Services) Act 1970

The Council provides goods and services under the Local Authority (Goods and Services) Act 1970 to other public bodies.

The table below shows public bodies traded with under this Act together with the associated income and expenditure for 2005/06. For 2004/05 only income comparators are available.

Public Body	Goods/Service	Income		Expenditure
		2004/05	2005/06	2005/06
Stroud District Council	Building Control	0	4,643	4,643
	Printing	8,576	12,316	4,274
	Post	0	3,672	3,672
		<b>8,576</b>	<b>20,631</b>	<b>12,589</b>
Cotswold Conservation Board	Legal	4,068	263	Not Available
	Printing	3,551	2,185	1,623
	Committee Services	3,116	3,310	3,310
	Post	1,058	1,801	1,801
	Personnel	14,563	10,311	9,649
	Hire of Council Chamber	0	858	0
	Financial Services	22,242	19,630	20,361
		<b>48,598</b>	<b>38,358</b>	<b>36,744</b>
Fosseway Housing Association	Legal	30,574	40,739	9,583
	Printing	0	212	106
	Cashiering	5,366	5,246	676
	Financial Services	10,696	12,740	12,309
		<b>46,636</b>	<b>58,937</b>	<b>22,674</b>
Tewkesbury Borough Council	Printing	0	3,178	1,060
	Post	0	926	926
		<b>0</b>	<b>4,104</b>	<b>1,986</b>
Gloucestershire County Council	Hire of Council Chamber	0	2,663	0
	Audit	0	2,547	1,727
		<b>0</b>	<b>5,210</b>	<b>1,727</b>
Gloucester City Council	Legal	2,100	1,470	1,142
		<b>2,100</b>	<b>1,470</b>	<b>1,142</b>
<b>Other Public Bodies</b>				
North Cerney School	Printing	0	202	101
		<b>0</b>	<b>202</b>	<b>101</b>
<b>Total</b>		<b>105,910</b>	<b>128,912</b>	<b>76,963</b>

## Note R4 Asset Management Revenue Account

	2004/2005 £	2005/2006 £
<b>Income:</b>		
Capital charges - General Fund	711,040	1,226,119
<b>Expenditure:</b>		
Finance Charge for Finance Leases	0	0
Provision for Depreciation	(298,595)	(425,785)
<b>Balance to Consolidated Revenue Account</b>	<b>412,445</b>	<b>800,334</b>

During 2005/06, the Council amended its depreciation policy so that all depreciable fixed assets are depreciated with effect from the financial year following their inclusion on the Council's Balance Sheet. This change in policy has brought the Council's financial statements in line with current financial accounting standards.

New assets added to the Balance Sheet as at 31 March 2005, have increased depreciation charges for 2005/06 by £232,021. Notional Interest charges on these assets were £45,940.

During the year a review of depreciation on all fixed assets was carried out, the review identified that accumulated depreciation on revalued council assets should have been written out of the accounts in 2003/04. As a result of this error, adjustments were required for depreciation calculated for 2003/04 and 2004/05. These adjustments for 2003/04 (-£374,063) and 2004/05 (£75,735) have been corrected as part of the 2005/06 depreciation charges. The accumulated depreciation adjustment has been corrected in the balance sheet for 2005/06.

The depreciation review impacted upon the notional interest charged on operational assets. As the assets have a higher net book value (valuation less depreciation to date) the notional interest charged for use of the assets has increased from £412,445 in 2004/05 to £800,334 in 2005/06.

## **Note R5 Financial Reporting Standard (FRS) Number 17 – Retirement Benefits**

Name of Fund: **Gloucestershire County Council Pension Fund**  
Reporting of FRS17 Pension Costs for the year ending **31 March 2006**  
Name of Fund: **Defined Benefit**  
Currency and Units: **£m**

Participating Authority: **Cotswold District Council**

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

### **1) Summary of the consolidated Revenue Account transactions**

In essence, the revenue accounting entries for FRS 17 in 2005/06 are to:

- a) Remove from Cost Centre Level the cash payment for employers' pension contributions.
- b) Replace the cash payment at Cost Centre Level with a Current Service Cost.
- c) Charge Past Service Costs and losses on settlements to the Non Distributed Costs section of the revenue account.
- d) Charge to the Consolidated Revenue Account (prior to Net Operating Expenditure) the Interest on Pension Scheme Liabilities less the Expected Return on Employer Assets.
- e) Reverse all of the above entries in the Appropriations Section of the Revenue Account so that there is no impact on the Authority's net expenditure.

The accounting entries for the balance sheet are detailed in that section of the Statement of Accounts.

### **2) Description and Amounts of the FRS entries**

- a) The current service costs is the increase in the present value of the scheme liabilities expected to arise from employee service in the current period, and in 2005/06 amounts to £1,063,000 (2004/05 £1,069,000).
- b) The Council's contributions in respect of 2005/06 amount to £1,321,000 (2004/05 £663,000). During 2005/06 the Council made a contribution of £590,256 in respect of officers made redundant as at 31 March 2005.
- c) The difference between these two (£258,000) (2004/05 + £406,000) has been allocated within the Net Cost of Services.
- d) Past service costs of £20,000 (2004/05 £26,000) and curtailment and settlements of £0 (2004/05 £1,138,000) totalling £20,000 (2004/05 £1,164,000) have been allocated to Non Distributed costs.
- e) The net impact of Interest on Pension Scheme Liabilities and Expected Return on Employer Assets is shown as a charge to the revenue account as per the table below:

	2004/05		2005/06	
Interest on Pension Scheme Liabilities	2,012,000		2,619,000	
Less: Expected Return on Employer Assets	(1,786,000)		(1,919,000)	
		<b>226,000</b>		<b>700,000</b>

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31 March 2006 for the year to 31 March 2007).

All FRS17 accounting entries to the Consolidated Revenue Account are reversed by the transactions shown below:

	2004/05		2005/06	
Less: Reversing of FRS17 Entries	(2,459,000)		(1,783,000)	
Plus: Actual Council's Pension Contributions	663,000		1,321,000	
Contribution from the Pension Reserve		<b>(1,796,000)</b>		<b>(462,000)</b>

There are further notes regarding FRS 17 in the Consolidated Balance Sheet (Note B12) and The Statement of Total Movement in Reserves (Note M1).

## Note R6 Commutation and Depreciation Adjustment

Cabinet, at its meeting of 15 December 2005, approved a transfer from capital receipts to revenue known as the Commutation Adjustment.

In 1991 there was a change in the regulations regarding central government financing of improvement grant capital expenditure. In the financial years to 31 March 1992, an allowance was made in the grant aid offered by central government. From 1 April 1992, this grant aid was removed and councils were empowered to transfer funds from capital resources to revenue to compensate for the loss of grant.

The introduction of the Prudential Code on 1 April 2004 means that the Council now has to apply to Office of the Deputy Prime Minister for permission to capitalise this loss of grant adjustment. For 2005/06 the Secretary of State has granted permission for the Council to capitalise £95,830 in respect of commutation losses.

	2004/2005 £	2005/2006 £
Non Housing amount (commutation adjustment)	(144,161)	(95,830)
Minimum Revenue Provision	0	0
Amount charged as depreciation	(298,595)	(425,785)
Amortisation of Government Grants	42,750	233,089
<b>Amount charged to Consolidated Revenue Account</b>	<b>(400,006)</b>	<b>(288,526)</b>

A review of depreciation charges carried out during 2005/06, identified an error in the accounting treatment of depreciation during the 2003/04 and 2004/05 financial years. The Council's property assets were revalued as at 31 March 2004. At this point all previous accumulated depreciation should have been written out of the balance sheet.

As a result of this error, adjustments were required for depreciation calculated for 2003/04 and 2004/05. These adjustments for 2003/04 (-£374,063) and 2004/05 (£75,735) have been corrected as part of the 2005/06 depreciation charges. The accumulated depreciation adjustment has been corrected in the balance sheet for 2005/06.

The Council has also amended its depreciation policy so that all depreciable fixed assets are depreciated with effect from the financial year following their inclusion on the Council's Balance Sheet. This change in policy has brought the Council's financial statements in line with the current financial standards. New assets added to the Balance Sheet as at 31 March 2005, have increased depreciation charges for 2005/06 by £232,021.

Within the Balance Sheet, the Council's fixed asset balances have increased to reflect the accumulated depreciation written out of the accounts (£693,111) with a corresponding credit to the Fixed Assets Restatement Account.

## **Note R7      Employee Remuneration**

The number of employees whose remuneration (including employers' contributions in respect of National Insurance Contributions and Superannuation Contributions) exceeded £50,000 during the year was as follows:

	<b>2004/2005 Number</b>	<b>2005/2006 Number</b>
£50,000 to £59,999	12	4
£60,000 to £69,999	2	2
£70,000 to £79,999	0	3
£80,000 to £89,999	1	0
£90,000 to £99,999	1	1
£100,000 to £109,999	1	0
£110,000 to £119,999	0	1

## Note R8 Related Party Transactions

For the year 2005/2006 all councillors, senior staff and officers with influence over material purchases were written to during January 2006 to obtain a statement of any related party transactions. All councillors completed and returned the declarations as requested. All staff except one member of staff on long-term sick leave completed and returned the declaration.

The Democratic Services team maintains Registers of interests for both councillors and staff throughout the year.

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers of the accounts 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.

### 1) Other Public Bodies

The Council collects precepts on behalf of Gloucestershire County Council, Gloucestershire Police Authority and the Town and Parish Councils within the Council area. Precepts for the County Council and Police Authority are shown in the Collection Fund. Town and Parish precepts are shown in the Consolidated Revenue Account.

Some Council members are also members of Gloucestershire County Council. The number of Cotswold District Council Members that are also members of Gloucestershire County Council are shown in the table below together with details of any grant payments made from Cotswold District Council to the County Council:

Body	No. of Members 2004/05	Grant Payments 2004/05	No. of Members 2005/06	Grant Payments 2005/06
Gloucestershire County Council	5	£17,968	4	£20,982

### 2) General Related Parties

The Council made a number of grant payments in 2005/06 to outside organisations on which a member of the Council was appointed. Their appointment was by virtue of being a member of Cotswold District Council. The table below shows the grant made and the number of members appointed to that outside body as at 1 April 2005.

Organisation	No of Councillor Members 2004/05	No of Councillor Members 2005/06	Payments in 2004/05 £	Payments in 2005/06 £
Brewery Arts	2	1	12,870	12,870
Cirencester Citizens' Advice Bureau	1	1	85,500	82,500
Cotswold Conservation Board (formerly Cotswold Area of Outstanding Natural Beauty)	1	1	29,080	30,380
Cotswold Water Park Joint Committee	5	3	35,000	33,750
South Cotswold Voluntary Committee	2	1	4,000	4,000

<b>Organisation</b>	<b>No of Councillor Members 2004/05</b>	<b>No of Councillor Members 2005/06</b>	<b>Payments in 2004/05 £</b>	<b>Payments in 2005/06 £</b>
Victim Support Gloucestershire (Cotswold Group)	2	1	5,175	1,550
Gloucestershire Rural Community Council	0	1	26,000	34,000
Gloucestershire First	2	1	7,935	6,753
Cirencester Housing for Young People	1	0	10,800	12,000
<b>Total</b>			<b>216,360</b>	<b>217,803</b>

### 3) Officers

There was one related party declaration by a member of staff. Compliance with controls to ensure segregation of duties within this area of the Council's operations have been reviewed and found to be satisfactory.

### 4) Individual Council Members

Individual Council Members declared some related party transactions that have been included in (2) above. Other declarations by members were not considered to be material.

### 5) Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a large proportion of its net funding (in the form of grants) and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefit payments). Details of transactions with government departments are set out in the Cash Flow notes.

Members of the Council have direct control over the Council's financial and operating policies. During 2005/06 the Council paid revenue and capital grants totalling £301,313 (2004/05 £297,130) to organisations in which one or more members may have had an interest. The grants were made with proper consideration of declaration of interest. For the purpose of reporting these transactions as related party transactions within the financial statements, a threshold of £25,000 per grant has been established. Grants below £25,000 are not necessarily declared.

### Note R9 Members Allowances

The total amount of allowances paid to Members during 2005/2006, comprising responsibility allowances and travelling allowances was £243,457 (£245,154 2004/2005).

## Note R10 Section 137 of the Local Government Act 1972 (as amended)

Under section 137 of the Local Government Act 1972 (as amended), the District Council is empowered to finance projects of benefit to the local taxpayers which cannot be justified under any other Local Authority Power. In 2005/2006, capital grant payments totalling £30 (2004/2005 £2,000) were made under this power.

Section 2 of the Local Government Act 2000 has to a large extent replaced Section 137 of the Local Government Act 1972. Section 2 of the 2000 Act gives the Authority power to incur expenditure for the benefit of environmental, economic and social well-being of its area.

Payments under Section 2 of the Local Government Act 2000 in 2005/06 amounted to £101,898 (2004/05 £60,856); £99,034 (2004/05 £54,283) of these payments were for capital projects.

## Note R11

### A) Trading Activities

The Building (Local Authority Charges) Regulations 1998 requires the disclosure of information regarding the setting of charges for the administration of the building control function. The Council sets charges for works carried out in relation to building regulations, with the aim of covering all costs incurred. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

	Building Control		
	Non Chargeable 2005/2006 £	Chargeable 2005/2006 £	Total 2005/2006 £
<b>Expenditure:</b>			
Employee Expenses	11,469	219,629	231,098
Premises	1,320	14,300	15,620
Transport	1,275	22,169	23,444
Supplies and Services	908	18,193	19,101
Central and Support			
Service Charges	14,295	109,942	124,237
<b>TOTAL EXPENDITURE</b>	<b>29,267</b>	<b>384,233</b>	<b>413,500</b>
<b>Income:</b>			
Building Regulation Charges	0	(470,460)	(470,461)
Miscellaneous Income			
<b>TOTAL INCOME</b>	<b>0</b>	<b>(470,460)</b>	<b>(470,461)</b>
<b>(Surplus)/Deficit for the year</b>	<b>29,267</b>	<b>(86,227)</b>	<b>(56,961)</b>
<b>Comparative for 2004/2005</b>			
Expenditure	45,161	399,077	444,238
Income	0	(456,869)	(456,869)
<b>(Surplus)/Deficit for the year</b>	<b>45,161</b>	<b>(57,792)</b>	<b>(12,631)</b>

## **B) Non Trading Activities**

There are no regulations that require the Council to provide specific details on any other non-trading activity but for information purposes the activities of Cotswold Leisure Centre are listed below:

<b>Cotswold Leisure Centre</b>		
	<b>2004/2005</b>	<b>2005/2006</b>
	<b>£</b>	<b>£</b>
Income	989,630	944,992
Expenditure	1,468,790	1,544,089
<b>(Surplus)/Deficit for the year</b>	<b>479,160</b>	<b>599,097</b>

### **R12 Exceptional Items**

There were no exceptional items to report in 2005/06.

### **Note R13 Significant Revenue Commitments**

The Council has significant revenue commitments in a number of its contracted out services. The most significant are the contracts in respect of provision of Information Technology Services (SERCO), the provision of Waste Services (SITA) and Internal Audit Services (Deloitte Touche).

The amount payable under these contracts in 2006/07 will be in the region of £3.8M (£3.7M in 2005/06).

### **Note R14 Prior Period Adjustments**

There were no material prior period adjustments, however, depreciation for 2005/06 has been adjusted to correct errors from 2003/04 and 2004/05. A review of depreciation charges carried out during 2005/06, identified an error in the accounting treatment of depreciation during the 2003/04 and 2004/05 financial years. The Council's property assets were revalued as at 31 March 2004. At this point all previous accumulated depreciation should have been written out of the balance sheet. The accumulated depreciation has been written out of the fixed assets on the balance sheet during 2005/06, see Note B1 to the Balance Sheet for further information.

The Council has also amended its depreciation policy so that all depreciable fixed assets are depreciated with effect from the financial year following their inclusion on the Council's Balance Sheet. This change in policy has brought the Council's financial statements in line with the current financial accounting standards.

Depreciation on all of the Council's fixed assets has been recalculated from 2003/04 to correct the error and reflect the Council's revised accounting policy. The adjustments required to correct 2003/04 and 2004/05 depreciation were not material and therefore have been adjusted within the 2005/06 depreciation charges rather than being treated as prior period adjustments. Consolidated Revenue Account Notes R4 and R6 provide further information on this point.

## Note R15 Significant Revenue Government Grants

The following significant revenue Government Grants were received in 2005/06:

Name	Government Department	2004/2005 £	2005/2006 £
Revenue Support Grant	Office of the Deputy Prime Minister	2,215,057	2,191,643
Housing Benefit	Department of Works and Pensions	13,092,796	13,770,591
Council Tax Benefit	Department of Works and Pensions	3,351,456	3,554,592
National Non Domestic Rates	Office of the Deputy Prime Minister	2,183,758	2,360,346
Planning Delivery Grant	Office of the Deputy Prime Minister	358,419	264,996
Local Authority Business Growth Incentive	Office of the Deputy Prime Minister	0	317,144

## Note R16 Fees Payable to the Audit Commission

The fees payable to the Audit Commission included in the Consolidated Revenue Account are as follows:

**Error! Not a valid link.**

The Audit Commission has changed the grant certification audit regime to reduce the amount of work overall, and better link the work to assessments of risk. The main changes have been:

- Claims for £50,000 or below are not subject to certification;
- Claims between £50,000 to £100,000 are subject to a reduced, light touch, certification audit;
- Claims over £100,000 have an audit approach relevant to the auditor's assessment of the control environment and management preparation of claims.

These changes have resulted in reduced fees for certification work, however, during 2005/06 the Audit Commission also refunded fees of £3,955 in respect of grant certification work overcharged in 2004/05.

## THE COLLECTION FUND

2004/2005		2005/2006
£		£
	<b><u>INCOME</u></b>	
40,569,412	Income from Council Tax (Note C1)	42,218,319
	Transfers from General Fund	
3,321,177	Council Tax Benefits	3,602,989
18,076,119	Income from business ratepayers (Note C2)	19,231,684
<b>61,966,708</b>	<b>TOTAL INCOME</b>	<b>65,052,992</b>
	<b><u>EXPENDITURE</u></b>	
	<b>Precepts and Demands:</b>	
32,108,146	Gloucestershire County Council	33,485,517
5,661,500	Gloucestershire Police Authority	5,909,846
5,783,008	Cotswold District Council (Note C3)	6,049,235
17,911,760	Payment to National Pool	19,060,489
164,359	Costs of Collection	171,195
	Bad and Doubtful Debts / Appeals: (Note C4)	
47,421	Write Offs	66,252
44,645	Movement to/(from) provisions to Collection Fund	(7,615)
	Contributions towards previous years collection fund surplus:	
	0 Gloucestershire County Council	266,476
	0 Gloucestershire Police Authority	46,987
	0 Cotswold District Council	36,537
<b>61,720,839</b>	<b>TOTAL EXPENDITURE</b>	<b>65,084,919</b>
245,869	Surplus / (Deficit) for the Year	(31,927)
99,882	Balance at 1st April	345,751
<b>345,751</b>	<b>BALANCE CARRIED FORWARD</b> (Note C5)	<b>313,824</b>

# NOTES TO THE COLLECTION FUND

## Note C1 The Collection Fund

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

Collection fund income is as follows:

	2004/2005 £	2005/2006 £
Council tax due from taxpayers	43,934,717	45,818,902
Council tax benefits, relief and write-offs	(3,365,306)	(3,600,583)
	<b>40,569,412</b>	<b>42,218,319</b>

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

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

Band	Estimated number of properties in each Band (adjusted for discounts)	Ratio	Band "D" Equivalents 2005/06
A-	4.50	5/9	2.5
A	2,511.40	6/9	1,674.3
B	3,769.30	7/9	2,931.7
C	8,589.30	8/9	7,634.9
D	5,516.10	1	5,516.1
E	4,973.90	11/9	6,079.2
F	3,723.00	13/9	5,377.7
G	3,714.10	15/9	6,190.2
H	556.20	18/9	1,112.4
	Contributions in lieu (South Cerney Barracks)		126.5
			<b>36,645.5</b>
	Adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation		
<b>Less:</b>	bandings, demolitions, disabled persons' relief and exemptions plus adjustments for new properties. (This amounts to 1% of the tax base)		366.5
<b>COUNCIL TAX BASE FOR 2005/2006</b>			<b>36,279.0</b>

## Note C2 Income from Business Rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values (assessed by the valuation officer) multiplied by a uniform rate set by government.

The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government. Central Government in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. Under these arrangements the amounts included in these accounts can be analysed as follows:

2004/2005 £		2005/2006 £
21,094,291	Non-domestic rateable value (£55 million) (Higher Multiplier for uniform business rate of 0.422p) (Lower Multiplier for uniform business rate of 0.415p)	23,547,940
(3,018,172)	Less: allowances and other adjustments	(4,316,256)
<b>18,076,119</b>	<b>Income from Business Ratepayers</b>	<b>19,231,684</b>

Redistribution is made direct to the major precepting authorities rather than through the billing authority's collection fund. Consequently, £2,360,346 (£2,183,758 2004/05) is shown as redistributed NNDR income in the Council's general fund.

## Note C3 Precepts and Demands

	2004/05 £	2005/06 £
Gloucestershire County Council	32,108,146	33,485,517
Gloucestershire County Council Share of Collection Fund Surplus 04/05	0	266,476
Gloucestershire Police Authority	5,661,500	5,909,846
Gloucestershire Police Authority Share of Collection Fund Surplus 04/05	0	46,987
District Council Precept	4,402,448	4,576,000
District Council Share of Collection Fund Surplus 04/05	0	36,537
Parish Precepts	1,380,560	1,473,235
	<b>43,552,654</b>	<b>45,794,598</b>

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

## Note C4 Provision for Uncollectable Amounts

Provision has been made within the accounts for uncollectable debts based on Department of the Environment guidelines. At the end of 2005/2006, the accumulated provision of £156,935 is made up as follows:

	2004/05 £	2005/06 £
National Non-Domestic Rates	43,793	39,373
Council Tax	125,177	117,562
	<b>168,970</b>	<b>156,935</b>

The movement on the Council Tax Provisions Account is as follows:

	2004/05 £	2005/06 £
Opening Balance	127,954	125,177
Write Offs	(47,421)	(66,252)
Additional Provision	44,644	58,637
<b>Closing Balance</b>	<b>125,177</b>	<b>117,562</b>

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

	2004/05 £	2005/06 £
Opening Balance	56,228	43,793
Write Offs	(75,522)	(60,898)
Additional Provision	63,087	56,478
<b>Closing Balance</b>	<b>43,793</b>	<b>39,373</b>

## Note C5 Collection Fund Surplus

A surplus on the Collection Fund, as at 15 January 2006, has been declared to Gloucestershire County Council and Gloucestershire Police Authority and will be distributed between the major precepting authorities during 2006/07.

The table below shows the Collection Fund distribution entitlement as at 31 March 2006.

	2004/2005 £	2005/2006 £
Gloucestershire County Council	263,241	238,987
Gloucestershire Police Authority	46,416	42,178
Cotswold District Council	36,094	32,659
<b>Collection Fund Surplus</b>	<b>345,751</b>	<b>313,824</b>

## CONSOLIDATED BALANCE SHEET

31 <sup>st</sup> March 2005	Notes			31 <sup>st</sup> March 2006
£		£	£	£
276,322	<b>Intangible Fixed Assets</b>	B1		556,551
	<b>Tangible Fixed Assets</b>	B1		
	<b>Operational Assets:</b>			
23,102,215	Land & Buildings		30,367,585	
939,434	Equipment		1,077,415	
92,832	Community Assets:		104,412	31,549,412
	<b>Non-Operational Assets :</b>			
	Land and Buildings			
3,857,878	Investment Properties		3,926,502	
2,369,556	Assets Under Construction		0	
6,807,663	Surplus Assets, held for disposal		3,831,306	7,757,808
<b>37,445,900</b>				<b>39,863,771</b>
0	<b>Deferred Charges</b>	B2		0
0	<b>Long Term Investments</b>	B4		0
726,035	<b>Long Term Debtors</b>	B5		660,070
<b>38,171,935</b>				<b>40,523,841</b>
	<b>Current Assets</b>			
124,436	Cash at Bank		237,038	
58,683	Stocks	B6	53,350	
3,663,625	Debtors	B7	1,653,894	
26,595,456	Short-term Investments	B8	27,304,038	
<b>30,442,200</b>			<b>29,248,320</b>	
	<b>Current Liabilities</b>			
0	Bank Overdraft		0	
5,718,177	Creditors	B9	5,401,461	
			5,401,461	
<b>24,724,023</b>	<b>Total Current Assets Less Current Liabilities</b>		<b>23,846,859</b>	
0	<b>Long Term Liabilities</b>			(212,789)
(20,069,000)	<b>Liability related to Defined Benefit Pension Scheme</b>	B12		(22,840,000)
<b>4,655,023</b>	<b>Total Current Assets Less Liabilities</b>			<b>794,070</b>
<b>42,826,958</b>				<b>41,317,911</b>
418,680	<b>Deferred Capital Receipts</b>	B10		411,989
19,759,451	<b>Capital Receipts</b>	B11		18,697,472
3,589,867	<b>Deferred Grants Applied</b>	B23		3,702,416
250,740	<b>Deferred Grants Unapplied</b>	B23		316,435
(20,069,000)	<b>Pension Reserve</b>	B12		(22,840,000)
4,568,367	<b>Fund Balances and Reserves</b>	B13		4,531,903
452,818	<b>Revenue Balances</b>	B14		549,128
(20,539,188)	<b>Fixed Asset Restatement Account</b>	B15		(24,433,428)
54,395,223	<b>Capital Financing Account</b>	B16		60,381,996
<b>42,826,958</b>				<b>41,317,911</b>

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## Note B1 Fixed Assets

Movements in Fixed Assets are shown below:

	Intangible Assets £	Operational Assets			Non-Operational Assets			Total £
		Land & Buildings £	Equipment £	Community Assets £	Investment Properties £	Assets Under Construction £	Surplus Assets £	
<b>Asset Values</b>								
<b>Fixed Asset Values as at 31 March 2005</b>	276,322	24,072,226	1,395,251	92,832	4,102,246	2,369,556	6,850,300	39,158,733
Additions (Note 1)	359,712	(184,240)	233,898	11,580	110,605	5,974,046	19,506	6,525,107
Disposals (Note 2)	0	(2,839,405)	0	0	(323,349)	0	(3,045,000)	(6,207,754)
Revaluations (Note 3)	0	(340,995)	0	0	105,000	1,706,398	0	1,470,403
Transfers	(10,402)	10,111,500	10,402	0	(68,000)	(10,050,000)	6,500	0
<b>Fixed Assets As at 31 March 2006</b>	<b>625,632</b>	<b>30,819,086</b>	<b>1,639,551</b>	<b>104,412</b>	<b>3,926,502</b>	<b>0</b>	<b>4,031,306</b>	<b>40,946,489</b>
Add: Assets Acquired by Finance Lease during 2005/06	0	0	212,789	0	0	0	0	212,789
<b>Total Assets as at 31 March 2006</b>	<b>625,632</b>	<b>30,819,086</b>	<b>1,852,340</b>	<b>104,412</b>	<b>3,926,502</b>	<b>0</b>	<b>3,831,306</b>	<b>41,159,278</b>
<b>Depreciation</b>								
<b>At 1 April 2005</b>	<b>0</b>	<b>970,011</b>	<b>455,817</b>	<b>0</b>	<b>244,368</b>	<b>0</b>	<b>42,637</b>	<b>1,712,833</b>
Correct Accumulated Depreciation From Revaluation 31/03/04	0	(483,933)	0	0	(183,583)	0	(25,595)	(693,111)
Depreciation for the year	69,081	115,423	319,108	0	(60,785)	0	(17,042)	425,785
Depreciation on asset disposals	0	(150,000)	0	0	0	0	0	(150,000)
<b>As At 31 March 2006</b>	<b>69,081</b>	<b>451,501</b>	<b>774,925</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,295,507</b>
Depreciation on Assets Acquired by Finance Lease	0	0	0	0	0	0	0	0
<b>Total Depreciation as at 31 March 2006</b>	<b>69,081</b>	<b>451,501</b>	<b>774,925</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,295,507</b>
<b>Net Book Value</b>								
At 1 April 2005	276,322	23,102,215	939,434	92,832	3,857,878	2,369,556	6,807,663	37,445,900
<b>At 31 March 2006</b>	<b>556,551</b>	<b>30,367,585</b>	<b>1,077,415</b>	<b>104,412</b>	<b>3,926,502</b>	<b>0</b>	<b>3,831,306</b>	<b>39,863,771</b>

The new Cotswold Leisure Centre has been transferred from assets under construction to operational assets. However, there is further work necessary to complete the site. These works will be shown as additions to operational land and buildings in the 2006/07 statements.

<b>Note 1 Additions</b>		Remarks
The items of capital expenditure were:		
	£	
Computer Software	359,712	In 2004/05 provision was made for payment to various contractors, upon review of the contractors' final accounts, payment was not necessary therefore there is a credit to capital expenditure in 2005/06.
Computer Hardware & Equipment	233,899	
Leisure Centre	5,974,046	
Gym Equipment – Funded by Finance Lease	212,789	
Improvements to Council Buildings	(191,013)	
Housing Projects	128,957	
Cotswold Heritage Centre	19,506	
	6,737,896	

<b>Note 2 Disposals</b>
Sales of assets in 2005/06 – written out of asset accounts at book value including:
<ul style="list-style-type: none"> <li>• Cattle Market and Car Park (site used for new Leisure Centre)</li> <li>• Land sites at Kemble and Bourton on the Water</li> <li>• Resale covenant properties</li> <li>• Old Cotswold Leisure Centre</li> </ul>

<b>Note 3 Revaluations</b>
King Sturge International Property Consultants carried out the valuation of the new Cotswold Leisure Centre in June 2006. The Property was valued at £10,050,000 using the depreciated replacement cost method.
There are still external works to be completed on the site, therefore, a further valuation will be undertaken upon completion of the works during 2006/07.

The capital expenditure was financed as follows:

	2004/05 £	2005/06 £
<b>Expenditure on Fixed Assets</b>		
Expenditure on Intangible Fixed Assets	276,322	359,712
Expenditure on Tangible Fixed Assets	5,761,141	6,378,184
Loans Advanced	0	86,739
Deferred Charges	1,453,011	1,296,905
Creditor Accruals (Note 1)	107,569	0
<b>Total Expenditure on Fixed Assets</b>	<b>7,598,043</b>	<b>8,121,540</b>
<b>Financing of Fixed Assets</b>		
Capital Receipts	5,378,411	6,910,720
Other Capital Receipts	150,307	0
Revenue Contributions	98,703	362,186
Developers Contributions		39,527
Finance Lease	0	212,789
<b>Capital Grants</b>		
Improvement Grants	176,000	208,000
Heritage Lottery Fund	1,015,005	0
ODPM - E Government	137,286	116,681
ODPM - Starter Home Initiatives (recycled grant)	0	67,680
DEFRA Waste		14,803
DWP Housing Benefits System		165,334
Planning Delivery Grant		23,820
Cotswold Museum Charitable Trust	147,290	0
Gloucester County Council / DEFRA	495,041	0
<b>Total Financing of Fixed Assets</b>	<b>7,598,043</b>	<b>8,121,540</b>

**Note 1** Due to a change in capital financing regulations (known as the Prudential Code) which came into effect from 1 April 2004, the capital creditors shown above for 2004/05 are capital accruals included within the 2003/04 statement of accounts which were funded during 2004/05. Creditor accruals for the 2004/05 financial year were included within the capital expenditure on intangible or tangible assets as appropriate.

The Council only has one significant commitment under capital contracts as at 31 March 2006, which is shown below:

	Approved Estimated Gross Cost £	Spend to 31 March 2006 £	Estimated Commitment in 2006/07 and Beyond £
Cotswold Leisure Centre	8,961,000	8,493,290	467,710

An analysis of fixed assets at 31st March 2006 is shown below:

Asset Type	Note	Number 2004/05	Number 2005/06
Dwellings		3	2
Council Offices		2	2
Car Parks	a	15	14
Lorry / Coach Parks		1	1
Museums	b	1	1
Cattle Markets	c	1	0
Cemeteries		1	1
Sports Centres		5	5
Halls		2	2
Social Clubs		1	1
Public Conveniences		18	18
Resale Covenant Properties	d	64	68
Buildings let for Commercial purposes		8	8
Visitor Information Centres		2	2
Land Holdings	e	60	50

**Notes:**

- a) The Cattle Market car park has made way for the new Cotswold Leisure Centre
- b) The Cotswold Heritage Centre at Northleach is currently undergoing renovation and will be included as an operational asset following completion of the works later in 2006.
- c) The Cattle Market is now part of the new Cotswold Leisure Centre site.
- d) Resale covenant properties at Aston Magna and Tetbury have now been included.
- e) The size of land holdings varies greatly and ranges in value from £100 to £2Million

**Note B2 Deferred Charges**

	Balance at 1 April 2005 £	Expenditure £	Amounts Written Off / Adjusted £	Balance at 31 March 2006 £
Improvement Grants	0	1,123,066	1,123,066	0
Capital Grants				
Community Projects Fund	0	145,072	145,072	0
Other Grants	0	10,297	10,297	0
Land Drainage	0	18,470	18,470	0
Housing Improvement Loans	0	19,059	19,059	0
Starter Home Initiative Loans	0	67,680	67,680	0
<b>Total</b>	<b>0</b>	<b>1,383,644</b>	<b>1,383,644</b>	<b>0</b>

**Note B3 Leases**

**Finance Leases**

During 2005/06 the Council entered into a Finance Lease for gym equipment at the new Cotswold Leisure Centre.

The equipment assets held under the finance lease are valued at £212,789. The assets have not been depreciated in the year of acquisition, according to our stated policy on depreciation.

The amounts of obligations related to the finance lease (net of finance charges allocated to future periods) are shown below:

	2006/07	2007/08 to 2010/11	2011/12
Net Finance lease obligations	£41,860	£167,440	£3,489

Finance charges for this lease commence in April 2006, therefore, there have been no finance charges for the financial year ended 31 March 2006.

### Operating Leases

The Council has the following operating lease commitments during 2006/07 for leases expiring as follows:

	Commitment Expires 2006/07	Commitment Expires 2007/08 to 2010/11	Commitment Expires over 5 Years from 31/03/2006
Operational Land and Buildings	£4,550	£10,120	£0
Equipment	£42,289	£121,586	£0

### Note B4 Long-Term Investments

The Council does not hold any long-term investments. There are funds invested for periods in excess of 364 days, but they do not fulfil the accounting criteria of long-term investments. Further details of the Council's investments are shown in note B8 Short-Term Investments.

### Note B5 Long Term Debtors

	Balance at 1 April 2005 £	New Advances / Adjustments £	Repayments £	Balance at 31 March 2006 £
Housing Advances	20,244	0	2,082	18,162
Starter Home Initiative Loans	183,605	67,680	45,360	205,925
Sales of Council Houses / Land	155,067	0	48,069	106,998
Housing Associations	190,250	0	22,607	167,643
Charities	141,385	0	20,526	120,859
Cirencester Town Council	16,020	0	801	15,219
Housing Improvement Loans	0	19,059	0	19,059
Employee Car Loans	19,464	0	13,259	6,205
<b>Total</b>	<b>726,035</b>	<b>86,739</b>	<b>152,704</b>	<b>660,070</b>

Employee car loans included within long term debtors represent those installments due more than 12 months after the balance sheet date. Installments due within 12 months are shown within debtors (see Note B7).

## Note B6 Stocks & Work in Progress

	31 March 2005	31 March 2006
	£	£
Office Services	1,475	950
Leisure Centre	8,802	2,280
Stocks for resale at:		
Cotswold Countryside Collection	0	0
Corinium Museum	7,819	7,287
Corn Hall	3,128	1,460
Visitor Information Centres:		
Cirencester	16,091	15,619
Stow	7,235	7,500
Moreton	1,701	683
Bourton	3,186	2,257
Chipping Campden Sports Centre	1,800	1,163
Tetbury Sports Centre	0	0
Bourton Leisure Centre	2,622	5,710
Fairford Leisure Centre	0	0
Cirencester Franking Machine	4,779	7,269
Moreton Franking Machine	45	227
VIC Franking Machines	0	945
<b>Total</b>	<b>58,683</b>	<b>53,350</b>

## Note B7 Debtors

	31 March 2005	31 March 2006
	£	£
Heritage Lottery Fund	1,015,005	44,088
Government Departments	318,423	304,734
Council Taxpayers/NNDR	913,664	816,931
Sundry Debtors raised but outstanding as at 31 March 2006	1,058,324	343,241
Provision for growth in capital investments	312,834	76,176
Other sundry debtor provisions	301,057	360,768
Employee Car Loans	26,327	10,504
Prepayments	118,232	67,715
	4,063,866	2,024,157
<b>Bad Debt Provision</b>		
Council Taxpayers / NNDR	(168,970)	(156,935)
Sundry Debtors	(231,271)	(213,328)
	<b>3,663,625</b>	<b>1,653,894</b>

Sundry debtors raised but outstanding as at 31 March 2006 have reduced by £715,083, this is largely due to a debtor that was raised to Gloucestershire County Council in 2004/05 for green waste recycling of £500,000, which was repaid in April 2005.

Debtors in respect of overpayments of Housing Benefits being recovered from on going benefit are not reflected in this Statement of Accounts. These debtors are monitored and controlled within the Housing Benefit system. As at the 31st March 2006 these amounted to £166,751 (£175,264 in 2004/05).

## Note B8 Short-Term Investments

	31 March 2005 £	31 March 2006 £
Temporary Investments	800,000	4,700,000
Externally managed funds	25,795,456	22,604,038
<b>Total</b>	<b>26,595,456</b>	<b>27,304,038</b>

Temporary investments relate to short-term surplus monies deposited for periods of less than one year. The Council's in-house team negotiates these transactions. The movement in the year is as follows:

	2004/05 £	2005/06 £
Opening Balance	2,850,000	800,000
Investments Purchased	59,600,000	76,500,000
Investments Realised	(61,650,000)	(72,600,000)
<b>Closing Balance</b>	<b>800,000</b>	<b>4,700,000</b>

AllianceBernstein Ltd and Tradition (UK) Ltd manage the Council's externally managed funds. It is intended that these funds be maintained for more than one year. This does not preclude the Council from liquidating these investments within the next 12 months. For this reason, these investments have been categorised as short-term investments within the Council's accounts.

## Note B9 Creditors & Income in Advance

	31 March 2005 £	31 March 2006 £
Collection Fund Balance	345,751	313,823
Government Departments	527,992	1,056,342
Sundry Creditors	3,854,428	2,272,936
Section 106 Funds	215,528	537,817
AONB	28,925	0
<b>Receipts in Advance</b>		
Council Tax Payers / NNDR	511,381	819,798
Other	234,173	400,745
<b>Total</b>	<b>5,718,177</b>	<b>5,401,461</b>

Section 106 Funds are deposits received from developers for future capital works associated with developments (e.g. provision of social housing, leisure amenities). Section 106 funds must be applied, according to the conditions of the agreement, sometimes within a specified timescale. Failure to use the funds can result in the contribution becoming repayable to the developer. For this reason, all Section 106 funds are recognised as creditors on the balance sheet.

Other Income received in advance comprise of: leisure services fees, grants and other income received in 2005/06 for use in the 2006/07 financial year.

## Note B10 Deferred Capital Receipts

Deferred capital receipts are amounts that are received in installments over agreed periods of time. They arise from mortgages on sales of Council houses and repayments from loans.

	Notes	31 March 2005 £	31 March 2006 £
Mortgages on Sales of Council Houses	1	155,067	106,997
Loans Issued - CHYP	2	80,008	80,008
Loans Issued - Starter Home Initiatives	3	183,605	205,925
Housing Improvement Loans	4	0	19,059
<b>Total</b>		<b>418,680</b>	<b>411,989</b>

### Note:

- 1) There are 29 of these loans outstanding as at 31 March 2006, repayable over differing periods.
- 2) This interest free loan was approved by Housing Committee on 5 July 2001 and is for a 25 year period
- 3) Since 2002/03 the Council has made 15 advances under the Starter Home Initiative to key workers. Since 2002/03 6 of these advances have been repaid by the applicants. As at 31 March 2006, there are 9 loans outstanding which will become repayable over the next 11 to 14 years, depending upon when the original loan was advanced. Loans will be repayable earlier if the applicant changes their job and is no longer a key worker.
- 4) This is the first Housing Improvement Loan made by Cotswold District Council. The loan is for a period of 15 years.

## Note B11 Capital Receipts

	Useable 2004/05 £	Useable 2005/06 £
Balance at 1 April	5,186,570	19,759,451
Receipts in the year:		
Sale of Fixed Assets	1,862,984	5,921,660
Repayment of Advances	88,070	93,429
Transfer PCL from Capital Financing Account	18,153,885	0
Commutation Adjustment	(144,161)	(95,830)
Transfer to Creditors for Repaid SHI Loans	0	(45,360)
Pooling Housing Capital Receipts to ODPM	0	(25,158)
Reclassifying Rent Deposit Liabilities	(9,487)	0
Financing New Expenditure	(5,378,411)	(6,910,720)
<b>Balance at 31 March 2006</b>	<b>19,759,451</b>	<b>18,697,472</b>

The Office of the Deputy Prime Minister (ODPM) reconsidered its previous decision that the pooling of housing capital receipts would not apply to debt free authorities such as Cotswold District Council. The payment of £25,158 included £7,145 of capital receipts to be pooled in respect of 2004/05.

The Local Government and Housing Act 1989 required local authorities to set-aside a proportion of capital receipts received to repay debts. These set-aside capital receipts were

held in an account called the Provision for Credit Liabilities (PCL). When an authority became debt-free it was able to use capital receipts held within the PCL to fund new capital expenditure.

The introduction of new Capital Finance and Accounting regulations (Prudential Code) under the Local Government Act 2003, changed the arrangements under which debt-free authorities may spend amounts set aside for debt-redemption. Debt-free authorities were granted powers to transfer across the balance on the PCL account into Capital Receipts (from whence it originally came).

In accordance with the regulations, a transfer of £18,153,885 was made (in the 2004/05 financial year) from the Capital Financing Account (which contained the PCL balance) to Capital Receipts.

## **Note B12 Pension Reserve and Pension Liability**

Name of Fund: **Gloucestershire County Council Pension Fund**

Reporting of FRS17 Pension Costs for the year ending **31 March 2006**

Name of Fund: **Defined Benefit**

Currency and Units: **£m**

Participating Authority: **Cotswold District Council**

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

The latest formal valuation of the fund for the purpose of setting employers' actual contributions was at 31 March 2004, with the next formal valuation due as at 31 March 2007.

The actuary has assumed that the employees continue to earn new benefits in line with the Regulations as they stood as at 31 March 2006.

In preparing the projected pension expense for the year to 31 March 2007, the actuary has allowed for the abolition of the "Rule of 85" for service after 30 September 2006 for certain members. The actuary has also assumed that the Employer's pensionable payroll over the year to 31 March 2007 remains substantially stable, with new entrants replacing any leavers.

The Local Government Pension Scheme (Amendment) Regulations 2006, made a number of changes to the Local Government Pension Scheme benefits with effect from 1 April 2006, including the right of scheme members to elect to take an enhanced tax free lump sum in return for a reduced annual pension. The terms on which the scheme allows for commutation are not actuarially neutral and there is a net benefit to employers of scheme members electing to take enhanced lump sums. The actuary has made no allowance for the possible effect of commutation on the figures. The actuary's view is that allowing for commutation in the 2005/06 FRS17 disclosures would not be straightforward and not necessarily desirable as:

- It is not clear to what extent members would use this option;

and

- It is uncertain how much saving would feed through to employers, given a recent agreement between Trades Unions, employers and the ODPM to pass back 50% of the savings from commutation to members when the new scheme design is agreed.

The Council was alerted to these changes to the actuarial calculations in April 2006. Revised actuarial calculations could have been provided by the actuary but only at considerable cost to the Council. The delay in receiving the FRS 17 report would have jeopardised production of the Statement of Accounts before the statutory 30 June 2006 deadline. For these reasons, together with the actuary's advice that revising the FRS 17 figures would not be good value for the authority, the Council agreed not to request the actuary to produce FRS 17 figures that would estimate the impact of commutation.

The financial assumptions used for the purposes of the FRS17 calculations as at 31st March 2004, 31st March 2005 and 31st March 2006 are as follows:

Assumptions as at	31 March 2006		31 March 2005		31 March 2004	
	% p.a.	Real % p.a.	% p.a.	Real % p.a.	% p.a.	Real % p.a.
Price Increases	3.1%	-	2.9%	-	2.9%	-
Salary Increases	4.6%	1.5%	4.4%	1.5%	4.7%	1.8%
Pension Increases	3.1%	-	2.9%	-	2.9%	-
Discount Rate	4.9%	1.7%	5.4%	2.4%	6.5%	3.5%

The Actuary inflation assumption has been derived by considering the difference in gross redemption yields of traditional and index-linked gilt-edged securities as at 31 March 2006. Salary increases are assumed to be 1.5% more than price increases, in line with the assumption used in the latest formal valuation of the Fund.

The Actuary based his opinion on the assumption that the Employer prepares its accounts in accordance with CIPFA guidance. Therefore, the discount rate employed for the 2005/06 financial year is the yield available on long-dated, high quality corporate bonds (as measured by the yield on iboxx Sterling Corporates Index, AA over 15 years, at the FRS17 valuation date. For accounting periods prior to 2004/05, employers following CIPFA's guidance adopted a real discount rate of 3.5% per annum, as shown in the table above.

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 March 2006 for the year to 31 March 2007).

FRS17 requires that the expected return on assets is to be set by the Employer having taken actuarial advice. The expected returns as at 31 March 2004, 31 March 2005 and 31 March 2006 are shown in the table below:

Asset Class	Expected Return at 31 March 2006 (% per annum)	Expected Return at 31 March 2005 (% per annum)	Expected Return at 31 March 2004 (% per annum)
Equities	7.4%	7.7%	7.7%
Bonds	4.6%	4.8%	5.1%
Property	5.5%	5.7%	6.5%
Cash	4.6%	4.8%	4.0%

There is a range of actuarial assumptions that are acceptable under the requirements of FRS17, particularly in respect of the expected return on equities. The Actuary considers that these assumptions are within the acceptable range and are thus consistent with the requirements of FRS17. The assumed returns are net of administration and investment expenses. Allowance has been included in the cost of accruing benefits for expenses.

Pension fund assets have been valued as follows:

Assets (Employer)	Long Term Return At 31 March 2006 % p.a.	Assets At 31 March 2006 £000	Long Term Return At 31 March 2005 % p.a.	Assets At 31 March 2005 £000	Long Term Return At 31 March 2004 % p.a.	Assets At 31 March 2004 £000
Equities	7.4%	23,617	7.7%	18,098	7.7%	18,400
Bonds	4.6%	8,704	4.8%	7,058	5.1%	4,080
Property	5.5%	2,289	5.7%	1,857	6.5%	1,780
Cash	4.6%	858	4.8%	1,484	4.0%	1,440
<b>Total</b>	<b>6.5%</b>	<b>35,468</b>	<b>6.7%</b>	<b>28,496</b>	<b>7.1%</b>	<b>25,700</b>

The Net Pension Assets are as follows:

	<b>31st March 2006 £000</b>	<b>31st March 2005 £000</b>	<b>31st March 2004 £000</b>
Estimated Employer Assets (A)	35,468	28,496	25,700
Present value of scheme liabilities (i)	54,517	45,550	33,600
Present value of unfunded liabilities (ii)	3,791	3,015	2,500
Total Value of liabilities (B)	58,308	48,565	36,100
<b>Net Pension Asset (A-B)</b>	<b>(22,840)</b>	<b>(20,069)</b>	<b>(10,400)</b>

(i) The Actuary estimates that this liability comprises of approximately £28,079,637, £6,463,499 and £19,974,344 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2006. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable for certain types of employer. However, the Actuary is satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

(ii) For the liabilities as at 31 March 2006, the Actuary has assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 80% of pensioners are married at death and that their spouses will receive a pension equal to 50% of the member's pension as at the date of the member's death.

The pension fund is in deficit amounting to £22,840,000 this compares to revenue reserves of £5,081,031 and capital reserves of £18,697,472.

Upon advice from the actuary, the Council has agreed significant increases in contributions to the pension fund within the Medium Term Financial Plan. It is planned that the deficit will be recovered over the next twenty years.

### **Note B13 Earmarked Reserves**

During 2005/06 a review of earmarked reserves was carried out. The purpose of the review was to identify obsolete reserves where the balance was no longer required and to find a more meaningful method of reporting earmarked reserves.

At its meeting of 16 March 2006, Cabinet approved the recommended reporting arrangements. Earmarked reserves have been grouped together into seven reporting groups, the revised groupings are shown in the table below.

<b>Reserve Category</b>	<b>Purpose</b>
Funds held for Third Parties	Funds held for third parties that the Council cannot utilise for its own activities, e.g. funds held on behalf of the Cotswold Water Park Joint Committee.
Funds held for Third Parties which the Council has the discretion to utilise	Funds from third parties that the Council may utilise at its discretion, e.g. Crime Prevention Initiative, Homelessness Fund, Community Safety.
Funds for Forward Management	Funds for use in financial planning – e.g. use of reserves to support revenue or capital expenditure.
Smoothing Funds	Funds accumulated over several years to pay for specific, regularly occurring events e.g. elections fund, local plan fund.

<b>Reserve Category</b>	<b>Purpose</b>
Planning Delivery Grant Revenue Funds	The Council's Planning Delivery Grant is allocated to fund a number of projects each year.
Service Specific Funds	These are funds established to help finance specific services. Examples of funds in this category include: Museum Purchases Fund, Recycling Vehicle Fund, Planning Appeals and Enforcement. These funds may be established for one off purposes (such as the funding a replacement recycling vehicle) or for ongoing use such as purchasing museum exhibition pieces.
Council Priorities Fund	The Council Priorities Fund has been established for allocation to projects that help the Council to respond its priority areas.

The movement on each category of reserves is summarised in the table below:

<b>Reserve Category</b>	<b>Balance as at 1 April 2005 £</b>	<b>Income £</b>	<b>Expenditure £</b>	<b>Balance as at 31 March 2006 £</b>
Funds held for Third Parties	32,000	27,000	0	59,000
Funds held for Third Parties which the Council has the discretion to utilise	30,211	381,576	269,701	142,086
Funds for Forward Management	3,079,185	645,218	1,077,856	2,646,547
Smoothing Funds	439,301	39,125	186,773	291,653
Planning Delivery Grant Revenue Funds	230,519	329,468	225,528	334,459
Service Specific Funds	660,923	298,305	478,297	480,931
Council Priorities Fund	0	834,734	257,507	577,227
General Reserve – Balance transferred to General Fund Working Balance	96,228	0	96,228	0
<b>Total</b>	<b>4,568,367</b>	<b>2,555,426</b>	<b>2,591,890</b>	<b>4,531,903</b>

The table below shows the earmarked reserves the Council held as at 1 April 2005 and which of the above groupings applied to the reserve.

<b>Reserve Name</b>	<b>Reserve Category</b>
General Reserve	Transferred to General Fund Working Balance
Museum Service Purchase Fund	Service Specific Fund
Economic Development Fund	Service Specific Fund
Graves Maintenance Fund	Service Specific Fund
The Accumulated Interest Fund	Funds for Forward Management
The Leisure and Arts Grants Fund	Balance transferred to Council Priorities Fund

<b>Reserve Name</b>	<b>Reserve Category</b>
The Building Conservation Fund	Service Specific Fund
The Local Plan Fund	Smoothing Fund
The Training Fund	Smoothing Fund
Building Maintenance Fund	Smoothing Fund
The Repairs and Renewal Fund	Balance moved to Council Priorities Fund
The Cotswold Tourism Fund	Service Specific Fund
Dangerous Structures Contingency	Service Specific Fund
Crime Prevention Initiative	Funds held for Third Parties which the Council has the discretion to utilise
Health Development Fund	Service Specific Fund
Benefits Central Register	Funds for Forward Management
Tree Planting ("Orange") Fund	Balance transferred to Countryside Fund (Service Specific Fund).
Cirencester Town Centre Fund	Balance transferred to Council Priorities Fund
Rent Deposit Scheme	Funds held for Third Parties which the Council has the discretion to utilise.
Market Towns Fund	Fund dispersed to Economic Development Fund (service specific fund) and Council Priorities Fund
Housing Enabling Fund	Service Specific Fund
Members Training	Members Training Fund balance transferred to Training Fund (Smoothing Fund).
Property Terrier via GIS	Service Specific Fund
Environmental Strategy Training	Environmental Strategy Training fund was renamed "Recycling Vehicle Fund" and is a Service Specific Fund.
Cotswold Connection' Bus Service	Balance transferred to Council Priorities Fund.
Ward Project Fund	Service Specific Fund
Community Safety	Funds held for Third Parties which the Council has the discretion to utilise.
Community Survey	Balance transferred to new Consultation Fund (Service Specific Fund).
Countryside Fund	Service Specific Fund
Rural Access Fund	Service Specific Fund
Tetbury Dual User Equipment Fund	Balance Transferred to Council Priorities Fund
Mobile Cinema Set Up Fund	Service Specific Fund
Healthy Living Fund	Service Specific Fund
Building Control Improvement Fund	Service Specific Fund
Hard to Reach Research Fund	Balance transferred to Consultation Fund (Service Specific Fund)
Cultural Strategy Fund	Balance transferred to Council Priorities Fund
Museums Grants Fund	Balance transferred to Council Priorities Fund
Corinium Closure Provision	Balance transferred to Council Priorities Fund

<b>Reserve Name</b>	<b>Reserve Category</b>
Corn Hall Closure Provision	Balance transferred to Council Priorities Fund
Medium Term Financial Plan Revenue Support Fund	Funds for Forward Management
Energy Project Fund	Service Specific Fund
Planning Delivery Grant Fund	Planning Delivery Grant Revenue Funds
Planning Appeals and Enforcement	Service Specific Fund
Investing for the Future	Balance to Council Priorities Fund
Interest Received in Advance	Balance to Accumulated Interest Fund (Funds for Forward Management).
Insurance Fund	Service Specific Fund
Election Fund	Smoothing Fund
04/05 Audit Plan	Service Specific Fund
CWP Master Plan Fund	Funds Held for Third Parties
ODPM-Egov & Change Management Programme	Funds held for Third Parties which the Council has the discretion to utilise
ODPM – Homelessness Fund	Funds held for Third Parties which the Council has the discretion to utilise
Personal Cycling Maps	Balance transferred to Council Priorities Fund
DWP Funding – HB System	Funds for Forward Management
WISE Homes Project	Service Specific Fund
DEFRA Waste Fund	Service Specific Fund
Ring Fenced Benefit Reserve	Funds for Forward Management

#### **Note B14 Revenue Balances**

	<b>Balance at 1 April 2005 £</b>	<b>Increase £</b>	<b>Reduction £</b>	<b>Balance at 31 March 2006 £</b>
General Fund Working Balance	452,818	96,310		549,128
Collection Fund	0			0
<b>TOTAL REVENUE BALANCES</b>	<b>452,818</b>	<b>96,310</b>	<b>0</b>	<b>549,128</b>

#### **Note B15 Fixed Asset Restatement Account**

The balance on the Fixed Asset Restatement Account represents the difference between the valuation of assets under the previous and subsequent revaluations. The account will be written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future revaluation.

The freehold and leasehold operational properties that comprise part of the authority's property portfolio were revalued as at 31 March 2004 by King Sturge and Co, Chartered Surveyors, on the under-mentioned basis, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

Operational properties were valued on the basis of the lower of Net Current Replacement Cost or Net Realisable Value. The non-operational properties were valued on the basis of the open market value as at 31 March 2003 and on the whole were introduced into the accounts in 2002/03 with the exception of the Resale Covenant properties, which have been revalued in the 2003/04 accounts.

	2004/2005 £	2005/2006 £
Balance at 1 April	(19,378,342)	(20,539,188)
Prior Year Adjustment	(1,052,771)	0
Revaluation of Fixed Assets	797,243	2,163,514
Disposal of Fixed Assets	(905,318)	(6,057,754)
<b>Balance at 31 March</b>	<b>(20,539,188)</b>	<b>(24,433,428)</b>

King Sturge and Co, Chartered Surveyors, carried out an impairment assessment of the Council's property assets, it was found that no impairment adjustments were necessary.

During 2005/06, a review of depreciation identified that accumulated depreciation in the accounts when property was last valued as at 31 March 2004 had not been written out to the Fixed Asset Restatement Account at that time. This error has been corrected in 2005/06 by increasing the value of fixed assets in the Balance Sheet (see note B1) and taking a corresponding credit of £693,111 to the Fixed Asset Restatement Account.

During 2005/06, the Cotswold Leisure Centre was substantially completed. King Sturge and Co, valued the Leisure Centre using the depreciated replacement cost method of valuation. In addition, building work was completed on social housing properties at Gumstool Hill, Tetbury. The properties were valued at market value, one being sold at open market value; the other property was sold with a resale covenant attached to the property. This resale covenant property is included in the Council's balance sheet at 30% of the market value of the property.

During 2005/06, the Council disposed of land assets valued in the balance sheet at £2.8M. In addition, the old Cotswold Leisure Centre was sold and its net book value of £2.8M was written out of the accounts. The net book value of these assets, predominantly account for the charge of £6,057,754 to the Fixed Asset Restatement Account.

## B16 Capital Financing Account

	2004/2005 £	2005/2006 £
Balance at 1 April	68,454,543	54,395,223
Amortisation of Government Grants Received	218,750	441,089
Deferred Charges Written Down	(1,453,011)	(1,383,644)
Revenue Contributions to Capital Expenditure	98,703	362,186
Capital Funding from Capital Reserve	150,307	0
Application of S106 Developer Contribution	0	14,527
Application of Starter Home Initiative Loan Grant	0	67,680
Excess of Depreciation over MRP	(298,595)	(425,785)
<b>Transfers</b>		
Transfer of PCL to Capital Receipts	(18,153,885)	0
Use of Capital Receipts in year	5,378,411	6,910,720
<b>Balance at 31 March</b>	<b>54,395,223</b>	<b>60,381,996</b>

The capital financing account shows the amount of capital expenditure financed from revenue and capital resources. During 2005/06 £301,555 of capital expenditure was charged to revenue reserves and is included within the revenue contributions to capital expenditure.

### Note B17 Interest in Companies

Some Members of the Council also sit on the management committee of Cotswold Water Park Society Limited, a charitable company registered under the Industrial and Provident Societies Act 1965. This Council also contributes towards the running costs of Cotswold Water Park Society Limited by way of a grant.

As the level of control exercised by the Council is not significant, the company is not deemed to be a regulated company and consequently the activities of the company have not been consolidated into the financial statements of Cotswold District Council.

### Note B18 Contingent Liabilities

Under the agreement for the transfer of the Council's housing stock to Fosseyway Housing Association in 1997, certain warranties were provided to Fosseyway Housing Association and their funders regarding the condition of the stock transferred. The Council has limited the scope of these warranties by disclosing any issues or encumbrances in respect of each property at the time of transfer. No provision has been made in the accounts as any financial impact is contingent upon future events and is not quantifiable.

HM Revenue and Customs are challenging the Council's right to reclaim VAT on behalf of the Cotswold Area of Outstanding Natural Beauty for the financial years 2003/04 and 2004/05. The liability is approximately £45,000.

## **Note B19 Post Balance Sheet Events**

Cabinet decided, at a meeting on 14 July 2005, to reopen the Cotswold Heritage Centre at Northleach. Work has commenced on refurbishment of the centre and it is due to open in the autumn. The tangible fixed assets at the Heritage Centre are included within Non-Operational Surplus Assets on the balance sheet as at 31 March 2006. Upon reopening of the museum these assets of £500,000 will be reclassified under Operational assets.

Cabinet decided, at its meeting of 25 May 2006, to a program of refurbishment for some of the Council's public conveniences. The refurbishment is estimated to cost £1,000,000. Once completed, the refurbished public conveniences will be revalued and the value of operational land and buildings will increase accordingly.

The Council has completed the sale of land or property at the following locations since the 31 March 2006:

<b>Land / Property</b>	<b>Value in Balance Sheet 31 March 2006 £</b>	<b>Sale Price £</b>
The Castle, Chipping Campden	350,000	425,000

The Council has also sold (subject to contract) some land at Willersey. The land is included in the balance sheet at £350,000.

The Council decided, at its meeting of 22 November 2005, to close the Bourton-on-the-Water visitor information centre. Following this decision, the Chamber of Commerce approached the Council expressing a desire to take on operational responsibility for the visitor information centre. Operation of the visitor information centre will transfer to Bourton VIC Ltd with effect from 1 June 2006. The Council will provide a grant to assist with running cost of the centre.

The Local Government Pension Scheme (Amendment) Regulations 2006, made a number of changes to the Local Government Pension Scheme benefits with effect from 1 April 2006, including the right of scheme members to elect to take an enhanced tax free lump sum in return for a reduced annual pension. The terms on which the scheme allows for commutation are not actuarially neutral and there is a net benefit to employers of scheme members electing to take enhanced lump sums. Due to the various uncertainties over take up of the scheme and how much of the savings would feed through to employers, the Council's actuary has made no allowance for the possible effect of commutation on the figures the Council's FRS 17 figures. It is not possible to indicate the "notional" impact of this event on the balance sheet without requesting further information from the Council's actuary that could be provided but at considerable cost to the authority. Further information is contained in balance sheet note B12.

The Statement of Accounts were authorised for issue by the Council's Audit Committee on 27 June 2006. All post balance sheet events occurring up to this date have been included within this note.

## **Note B20 Euro Implementation Costs**

The Council has not incurred any costs in advance of a potential adoption of the Euro. The potential costs of any implementation will be kept under review.

## **Note B21 Trust Funds**

The Council administers a Trust Fund for raising funds for the Corinium Museum. In the past, funds raised by the Trust have contributed to the costs of the refurbishment of the Corinium Museum. The Trust continues to raise funds for the Corinium Museum although work on refurbishment of the museum is completed. Funds raised by the Trust are now available for the Trustees to invest in the Corinium Museum at their discretion.

The balance on the Trust Fund bank account as at 31 March 2006 was £4,657.61.

## **Note B22 Contingent Assets**

### **1) Section 106 Agreements**

Section 106 agreements are attached to some planning decisions and some of these agreements have a financial implication. They are closely monitored to ensure that any section 106 decisions are fully implemented and that the Council receives any financial benefit. The Council may utilise s.106 funds for the purpose stated in the agreement either by itself or by contracting with an external organisation.

In some cases, if the s.106 funds have not been utilised within certain time limits, the funds become repayable to the contributor. For this reason the s.106 funds have been classified as creditor funds (see note B9).

The Council expects to receive Section 106 planning funds amounting to £200,000 in the 2006/07 year.

### **2) Value Added Tax**

The VAT assessment for the year ended 31 March 2006 is only for the payments due for 2005/06. The authority is pursuing a possible retrospective claim regarding VAT paid to Customs and Excise in respect of Car Parking Income. The Isle of Wight County Council has appealed against the levy of VAT on car parking charges and has won the court case. The Customs and Excise department have lodged an appeal and further details will be issued as and when things become clearer.

If the appeal by Customs and Excise fails, and the Council subsequently wins its own tribunal case, the amount of overpaid VAT due to the Council would be in the region of £1.6M.

### **3) Capital Receipt from the Sale of the Corn Hall, Cirencester**

A capital receipt is expected from the sale of the Corn Hall during 2006/07. The Council is in the early stages of negotiations over disposal of this asset therefore the value of the capital receipt is yet to be determined.

## **Note B23 Deferred Grants**

The Statement of Recommended Practice requires capital grants and contributions to be accounted for on a deferred credit method. In 2005/06 some capital grants were received which could not be fully applied to capital expenditure within the year. These unapplied capital grants are shown in the Deferred Government Grants Unapplied Account.

Once capital grants are applied to capital expenditure, the grant is released to the Asset Management Revenue Account over the life of the asset to match any depreciation charges.

## Deferred Government Grants Applied

The movements on the Deferred Capital Grants Applied account are as follows:

	Balance 1 April 2005 £	Applied In Year £	Amortised to Asset Mangement Revenue Account £	Balance 31 March 2006 £
Corinium Museum, Cirencester	2,682,250	0	68,125	2,614,125
Cotswold School, Bourton on the Water	120,000	0	3,000	117,000
Chipping Campden Dual User	8,000	0	200	7,800
Cotswold Museum Charitable Trust	147,290	0	3,682	143,608
E Government	137,286	116,681	34,322	219,645
Gloucestershire CC Wheelie Bins	495,041	0	123,760	371,281
Disabled Facilities Grant	0	208,000	208,000	0
DWP New Housing Benefits Comp System	0	165,334	0	165,334
DEFRA Waste Grant Recycling Vehicle	0	14,803	0	14,803
Planning Delivery Grant	0	23,820	0	23,820
St James Place Contribution to CLC	0	25,000	0	25,000
<b>Total</b>	<b>3,589,867</b>	<b>553,638</b>	<b>441,089</b>	<b>3,702,416</b>

## Deferred Government Grants Unapplied

The movements on the Deferred Capital Grants Unapplied account are as follows:

	Balance 1 April 2005 £	Received In Year £	Applied In Year £	Balance 31 March 2006 £
E Government	212,714	150,000	116,681	246,033
Gloucestershire CC Wheelie Bins	4,959	941	0	5,900
Disabled Facilities Grant	0	208,000	208,000	0
DWP Housing Benefits Computer System	33,067	132,267	165,334	0
DEFRA Waste Grant Recycling Vehicle	0	14,803	14,803	0
Planning Delivery Grant	0	88,322	23,820	64,502
St James Place Contribtution to CLC	0	25,000	25,000	0
<b>Total</b>	<b>250,740</b>	<b>619,333</b>	<b>553,638</b>	<b>316,435</b>

## STATEMENT OF TOTAL MOVEMENT IN RESERVES

	Note	2004/05 £	2005/06 £
Surplus / (deficit) for the year General Fund:		278,882	96,310
Add back Movements on earmarked revenue reserves		(902,967)	(36,464)
Deduct Appropriations from pension reserve		(11,465,000)	(3,233,000)
Actuarial gains/losses relating to pensions		<u>1,796,000</u>	<u>462,000</u>
<b>Total increase/(decrease) in revenue reserves</b>	M1	<b>(10,293,085)</b>	<b>(2,711,154)</b>
Increase/(decrease) in useable capital receipts		14,572,881	(1,036,821)
Increase/(decrease) in capital reserves		(150,307)	0
Increase/(decrease) in capital grants and contributions		2,002,612	178,244
Contribution to ODPM Capital Pooling		0	(25,158)
<b>Total increase/(decrease) in realised capital resources</b>	M2	<b>16,425,186</b>	<b>(883,735)</b>
Gains / (losses) on revaluation of fixed assets		(255,528)	2,163,514
Impairment losses on fixed assets due to general changes in prices		<u>0</u>	<u>0</u>
<b>Total increase/(decrease) in unrealised value of fixed assets</b>	M3	<b>(255,528)</b>	<b>2,163,514</b>
Value of fixed assets sold, disposed of or decommissioned	M4	<b>(905,318)</b>	<b>(6,057,754)</b>
Capital receipts set aside		(18,153,885)	0
Capital resources set aside to finance fixed assets		5,627,421	7,355,113
Movement on Government Grants Deferred		218,750	441,089
Other transfers to Consolidated Revenue Account		(1,751,606)	(1,809,429)
Movement in Major Repairs Reserve		<u>0</u>	<u>0</u>
<b>Total increase/(decrease) in amounts set aside to finance capital investment</b>	M5	<b>(14,059,320)</b>	<b>(70,981)</b>
<b>Total recognised gains and losses</b>		<b>(9,088,065)</b>	<b>(1,502,356)</b>

## Note M1 Movement in Revenue Resources

	General Fund £	Ear Marked Reserves £	Pensions Reserve £
Balance B/Fwd 1 April 2005	452,818	4,568,367	(20,069,000)
Surplus/(deficit) for 2005/06	96,310		
Appropriation to/(from) revenue		(36,464)	(3,233,000)
Actuarial gains/(losses) relating to pensions			462,000
<b>Balance C/Fwd 31 March 2006</b>	<b>549,128</b>	<b>4,531,903</b>	<b>(22,840,000)</b>

**Table 1: Movement in Revenue Resources**

For 2004/05, the SORP required local authorities to measure pensions liabilities using the basis set out in FRS 17. Actuaries were therefore required to use the current rate of return on an AA rated corporate bond instead of a specified rate of 3.5% real. It was expected that pensions liabilities used for calculating 2004/05 movements would effectively be recalculated using the AA bond rate at midnight on 1 April 2004. The difference between the old and the new figure would then be an actuarial loss for 2004/05. The restated liabilities would be those used to calculate the amount for the interest cost for 2004/05 (the debit to revenue that unwinds the discounting as the authority moves another year closer to having to settle the liabilities).

The Council's actuary Hymans Robertson (who act on behalf of many local authorities) have not adjusted the 31 March 2004 balance of liabilities but have rolled this forward to 1 April 2004 and used the unadjusted balance for the calculation of interest costs. Use of the unadjusted balance of liabilities has the effect of understating the interest cost for 2004/05 and overstating the year's actuarial losses.

This has no impact on the figures reported in the balance sheet (Note B12) – liabilities at the start and end of the year are stated appropriately, but the movement will have been misallocated; interest costs should have been higher and actuarial gains and losses lower. The impact of this would have been reflected in the Experience gains/(losses) on liabilities in Table 2 below.

There are no resource implications for the authority – interest cost is debited to the Consolidated Revenue Account to score against net operating expenditure, but is then compensated for by an appropriation from the pensions reserve to ensure that it has no impact on council tax.

The Statement of Recommended Practice 2005 requires the following information regarding defined benefit pension schemes to be declared:

	Year to 31 March 2006 £(000)	Year to 31 March 2005 £(000)	Year to 31 March 2004 £(000)	Year to 31 March 2003 £(000)
Difference between the expected and actual return on assets	4,753	665	3,370	(7,500)
Value of assets	35,468	28,496	25,680	20,300
<b>Percentage of Assets</b>	13.4%	2.3%	13.1%	(36.9%)
Experience gains/(losses) on liabilities	(601)	(1,350)	390	-
Total present value of liabilities	58,308	48,567	36,130	34,300
<b>Percentage of the total present value of liabilities</b>	(1.0%)	(2.8%)	1.1%	-
The effects of changes in the demographic and financial assumptions underlying the present value of scheme liabilities	(6,661)	(7,436)	-	-
Total present value of liabilities	58,308	48,567	36,130	34,300
<b>Percentage of the total present value of liabilities</b>	(11.4%)	(15.3%)	-	-

*Table 2: History of Experience Gains and Losses*

## Note M2 Movement in Realised Capital Resources

	Usable Capital Receipts £	Earmarked Capital Reserve £	Applied / Unapplied Capital Grants and Contributions £
Balance B/Fwd 1 April 2005	19,759,451	0	3,840,607
Amount receivable in 2005/06	6,015,089		619,333
Amounts applied to finance new capital in 2005/06	(6,910,720)		
Commutation Adjustment	(95,830)		
Starter Home Initiative Recycled Grant Creditor	(45,360)		
Contribution to ODPM Housing Capital Pool	(25,157)		
Amortisation of Government Grants			(441,089)
<b>Total Increase/(decrease) in realised capital resources in 2005/06</b>	<b>(1,061,979)</b>	<b>0</b>	<b>178,245</b>
Balance C/Fwd 31 March 2006	18,697,472	0	4,018,852

**Note M3 Movement in Unrealised Fixed Assets**

	<b>Fixed Asset Restatement Account £</b>
Balance Brought Forward 1 April 2005	(20,539,188)
Gains /(losses) on prior year adjustment to asset values	
Gains/(losses) on revaluation of fixed assets in 2005/06	2,163,514
Impairment losses on fixed assets due to general change in prices in 2005/06	0
<b>Total increase/(decrease) in unrealised capital resources in 2005/06</b>	<b>2,163,514</b>

**Note M4 Value of Assets Sold, Disposed of or Decommissioned**

<b>Amounts written off fixed assets balances for disposals in 2005/06</b>	<b>(6,057,754)</b>
Total movement in reserve 2005/06	(3,894,240)
Balance Carried Forward 31 March 2006	(24,433,428)

**Note M5 Movements in amounts set aside to finance capital investment**

	<b>Capital Financing Account £</b>
Balance Brought Forward 1 April 2005	54,395,223
Transfer of PCL balance to Capital Receipts	0
<b>Total receipts set aside in 2005/06</b>	<b>0</b>
Capital resources set aside in 2005/06	
- capital expenditure financed from capital receipts	6,910,720
- capital expenditure financed from revenue & capital reserves	362,186
- capital expenditure financed from S106 contribution	14,527
- capital expenditure financed from SHI Recycled Grant	67,680
<b>Total capital resources set aside in 2005/06</b>	<b>7,355,113</b>
Amortisation of Government Grants	441,089
Applications regarding writing out Deferred Charges etc.	(1,383,644)
Amounts credited to asset management revenue account in 2005/06	(425,785)
Movement on Government Grants Deferred	<b>(1,368,340)</b>
<b>Total increase/(decrease) in amounts set aside to finance capital investment</b>	<b>5,986,773</b>
Balance carried forward 31 March 2006	60,381,996

Capital Receipts of £95,830 were used for the Commutation adjustment and taken to revenue, £6,910,720 were used to fund capital expenditure. A Capital Receipts balance of £18,697,472 remains to finance future capital expenditure.

2004/2005 £000	2004/2005 Restated £000		Note	2005/2006	
				£000	£000
		<b>REVENUE ACTIVITIES</b>			
		<b>Cash Outflows</b>			
7,573	7,573	Payments to and on behalf of employees		9,082	
37,770	37,770	Precepts Paid		39,709	
18,123	18,123	Non-Domestic Rates paid to National Pool		18,813	
0	0	Payments to the Capital Receipts Pool		23	
12,334	12,334	Housing Benefits Paid Out		12,989	
11,779	11,779	Other Operating Costs		15,157	
87,579	87,579				95,773
		<b>Cash Inflows</b>			
(233)	(233)	Rents (after rebates)		(252)	
(40,422)	(40,422)	Council Tax		(42,605)	
	(2,184)	National Non-Domestic Rate Receipts from national pool	CF2	(2,360)	
(18,120)	(18,120)	Non-domestic rate receipts		(19,246)	
	(2,215)	Revenue Support Grant	CF2	(2,192)	
	(15,854)	DSS Grants for Benefits	CF2	(17,254)	
(20,417)	(610)	Other Government Grants	CF2	(1,004)	
	(5,491)	Cash received for goods and services		(5,978)	
(7,775)	(1,838)	Other operating cash receipts		(4,102)	
(86,967)	(86,967)				(94,993)
612	612	<b>Net Cash Outflow from Revenue Activities</b>			780
		<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
		<b>Cash Outflows</b>			
	0	Interest paid		0	
	0	Interest Element of finance lease rental payments		0	
		<b>Cash Inflows</b>			
(1,440)	(1,440)	Interest Received		(1,054)	0
(1,440)	(1,440)	<b>Net Cash Outflow (inflow) from Investments and Servicing Finance</b>			(1,054)
		<b>Net Cash Outflow (Inflow) from Revenue Activities, Investments and Servicing Finance</b>	CF1		(274)
(828)	(828)				
		<b>CAPITAL ACTIVITIES</b>			
		<b>Cash Outflows</b>			
5,057	5,057	Purchase of Fixed Assets		6,760	
1,453	1,453	Payment of Improvement and Other Grants		1,297	
0	0	Advance Made		87	
0	176	Other capital cash payments		0	
0	0	Long Term Investments Purchased		0	
6,510	6,686				8,144
		<b>Cash Inflows</b>			
(1,863)	(1,863)	Sale of Fixed Assets		(5,922)	
(101)	(101)	Repayment of Advances		(139)	
		<b>Capital Grants Received</b>			
(627)	(627)	Government Grants	CF2	(2,032)	
29	(147)	Other Grants and Receipts	CF2	(25)	
0	0	Other capital cash receipts		(337)	
(2,562)	(2,738)				(8,455)
3,948	3,948	<b>Net Cash Outflow (inflow) from Capital Activities</b>			(311)
3,120	3,120	<b>Net Cash (Inflow) / Outflow before financing</b>			
		<b>MANAGEMENT OF LIQUID RESOURCES</b>	CF3		
81,241		Short Term Investments Purchased			
(84,469)		Short Term Investments Realised			
(3,228)	(3,228)	Net increase / (decrease) in short-term deposits		472	
0	0	Net Increase / (decrease) in other liquid resources			
(3,228)	(3,228)				472
		<b>FINANCING</b>			
		<b>Cash Outflows</b>			
	0	Repayments of amounts borrowed		0	
	0	Capital element of finance lease rental payments		0	
	0				0
		<b>Cash Inflows</b>			
	0	New loans raised		0	
	0	New short-term loans		0	
	0				0
(108)	(108)	<b>Net increase / decrease in cash</b>	CF4		(113)

The Cashflow statement has been amended to reflect SORP requirements, comparators for 2004/05 have been restated accordingly.

## Note CF1 Reconciliation of Net Cash Outflow From Revenue Activities

	2004/2005 £000	2005/2006 £000
Deficit/(Surplus) per Consolidated Revenue Account	(279)	(96)
Collection Fund Deficit/(Surplus)	0	0
<b>Adjust For:</b>		
(Increase)/Decrease in Financing Items	0	(61)
Capital Pooling	0	23
(Increase)/Decrease in Revenue Creditors	(1,560)	383
(Increase)/Decrease in Stocks	0	(5)
(Increase)/Decrease in Revenue Debtors	62	(349)
(Increase)/Decrease in Reserves	948	(169)
	(550)	(178)
<b>Plus</b>		
Interest Received	1,440	1,054
<b>Net Cash Outflow from Revenue Activities</b>	<b>612</b>	<b>780</b>

## Note CF2 Analysis of Grants

	2004/2005 £000	2005/2006 £000
<b>Revenue Grants</b>		
Revenue Support Grant	(2,215)	(2,192)
National Non-Domestic Rates	(2,184)	(2,360)
<b>DSS Grants for Rebates:</b>		
Council Tax Benefits	(3,351)	(3,555)
Rent Allowances / Benefits	(11,923)	(13,026)
Administration etc.	(580)	(673)
Cost of Non-Domestic Rate Collection	(164)	(171)
Local Authority Business Growth Incentive	0	(317)
DEFRA Waste	(41)	(12)
PDG Revenue	(358)	(265)
ODPM Homeless	(47)	(18)
DWP DIP System	0	(13)
GOSW Support forEGov Revenue	0	(208)
	<b>(20,863)</b>	<b>(22,810)</b>
<b>Capital Grants</b>		
<b>Government Grants</b>		
Specified Capital Grant (Improvement Grants)	(244)	(208)
E Government Strategy	(350)	(150)
DWP Benefits Computer System	(33)	(99)
Planning Delivery Grant	0	(88)
DEFRA Waste	0	(15)
	<b>(627)</b>	<b>(560)</b>
<b>Other Grants &amp; Receipts:</b>		
Corinium Museum - Heritage Lottery Fund	0	(971)
Gloucestershire County Council	0	(501)
St James Place	0	(25)
Corinium Museum Charitable Trust	(147)	0
Section 106 Agreements	176	(337)
	<b>29</b>	<b>(1,834)</b>
<b>Total Capital Grants and Receipts</b>	<b>(598)</b>	<b>(2,394)</b>

### Note CF3 Management of Liquid Resources and Financing

	Temporary Investments £000	Managed Funds £000	Total Movement In Liquid Resources £000	Total Movement In Financing £000
<b>Balance as at 1 April 2005</b>	800	25,795	26,595	0
Investments Purchased	76,500	27,809	104,309	
Investments Realised	(72,600)	(31,000)	(103,600)	
Total in year Movement	3,900	(3,191)	709	0
<b>Balance Sheet as at 31 March 2006</b>	<b>4,700</b>	<b>22,604</b>	<b>27,304</b>	<b>0</b>

Liquid resources are the Council's short-term investments handled by either the authority's in-house treasury management team or funds managed by AllianceBernstein Ltd and Tradition (UK) Ltd.

### Note CF4 Net Increase in Cash

	At 31 March 2005 £000	Movement In the Year £000	At 31 March 2006 £000
Cash at Bank (overdrawn)/in hand	124	113	237

### Note CF5 Reconciliation of the Movement in Cash to the Movement in Net Debt

The authority was debt free at the beginning and end of the financial year.