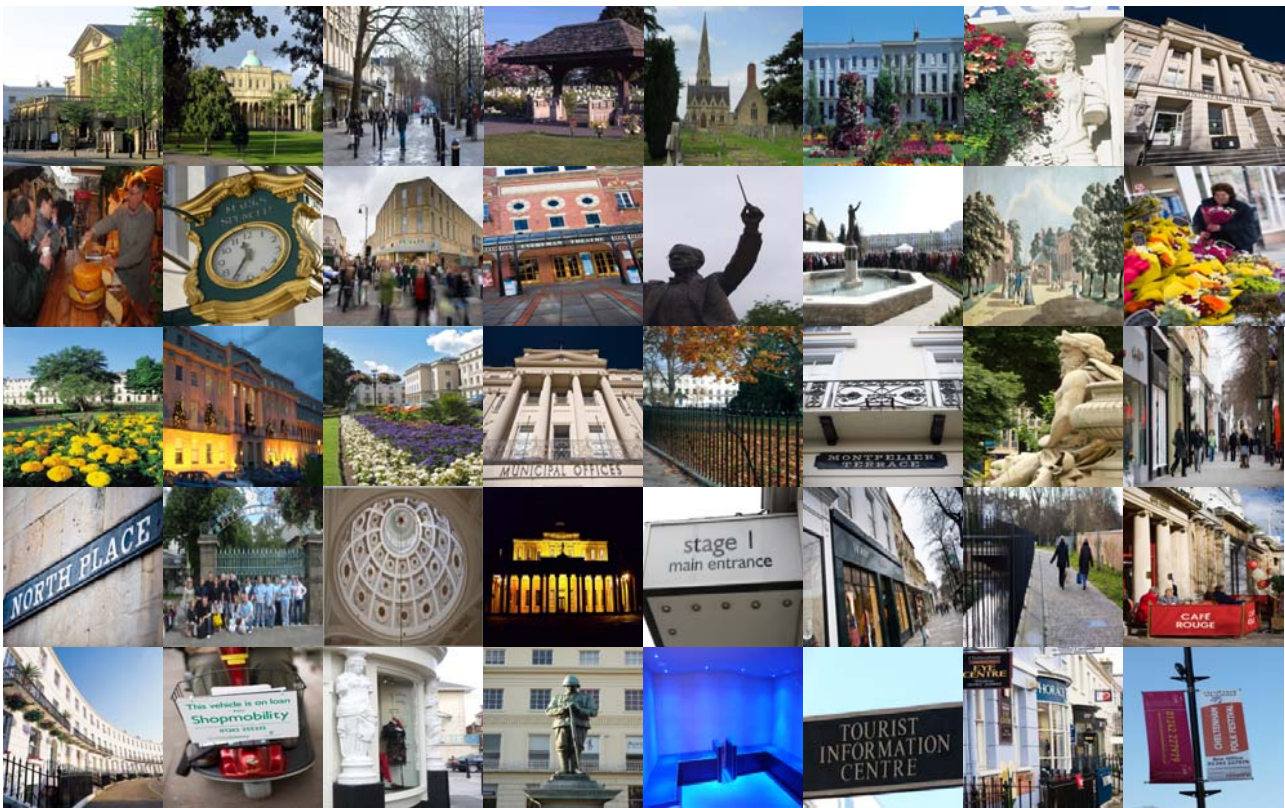


CHELTENHAM BOROUGH COUNCIL

Draft statement of accounts 2009/10



CHELTENHAM
BOROUGH COUNCIL



INVESTOR IN PEOPLE

CONTENTS

Page(s)

1 – 19	Explanatory Foreword
20 – 30	Statement of Accounting Policies
31	Statement of Responsibilities for the Statement of Accounts
33	Income and Expenditure Account
34 – 35	Statement of Movement on the General Fund Balance
36	Statement of Total Recognised Gains and Losses (STRGL)
37	Balance Sheet
38	Cash Flow Statement
39 – 75	Notes to the Core Financial Statements
76 – 80	Housing Revenue Account
81 – 83	Collection Fund
84 – 91	Group Accounts
92 – 100	Annual Governance Statement
101– 104	Glossary of Terms

CHELTENHAM BOROUGH COUNCIL

Address and Telephone Number	
Address:	Municipal Offices, Promenade, Cheltenham, Gloucestershire, GL50 9SA
Telephone (All Departments):	01242 262626
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Website:	www.cheltenham.gov.uk
Mayor and Deputy Mayor in the 2009/10 Municipal Year	
Mayor:	Councillor L Surgenor
Deputy Mayor:	Councillor A Regan
Cabinet in 2009/10	
Leader of the council	Councillor S Jordan
Cabinet Member Corporate Services	Councillor C Hay
Cabinet Member Sport and Culture	Councillor A McKinlay
Cabinet Member Built Environment	Councillor J Morris
Cabinet Member Finance and Community Development	Councillor J Webster
Cabinet Member Housing and Safety	Councillor B Fisher
Cabinet Member Sustainability	Councillor R Whyborn
Chairman of Committees in 2009/10	
Licensing Committee	Councillor D Seacome
Planning Committee	Councillor J Fletcher
Economy and Business Improvement Overview and Scrutiny Committee	Councillor M Stennett
Environment Overview and Scrutiny Committee	Councillor P Hall
Social and Community Overview and Scrutiny Committee	Councillor D Smith
Audit Committee	Councillor A Wall
Staff and Support Services Committee	Councillor S Jordan
Standards Committee	Mr S. Lainé (Independent Member)
Chief Officers in 2009/10	
Chief Executive	Mr. A North
Strategic Director	Mr. G Lewis
Strategic Director	Mrs. P Pratley
Chief Finance Officer (Section 151 Responsible Officer)	Mr. M Sheldon
Monitoring Officer / Borough Solicitor	Ms. S Freckleton
External Auditor in 2009/10	
Appointed Auditor:	KPMG LLP
Address:	Marlborough House, Fitzalan Court, Fitzalan Road, Cardiff, CF24 0TE
Bankers in 2009/10	
Bankers:	Lloyds TSB
Address:	130 High Street, Cheltenham, GL50 1EW

CHELTENHAM PROFILE

Cheltenham is one of Britain's finest spa towns, set in a sheltered position between the rolling Cotswold Hills and the Severn Vale. It has a population of 112,300 and with its architectural heritage, educational facilities and quality environment; Cheltenham is an attractive place to live, work and play.

Cheltenham is home to a number of festivals that take place throughout the year which include the world-renowned Jazz, Music, Science and Literature Festivals. Cheltenham Racecourse hosts sixteen events every year including the Gold Cup Festival. The borough also plays host to the Everyman Theatre and the Playhouse Theatre, both of which offer a rich and varied programme of professional and amateur performing arts. Cheltenham Art Gallery and Museum has national recognition as a museum with an outstanding collection.

However, despite Cheltenham being a relatively affluent place, this wealthy image can obscure the fact that we have areas of poverty and deprivation. The Indices of Deprivation 2007 (ID2007) show a band of deprivation that runs East/West from Springbank, Hesters Way, St. Peters, St. Pauls and Oakley with the two deprivation hotspots of St. Marks and St. Pauls.

The council was scored as providing a *Good Service* in the Comprehensive Performance Assessment and is looking to improve further in

the next 12 months. It was one of the first local authorities to gain the Investors in People award in 1995 and has retained it for 15 years and considers itself to be an employer of choice. It has an extensive apprenticeship scheme helping to develop its workforce. It also has a Leadership Development programme for directors and senior managers to help deliver the organisational change.

The council is a member of the Cheltenham Strategic Partnership and has aligned its business plan to the sustainable community strategy. It has extensive links with numerous community partnerships.

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

The council has an extensive property portfolio including a number of listed buildings that are operated by the council including the Town Hall, Pittville Pump Room and Art Gallery and Museum. It also has a share in the Regent Arcade shopping centre. These properties help provide the council with a funding stream to support its services.



POLITICAL STRUCTURE

The council has 40 elected members and holds elections every two years for which 50% of the seats are put up for re-election. Following the elections in May 2008 the council was “no overall control” though the council elected Councillor Steve Jordan as Leader of the council who appointed a Liberal Democrat Cabinet. The latest elections were held in May 2010 and the Liberal Democrat party now has overall control.

The council is chaired by the Mayor and is responsible for setting the budget and policy

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



PERFORMANCE MANAGEMENT

The council's vision as set out in Cheltenham's Sustainable Community Strategy as the basis of its framework has adopted the twenty year vision for Cheltenham:

We want Cheltenham to deliver a sustainable quality of life, where people, families, their communities and businesses thrive; and in a way which cherishes our cultural and natural heritage, reduces our impact on climate change and does not compromise the quality of life of present and future generations.

Applying this twenty year vision, Cheltenham Borough Council has developed an overarching message designed to inspire employees and members to contribute effectively towards ensuring that the borough of Cheltenham remains successful, to set the ethos and culture of the council and to focus all officers and members efforts on a common goal. Our overarching message is simply:

“Working together to create a great future for Cheltenham”

Our Business plan 2010-2015 and its associated action plan for 2010/11 were agreed by Council on 29th March 2010. In the business plan, the council set out its aims for the next three years which were:

Community objectives:

- Enhancing and protecting our economy
- Strengthening our economy
- Strengthening our communities

Cross cutting objectives:

- Enhancing the provision of Arts & Culture
- Ensuring we provide value for money services that effectively meet the needs of our customer.

The importance of performance management

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

The annual report provides an assessment of our performance against our business plan targets as set out in "Our plans for 2009/10". The report also includes reference to our use of resources assessment and our annual audit letter, all of

which provide a useful summary of progress over the past year.

Overall the council performed well during 2009/10. We continued to get recognition for our high standards, good performance, sound financial management and value for money. The Audit Commission gave us an overall score of 3 for its Use of Resources assessment, indicating that the council performs 'consistently above minimum requirements - performing well'.

This Annual Report should be read in conjunction with the Annual Accounts to give you a balanced view of the council's work and finances. If there is anything that you would like to tell us so that we can improve things further, then please do not hesitate to contact us.



Performance during 2009/10

In the 2009/10 business plan we identified 133 milestones to track our progress. We completed 94% of our business plan actions with only 7 (6%) not being completed in the year, the rest being cancelled or deferred into 2010/11. This is an improvement on last year and out of those that were not completed in the year all but one will be taken forward in 2010/11.

In the 2009/10 business plan we identified 66 key indicators to track our progress. Out of these 83% were on or above target, compared to 85% in 2008/09. Overall we perform well, deliver value for money and monitor our performance well. The increasing pressures on our resources and the impact of the recession mean that we have been unable to deliver improvements consistently across all of our service areas. We have therefore moved to fewer high-level objectives and are clearer about our priorities, that reflect community needs and provide a framework for community outcomes. Some of these outcomes will be delivered by the council, but for many will involve working in partnership with other organisations.

EXPLANATORY FOREWORD

STATEMENT OF ACCOUNTS 2009/10

The purpose of this explanatory forward is to provide electors, local taxpayers, members of the authority and other interested parties with an easy to understand guide to the most significant matters reported in the accounts. It provides an explanation in overall terms of the authority's financial position and assists in the interpretation of the accounting statements, including the Group Accounts. The statements should inform readers of the cost of services provided by the council in the year 2009/10 and the council's assets and liabilities at the year end.

INTRODUCTION

The Accounts for the year ending 31st March 2010 have been prepared and published in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 (the SORP), published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The following statements are included:

Statement of Responsibilities for the Statement of Accounts	Sets out the respective responsibilities of the authority and the Chief Financial Officer for the accounts.
Income and Expenditure Account	This reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers.
Statement of the Movement on the General Fund Balance	This is a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising council tax.
Statement of Total Recognised Gains and Losses (STRGL)	This demonstrates how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.
Balance Sheet	This summarises the overall financial position of the council at 31 st March 2010, showing its assets, liabilities and reserves.
Cash Flow Statement	This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
Housing Revenue Account	A separate account, required by law, which shows income and expenditure associated with the provision of council housing.
Collection Fund	Reflects the statutory requirement to maintain a separate Collection Fund which shows the transactions in relation to non-domestic business rates and the council tax, indicating how the amounts collected are distributed to Gloucestershire County Council, Gloucestershire Police Authority and Cheltenham Borough Council.
Group Accounts	These bring together the accounts of Cheltenham Borough Council, Cheltenham Borough Homes and Gloucestershire Airport Ltd, in which the council has a 50% shareholding.
Annual Governance Statement	This sets out how the council is meeting its obligations and what improvements it intends to make to its systems of internal control and corporate governance arrangements.

These accounts are supported by a Statement of Accounting Policies, appropriate notes and a glossary of terms to provide readers with further information.

COUNCIL SPENDING

STATEMENT OF ACCOUNTS 2009/10

Cheltenham Borough Council is a large organisation employing over 600 people. The activities vary widely and include the provision and upkeep of council housing, collection of refuse, leisure and recreation, car parking, cemeteries and crematoria, environmental health and many other services.

GENERAL FUND REVENUE BUDGET

In February 2009, the council set a budget of £16.461m for spending on General Fund Services (excluding spending on council housing), of which £1.646m was to be financed by government grant, £7.129m from non domestic rates and £7.686m from local council tax payers. The table below compares the financial outturn with the budget as detailed in the council's budget book, followed by a brief explanation of the financial aspects of the council's activities, drawing attention to the main characteristics of the council's financial position.

	Original Budget 2009/10 £	Revised Budget 2009/10 £	Outturn 2009/10 £	Variance 2009/10 £
SERVICES				
Strategic Management	277,100	418,600	253,571	(165,029)
Assistant Chief Executives	2,300,500	2,987,000	2,911,324	(75,676)
Built Environment	1,246,600	1,123,100	683,137	(439,963)
Community Services	2,315,200	2,331,800	2,361,069	29,269
Customer Access & Service Transformation	539,500	577,600	425,932	(151,668)
Financial Services	1,306,300	1,364,400	1,388,367	23,967
Health & Culture	4,082,400	5,097,300	4,983,664	(113,636)
Human Resources & Organisation Dev'pment	14,600	-	(22,870)	(22,870)
Legal & Democratic Services	1,202,250	1,277,900	1,283,992	6,092
Operations	4,402,000	5,284,300	5,486,978	202,678
Programmed Maintenance	878,600	741,850	843,650	101,800
Business Change	72,500	339,500	207,667	(131,833)
Bad debt provision	45,000	40,000	38,052	(1,948)
Single Status	405,000	-	-	-
Target savings	(480,000)	(60,000)	-	60,000
TOTAL NET SERVICE EXPENDITURE	18,607,550	21,523,350	20,844,533	(678,817)
Capital charges	(823,800)	(1,694,200)	(1,694,294)	(94)
Interest and investment income	-	147,400	125,599	(21,801)
Use of balances and reserves	(1,322,797)	(3,437,900)	(2,736,889)	701,011
NET BUDGET	16,460,953	16,538,650	16,538,949	299
FINANCED BY:				
Area Based Grant	-	(22,500)	(22,811)	(311)
Business Growth Incentive Scheme (LABGI)	-	(55,197)	(55,197)	0
Revenue Support Grant	(1,645,562)	(1,645,562)	(1,645,562)	0
National Non-Domestic Rate	(7,129,422)	(7,129,422)	(7,129,421)	1
Collection Fund Contribution	(33,500)	(33,500)	(33,489)	11
Council Tax	(7,652,469)	(7,652,469)	(7,652,469)	0
	(16,460,953)	(16,538,650)	(16,538,949)	(299)

The council is required to analyse the expenditure for the year 2009/10 in a standard way in order to enable comparisons to be made between different local authorities. This re-presentation of the above position is contained in the form of the Income and Expenditure Account. The council has its own

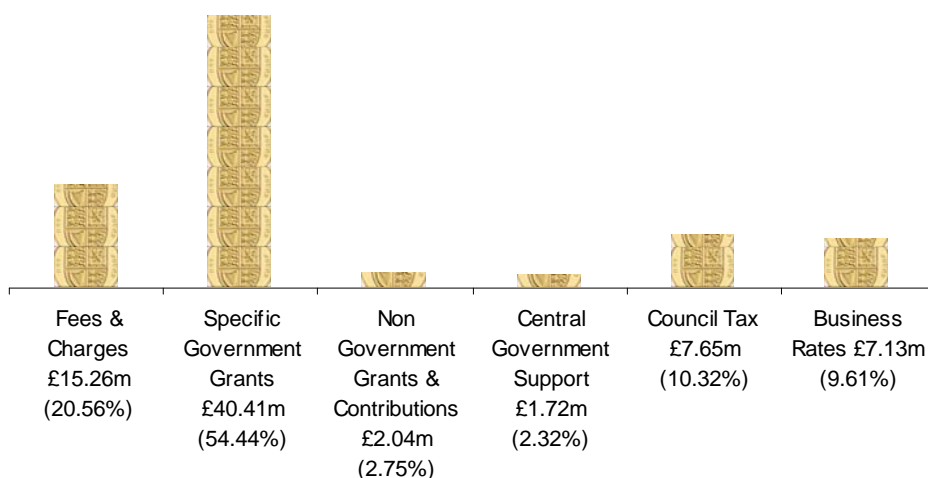
STATEMENT OF ACCOUNTS 2009/10

management arrangements and presents budgets and monitoring statements to Cabinet and Council which are grouped according to these local arrangements.

During 2009/10 the council continued with the process of formal monitoring of budgets which are reported to Cabinet on a quarterly basis in line with best practice and on the recommendation of the Audit Commission. This has assisted in strengthening the sound management of the council's finances and provides a mechanism to ensure that any budgetary problems are identified and rectified as soon as possible during the year.

WHERE THE MONEY CAME FROM

The following chart provides an analysis of our main sources of income this year for the General Fund (i.e. it excludes income in respect of the Housing Revenue Account). The Government provides our main source of income in the form of general and specific grants. The Government also determines the amount of business rates we receive.



BUDGET SAVINGS

The council's track record of strong financial management was maintained during 2009/10 which resulted in council services being delivered within revised budget, with a saving made in 2009/10 of £9,144. The budget saving has been transferred to general balances. The following summary identifies the major variances between the revised budget and the actual outturn as follows:

	Overspend / (Underspend) £
Shortfall of Income	114,142
Additional Employee costs	82,338
Other expenditure savings	(183,823)
Treasury Management – effect from impairment of Icelandic Investments	(21,801)
Net Saving	(9,144)

WHERE THE MONEY WENT

The following table is a summary of General Fund spend based on the council's key priorities (which excludes the Housing Revenue Account).

STATEMENT OF ACCOUNTS 2009/10

	Original Budget 2009/10 £	Revised Budget 2009/10 £	Outturn 2009/10 £	Variance 2009/10 £
GROUP DIRECTORATES				
Priority 1 – Enhancing & Protecting our Environment	6,276,400	6,672,000	6,103,124	(568,876)
Priority 2 – Strengthening our Economy	853,900	794,000	776,683	(17,317)
Priority 3 – Strengthening our Communities	5,233,300	5,842,650	5,913,313	70,663
Priority 4 – Enhancing the Provision of Arts & Culture	2,632,800	3,078,500	2,889,204	(189,296)
Priority 5 – Ensuring we provide Value for Money Services that effectively meet the needs of our Customers	4,584,650	5,136,200	5,162,209	26,009
TOTAL NET SERVICE EXPENDITURE	19,581,050	21,523,350	20,844,533	(678,817)
Capital charges	(823,800)	(1,694,200)	(1,694,294)	(94)
Interest and investment income	-	147,400	125,599	(21,801)
Use of balances and reserves	(2,296,297)	(3,437,900)	(2,736,889)	701,011
NET BUDGET	(16,460,953)	16,538,650	16,538,949	299
FINANCED BY:				
Area Based Grant	-	(22,500)	(22,811)	(311)
Business Growth Incentive Scheme (LABGI)	-	(55,197)	(55,197)	0
Revenue Support Grant	(1,645,562)	(1,645,562)	(1,645,562)	0
National Non-Domestic Rate	(7,129,422)	(7,129,422)	(7,129,421)	1
Collection Fund Contribution	(33,500)	(33,500)	(33,489)	11
Council Tax	(7,652,469)	(7,652,469)	(7,652,469)	0
	(16,460,953)	(16,538,650)	(16,538,949)	(299)



However the above summary does not show how the money was used to deliver our 5 key priorities. Below we explain spend in terms of the services you see for the council tax you pay:

Priority 1 - Enhancing & Protecting our Environment

Total net spend of £6.1m

Core net spending included:

- £1.1m on Parks & Gardens
- £151k on Allotments
- £241k on Pavillions
- £1.3m on Refuse Collection
- £923k on Street Cleansing
- £789k on Recycling Schemes
- £218k on Strategic Planning
- £229k on provision of Public Conveniences
- £1.6m on Concessionary Travel Schemes (£2.2m gross)
- £74k on Shopmobility
- £1.8m surplus on Off-Street Parking

Priority 2 – Strengthening our Economy

Total net spend of £0.77m.

Core net spending included:

- £329k on Tourist Information Centre
- £249k on Business and Economic Development
- £30k on Town Centre Management
- £88k on Christmas in Cheltenham

Priority 3 – Strengthening Our Communities

Total net spend of £5.91m.

Core net spending included:

- £415k on Disabled Facilities Grants
- £340k on Homelessness
- £158k on Housing Grants
- £161k on Single Advice Contract with the Citizen's Advice Bureau
- £165k on Community Planning
- £46k on Licensing

- £71k on Youth Initiatives
- £96k on the Holiday Recreation Programme
- £1.6m on Leisure Services
- £188k on reinstatement of Cricket Hall
- £1m on Sports & Open Spaces
- £65k on Sports Development
- £28k on Crime and Disorder
- £196k on Health and Safety
- £130k on CCTV and Town Centre safety
- £210k on Food Safety
- £158k on Pollution Control
- £78k on Pest Control
- £58k on Animal Welfare

Priority 4 - Enhancing the Provision of Arts & Culture

Total net spend of £2.89m.

Core net spending included:

- £1.0m on Art Gallery & Museum
- £915k on Town Hall
- £84k on Pittville Pump Room
- £32k on Playhouse Theatre
- £155k on Everyman Theatre
- £182k on Arts Grants / Enabling

Priority 5 - Ensuring we provide Value for Money Services that effectively meet the needs of our customers

Core net spending included:

- £1.9m on Corporate Management
- £668k on Council Tax Collection
- £606k on Democratic Processes
- £264k on Election Expenses
- £98k on Civic Expenses



TREASURY MANAGEMENT / BORROWING FACILITIES

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

The council manages the cash-flow for the provision of all council services and it uses the money market to invest daily cash-flow surpluses and borrows to fund cash-flow deficits.

In October 2008, a number of local authorities had deposits in various Icelandic banks with a range of payment due dates. In the week beginning 6th October 2008, a number of Icelandic banks went into administration. Cheltenham Borough Council had £11m invested with 3 of these banks, the full details of which are shown in Note 21 of the Notes to the Core Financial Statements on Page 53.

Interest rates have remained constant throughout the year at 0.5%, with no Bank of England interest rate changes during the period 1st April 2009 to 31st March 2010.

The conclusion of the year's activity was that the council paid £1,229,912 in borrowing costs which was £4,012 more than budgeted for the year; earned £461,562 on investments which was £21,438 less than budgeted (this excluded interest on the written down value of the Icelandic investments, details of which are shown in note 21) and received £488,255 from the Housing Revenue Account for the use of its balances which was £107,245 less than budgeted. The overall impact was an additional cost to the General Fund of £132,695 compared to the revised budget.

However, when taking into account the accounting transactions required in respect of Icelandic investments, the overall treasury management position for 2009/10 is favourable to the council's general fund by £21,801 when compared to the 2009/10 revised budget.

PENSION LIABILITY

The council is required to account for retirement benefits when committed, even if this is many years in the future, in accordance with FRS17. This provides a reflection of the economic relationship between the council and the pension fund. It represents the council's pension commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (via reduced contributions) from a surplus in the scheme.

The council's liability, according to the actuarial assessment at 31st March 2010, was £70,405,000, which was an increase of £33,324,000 over the figure for 31st March 2009 of £37,081,000. This is principally due to the fact that the financial assumptions as 31st March 2010 are less favourable than they were at 31st March 2009, and the mortality assumptions have been strengthened to reflect improvements in life expectancy. All else being equal, these factors serve to increase the value of the liabilities and thus have a negative impact on the FRS17 pension position. 2009/10 has seen higher than expected investment returns but this positive impact is outweighed by the significant negative impact on the liability side of the balance sheet.



BUSINESS GROWTH INCENTIVE SCHEME

The Business Growth Incentive scheme is a grant, which is not ring-fenced, that is awarded to council's that have successfully encouraged enterprise and employment in their areas. In 2009/10, the council received £55,197. The cabinet recommended its proposals to Council for utilising this allocation in accordance with the following priorities:

- **Community development** : Funding to assist Parish Councils and other community groups with local initiatives to improve the quality of life and the environment of Cheltenham.
- **Supporting the local economy** : Funding to work towards a transition town, working in partnership to reduce the carbon footprint of Cheltenham and funding to support the Young person of the year award in Cheltenham.

ACCOUNTING POLICIES

The council has reviewed its accounting policies during the year and revised them in accordance with the 2009 SORP. There have been some minor changes to the requirements of the SORP for 2009/10 to ensure the presentation of the Statement of Accounts complies with UK GAAP (Generally Accepted Accounting Principles). The main changes in the presentation of the financial statements are:

- The removal of the Collection Fund balance and the County Council and Police Authority's respective shares of council tax arrears and overpayments from the council's balance sheet. This is to reflect the fact that that the council acts as the agent of the county council and police authority in collecting their shares of council tax, so the arrears and overpayments correctly belong on their balance sheets rather than the borough council's.

Differences between the rate at which collection fund surpluses or deficits are released to the council's General Fund balance according to proper accounting practice and by statute are reflected in a new account, the Collection Fund Adjustment Account.

- Similarly, the removal of the arrears and overpayments of National Non-Domestic Rates (NNDR) from the council's balance sheet, to reflect the fact that the council acts as the agent of the government in collecting the tax. The only remaining debtor or creditor relating to NNDR on the council's balance sheet is that representing the cash collected but not yet paid to the government, or overpaid to the government, at the balance sheet date.
- The inclusion of any amount of long term borrowing, including interest, due to be settled within 12 months of the balance sheet in current liabilities, rather than in long term liabilities.
- The removal of the notes on section 137 expenditure, the building control account, Business Improvement District schemes, and income under the Local Government Goods and Services Act, since none of these disclosures are required by accounting standards or legislation. The information provided by these notes is still available, however, and can be supplied on request to the Chief Finance Officer.
- Additional information showing officers emoluments is included in note 8 to the core financial statements (pages 42-44), giving full details of total remuneration paid, including employers pension contributions, for all officers earning a basic pay in excess of £50,000 per annum in 2008/09 and 2009/10.

The changes in accounting policies are detailed on Page 30.

The council's accounts must comply with International Financial Reporting Standards (IFRS) from 2010/11 and work has been completed to ensure they comply from 1st April 2010.

CHANGES IN STATUTORY FUNCTIONS

The new statutory **duty to involve** came into force on 1st April 2009, and is set out in Part 7 section 138 of the Local Government and Public Involvement in Health (LGPIH) Act 2007. The duty applies to all best value authorities in England except police authorities. The duty requires councils to take any steps they consider appropriate to involve representatives of local persons in the exercise of any of their functions, where they consider that it is appropriate to do so. It specifies the three ways of involving:

Informing - providing information about the exercise of the particular function;

consulting - about the exercise of the particular function; and/or

involving - in another way.



CAPITAL

In 2009/10 the council spent £6.450m on capital projects and grants, compared with the revised budget of £7.067m. In addition, the council was successful in its application to the government for a capitalisation direction of £4.430m. This has allowed the council to treat the impairment on its Icelandic investments, which must be charged to the general fund balance by 31st March 2011, as capital expenditure in the year. The capitalisation direction therefore fully covers the cost of the impairment in 2009/10

Included in the expenditure for the year was £3.804m on major repairs and maintenance of council houses, £0.266m on disabled adaptations within the council housing stock, £0.740m on private sector disabled facility grants and adaptation support grants, £0.472m on other grants mainly for private sector housing improvements, and £0.352m on housing enabling through partnership working with Registered Social Landlords (RSL's) and Cheltenham Borough Homes (CBH) which included the St. Paul's redevelopment scheme.

The major variances between the revised budget and outturn position is in respect of the new dry stone walling project on Leckhampton Hill which is being financed from external contributions, reduced expenditure on major void works reflecting the impact of the decent homes programme and a lower than anticipated requirement for grant funded cavity wall insulation.

Like most local authorities, the council has been paying for a proportion of its capital expenditure from the proceeds of the sale of its assets. As a result of the downward trend in the economy and housing market specifically, this source of financing has been significantly reduced and only £0.414m of capital receipts were available to finance capital expenditure in 2009/10. The remaining sources of finance were Government Grants £0.810m, developer contributions and partnership funding £0.929m, with the balance of £4.297m coming from revenue financing.

The council did not take out any new borrowing to finance its capital programme in 2009/10 although it will 'internally' borrow from cash balances and reserves to fund the capitalisation direction as detailed above.

During the year the council sold 3 dwellings under the 'right to buy' scheme, converted 1 commercial property into an affordable dwelling and demolished 17 dwellings.

The council plans to continue to fund capital from a range of sources including revenue reserves, developer contributions and capital receipts and will continue to consider the option of prudential borrowing on a scheme by scheme basis.

FUTURE PLANS

The council has a number of ambitious plans for the town including the following:

Civic Pride

The council have aspirations to invest in the fabric of the town i.e. its public spaces and infrastructure and has identified 3 major sites which have development potential which include the Municipal Offices / Royal Well, Portland Street and North Place car parks and Chelt Walk car park. For a number of years the council has worked with the South West Regional Development Agency and our key partners Gloucestershire County Council to establish some broad aspirations for these sites and for improving the flow of traffic around the town as a result. The project is long term and complex but aims to ensure that Cheltenham's retail offering and business base is maintained and improved upon into the future in the face of competition from neighbouring towns and cities.

In order to progress the proposals the council has been instrumental in establishing an arms length Advisory Board which has received limited revenue financing from its partners, the South West Regional Development Agency, Homes & Community Agency and Gloucestershire County Council in order to progress to delivery. The capital required to deliver key ambitions such as public realm improvements will be released from these key sites; delivery has never been predicated upon capital support from partner agencies.

Clearly the economic situation has reduced the ability to progress schemes in the short term but with the commercial approach being adopted through the breadth of skills embodied in the Advisory Board and the level of market interest being expressed for certain sites it is anticipated that the marketing of sites will begin in 2010/11. The council remains optimistic that the key principles and aspirations of the original plans will be delivered with the support of the Advisory Board.

Evidence of this optimism can be seen in the fact that partners at Gloucestershire County Council and Gloucestershire Highways are developing a Paramics model to establish whether the through traffic can be removed from Boots corner. At the same time, the council has been working with the owner of Coronation Square on the potential for a significant redevelopment proposal for the area. This would involve the complete redevelopment of the square aimed at delivering much improved retail offering, better housing and improved public spaces.

Bridging the Gap

Like most authorities up and down the country, the council is projecting a long term funding gap i.e. the difference between the income raised through council tax and government support and the costs of providing existing service levels of in excess of £3.4m over the next 5 years. The new coalition Government has indicated that the public sector is likely to be subject to a significant reduction in government support as a result of a desire to reduce the level of national debt, hence the size of the budget gap may increase further. The council has a programme of activity called 'Bridging the Gap' which is investigating ideas for meeting the funding gap.

So far, the 'Bridging the Gap' programme has been very successful and has delivered in excess of £1m of

savings and additional income. The council is looking at different ways to deliver some of the council's back-office services, such as Finance, ICT, HR, customer services and revenues and benefits. This programme is called the Sourcing Strategy which aims to deliver four things: cashable savings, customer satisfaction and engagement, effective performance and partnership working. The aim is to reduce red tape, streamline how we do things, and make better use of technology so that these services can cost as little as possible whilst at the same time being as efficient as possible. The council is also looking to reduce the costs of its property portfolio through increasing income and reducing costs through energy efficiency programmes; reviewing the level of fees and charges and taking an innovative approach to service delivery. This includes a more radical approach whereby the council moves away from the traditional model of providing all services but looks to commission services from elsewhere; including the third sector or looks to take on work from other commissioning organisations as a way of reducing costs.

The council has also entered into shared service arrangements with Tewkesbury Borough Council to provide legal services and building control services, as well as working in partnership with Cotswold District Council in the management of audit services. In addition, the council is looking at the possibility of sharing an Enterprise Resource Planning System with the other districts within the county which would provide a single finance, payroll, HR, procurement and cash receipting system. It is anticipated that this may deliver significant savings, reduce duplication of effort, provide service resilience and lead to the potential for sharing other 'back office' services between the councils.

The current average level of council tax paid by Cheltenham's residents for services provided by the council (based upon a band D equivalent in 2010/11) is £187.12. It is clear that the public feels that the overall level of council tax paid is too high. Therefore these ideas are driven by the council's desire to be efficient and to make its contribution to helping to keep increases of its share of the overall level of council tax increases to a minimum.

Art Gallery & Museum redevelopment scheme

In July 2008 the council made a commitment to contribute £2 million to the redevelopment of the Art Gallery & Museum (in addition to the £0.5 million earmarked from the sale of the former Axiom building). The new development will transform Cheltenham Art Gallery & Museum by greatly increasing its exhibition and display space and other facilities. Notable features include a large temporary exhibition gallery, additional space for collections, and for the first time, a dedicated space for the Art Gallery & Museum's extensive education, outreach, lifelong learning and arts development work. The design also includes improved and fully-accessible visitor facilities, including lifts, shop and cafe. Work is due to commence in 2010 with a proposed opening in 2012.

St. Paul's Regeneration and other social housing schemes

In April 2009, the council confirmed Cheltenham Borough Homes (CBH) as a new development partner for the construction of new social housing. CBH is recognised as providing excellent management services to the tenants of the council and has been accredited as an investment partner by the Homes and Communities Agency. Funding and Secretary of State approval has been secured for the redevelopment of St Paul's and Brighton Road. Further plans for selected garage sites are expected to come forward in the near future.

Flood relief work

The council considers it important that, even in the current economic downturn, we continue to act on the lessons learned in the great Gloucestershire flood of July 2007. Consequently the council has used the Flood Alleviation Fund to support a number of initiatives aimed at reducing flooding risk, including building a bund to protect Leisure@. It has also committed a contribution of £100,000 towards the much-needed Prestbury Flood Prevention Scheme.

The council has also set aside £90,000 from the Flood Restoration Grant to spend over three years on maintenance of our watercourses, streams and ditches which are not classified as 'main river' and thus help prevent future flooding.

In addition, the council has secured Department for Environment, Food and Rural Affairs (DEFRA) funding of £820,000 for flood relief works in the Warden Hill area. These works will commence in 2010/11 and be completed by 2011/12. A further £55,000 has been allocated by Defra for the Hearne Brook catchments study. It is anticipated that this work will also be completed during 2010/11.

Everyman theatre

The Everyman Theatre is a grade 2 listed building and the earliest surviving example of the theatre architect Frank Matcham, and of national importance. It is a part of the early night-time economy and an attraction of the town centre. The theatre management approached the council in 2009 with a request to secure funding towards the refurbishment of the theatre.

At the budget setting meeting in February 2010, the council approved a one-off capital grant of £250,000, funded from the capital reserve in 2011/12, subject to a reduction in annual grant over a 6 year period and the granting of a new lease, plus a £1m loan with interest. This provides an opportunity to reduce longer term funding for the theatre by enabling it to become a more attractive venue with a more resilient business case for its long term survival.

Glos Airport – runway project

In the autumn of 2009, the council agreed to facilitate borrowing to finance the runway safety project at Gloucestershire airport. This will provide a safer runway with a computerised instrument landing system which will enable the airport to attract more profitable corporate business, increase the profitability for the airport and the council, a shareholder in the company. Work is due to commence in the summer of 2010.

EXCEPTIONAL ITEMS

Former Managing Director v Council dispute:

Expenditure of £187k was incurred during 2009/10 in respect of the dispute between the Council and the former Managing Director, Mrs Laird, including £95k for the subsequent independent public interest report prepared by KPMG Ltd. During January to April 2009 the council's case against its former Managing Director, Mrs Christine Laird, for damages for negligent and/or fraudulent misrepresentation was heard in the High Court. On 15th June 2009 the Court dismissed the Council's claim and also Mrs. Laird's counter-claim for damages and entitlement to benefits received by the council. The council is required to pay 65% of Mrs. Laird's costs and, although these need to be finalised, are likely to be between £300,000 and £550,000. Consequently a provision of £520,000 was set aside in 2008/09 to cover the future payment of these costs. A £150,000 payment on account has been made to Mrs Laird. The council is awaiting the final bill from Mrs Laird. Since the court case Mrs Laird has appealed against the decision regarding her legal costs, requesting that the council cover her full costs but the appeal was unsuccessful and the council was awarded its costs on the appeal.

Icelandic Banks:

Early in October 2008, the Icelandic banks Landsbanki Islands Hf, Kaupthing and Glitnir Hf collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing, Singer & Friedlander went into administration. The authority had £11 million deposited across three of these banks with varying maturity dates and interest rates. All amounts invested with these banks are currently subject to the respective administration and receivership processes. Consequently the authority recognised an impairment charge of £5.035 million in its Income and Expenditure account for 2008/09, to reflect the estimated losses, including interest lost from the date of collapse to the dates repayments are estimated to be received. Under government regulations, however, the impact of this charge on the general fund balance can be deferred until 31st March 2011, so the amount (less any interest not received) was charged to the Financial Instruments Adjustment Account. In 2009/10, based on revised information relating to the likely amounts to be recovered from the banks and the likely repayment dates, a further impairment charge of £0.335 million was made.

In January 2010 the authority was successful in its application to the Government for a capitalisation direction of £4.430 million for 2009/10. This allowed the council to treat the impairment charge (excluding interest not received) as capital expenditure, spreading the loss over a number of years. Consequently the impairment charge and the interest transferred to the Financial Instruments Adjustment Account in 2008/09 have been reversed to the General Fund in 2009/10, offset by a credit for revenue expenditure charged to capital.

Of the original amounts invested, repayments of £1.050 million were received in 2009/10.

Single Status:

Single status is a national agreement which was entered into in 1997, with the purpose of providing harmonised, non-discriminatory, terms and conditions and grading structures at both national and local level across white collar and manual workers.

As a consequence, the council undertook a process of proposing new terms and conditions, and job evaluating all the professional, technical, clerical and manual posts in the authority for those grades covered by the national agreement. This has enabled the council to ensure fair terms and conditions, and that its new pay and grading structure provides for equal pay for work of equal value. This work was carried out by a single status working group comprising representatives from management and unions, over the period 2005/06 to 2009/10 at a total cost of £424,502. The costs incurred in 2009/10 were £41,202.

The nationally recognised trade unions were unable to agree the proposed package, therefore the council decided to put the proposals to employees (on the NJC terms and conditions) via a consultative ballot which was held in April 2009. In addition GMB balloted their membership. The consultative ballot resulted in an acceptance of the proposals. Single status implementation has therefore been reached with any changes to pay, and protection effective from 1st September 2008.

Employees had a deadline of 30th June 2009 to lodge any appeal over their job evaluation outcome. These appeals were held during 2009/10 and the outcomes are included in the 2009/10 accounts.

Letters were sent to all employees to ask for their signed individual agreement to the contractual variation and the changes took place effective from 11th September 2009, backdated to 1st September 2008. A small number of employees have yet to sign acceptance of their agreement.

A full equality impact assessment has been made on the single status package, and shared with the Trade Unions. Claims have been lodged by two employees in respect of equal pay back pay. Discussion and legal advice regarding these claims is ongoing and it is estimated that the maximum back pay that may be awarded, should the claims be proven successful, is £75,000, plus any legal costs incurred. This is included in the accounts as a contingent liability (see note 32, page 66).

POST BALANCE SHEET EVENTS

There are no known post balance sheets events as at the date of authorisation for issue of this Statement of Accounts.

FURTHER INFORMATION

Further information about the accounts is available from the Financial Services Division, Cheltenham Borough Council, Municipal Offices, Promenade, Cheltenham. This is part of the council's policy of providing full information about the council's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The accounts are available for inspection by appointment between 5th July and 30th July 2010 at the Municipal Offices and the appointed day whereby local government electors for the area may exercise their rights under Sections 15 and 16 of the Audit Commission Act 1998 to question the auditor about or make objections to the accounts for the year ended 31st March 2010 is designated as 19th August 2010.

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the council's transactions for the 2009/10 financial year and its position at the year-end of 31st March 2010. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009 – A Statement of Recommended Practice* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. ACCOUNTING CONCEPTS

The Statement of Accounts provides information about the council's financial performance and position for the year ended 31st March 2010. Except where specified in the Code of Practice, or in specific legislative requirements, it is the authority's responsibility to select and regularly review its accounting policies, as appropriate.

These accounts are prepared in accordance with a number of fundamental accounting principles, i.e.

- Relevance
- Reliability
- Comparability
- Materiality

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

Accruals

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

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

Going Concern

The accounts are prepared on the assumption that the council will continue its operations for the foreseeable future. This means in particular that the income and expenditure accounts and balance sheet assume no intention to curtail significantly the scale of operation.

Primacy of legislative requirements

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

3. PROVISIONS

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

Provisions are charged to the appropriate revenue account when the council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant revenue account.

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

Statutory arrangements allow any settlements for back pay arising from discriminatory payments, incurred before the council implemented its equal pay strategy, to be financed from the General Fund in the year that payments actually take place. No provision is included in the accounts as the position regarding possible back pay claims is not yet known.

4. RESERVES

The council sets aside specific amounts as earmarked reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure. The purpose of each of these earmarked reserves is explained in Note 30 to the core financial statements on Page 63.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and they do not represent usable resources for the council – these reserves are explained in the relevant policies below.

5. GOVERNMENT GRANTS AND CONTRIBUTIONS (REVENUE)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date the council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received, and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

6. RETIREMENT BENEFITS

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

- The liabilities of the Gloucestershire pension scheme attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (6.9% in 2008/09), based on the indicative rate of return on the adoption of the AA-rated corporate bond basis.
- The assets of the Gloucestershire pension fund attributable to the council are included in the balance sheet at their fair value:
 - quoted securities – current bid value
 - unquoted securities – professional estimate of fair value
 - unitised securities – average of the bid and offer rates
 - property – market value.
- The change in the net pension liability is analysed into seven components:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
 - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Net Operating Expenditure in the Income and Expenditure Account
 - expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account

- gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- contributions paid to the Gloucestershire pension fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the council to raising council tax to cover the amounts payable by the council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

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

Further information on pension costs and the accounting arrangements can be found in Note 37 to the core financial statements on Page 69.

7. VAT

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

8. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice (BVACOP) 2009. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- o Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation
- o Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Service.

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

9. INTANGIBLE FIXED ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (e.g. software licences) is capitalised when it will bring benefits to the council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

10. TANGIBLE FIXED ASSETS

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides for more than one financial year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to service revenue accounts.

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- dwellings, other land and buildings, vehicles, plant and equipment are included in the Balance Sheet at the lower of net current replacement cost or net realisable value in existing use.
- investment properties and assets that are surplus to requirements are included in the Balance Sheet at the lower of net current replacement cost or net realisable value.
- infrastructure assets and community assets are included in the Balance Sheet at depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years, by the Head of Property & Asset Management. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

A revaluation of council dwellings was completed during 2005/06. A formal revaluation of other fixed assets, which are included in the balance sheet at current value, was carried out during 2009/10 with an effective valuation date of 1st April 2009.

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review, or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over 5 years
- infrastructure – straight-line allocation over 40 years.

Newly acquired assets are depreciated from the following year to which they were acquired, although assets in the course of construction are not depreciated until they are brought into use.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

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

Grants and Contributions: where grants and contributions (e.g. developer contributions) are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to a Capital Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

11. CHARGES TO REVENUE FOR FIXED ASSETS

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

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service

The council is not required to raise council tax to cover depreciation, impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance, or loans fund principal charges). Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

12. COMMUTATION ADJUSTMENT

The commutation adjustment is an annual allowance to offset losses arising from the early repayment (commutation) of improvement grant loan charges subsidy by the Government in 1992/93. These losses are offset against the Minimum Revenue Provision (MRP). The use of the allowance was discontinued in 2008/09.

13. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

This represents expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible fixed assets for the authority. Such expenditure incurred during the year is charged to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance, so there is no impact on the level of council tax.

14. LEASES

The council has only entered into operating leases, as defined by current accounting standards (SSAP21). Rentals payable under operating leases are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

15. FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest, and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

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

16. FINANCIAL ASSETS

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

17. STOCKS AND WORK IN PROGRESS

Stocks held in stores are valued at the latest price paid, with an allowance made for obsolescent and slow-moving items. This is a departure from the requirements of the SORP, which require stocks to be shown at the lower of cost and net realisable value; the effect of the different treatment is immaterial. All other stocks held have been valued in accordance with SSAP 9. All work in progress is charged to service accounts by the year end and there is a nil value held in the Balance Sheet.

18. ESTIMATION TECHNIQUES

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

19. GROUP ACCOUNTS

The council has material interests in companies and other entities that have the nature of being subsidiaries and joint ventures and require it to prepare Group Accounts. In the council's own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provisions for losses.

Basis of Consolidation

The Group Accounts bring together the council's accounts with those of Gloucestershire Airport, in which the council has a 50% shareholding (the remaining 50% of shares are owned by Gloucester City Council). The purpose of the Group Accounts is to reflect the full value of the council's investment in the financial statements, since the council's shareholding of £435,000 does not fully reflect the value of the airport land. These accounts also bring together the accounts of Cheltenham Borough Homes (CBH), a company limited by guarantee whereby the council is the sole member.

Accounting Policies

The financial statements in the Group Accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on Pages 20-31, with the following additions and exceptions:-

The financial statements for Cheltenham Borough Homes (CBH) and Gloucestershire Airport have been prepared under the historical cost convention in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

Tangible fixed assets held by Gloucestershire Airport are valued at historic cost. For the purposes of the Group Accounts they have been revalued at current value in order to bring them in line with the council's accounting policies. A formal valuation with a valuation date of 1st April 2007 was undertaken by an external Valuer in 2007/08.

Depreciation on assets held by CBH and Gloucestershire Airport have been calculated so as to write off the cost of tangible fixed assets over their expected useful lives using the following rates:

STATEMENT OF ACCOUNTS 2009/10

	CBH	Airport
(a) Freehold Property		2% per annum of cost
(b) Plant & Machinery	20% straight line allocation	10% per annum of cost
(c) Office Equipment		10% per annum of cost
(d) Motor Vehicles	20% straight line allocation	10% per annum of cost
(e) Computer Equipment	33% straight line allocation	20% per annum of cost
(f) Taxiway / Runway		4% per annum of cost
(g) Fixtures & Fittings, Tools & Operational Equipment	33% straight line allocation	
(f) Leasehold Buildings	Over the life of the lease	

Leasing – Tangible fixed assets acquired under finance leases or hire purchase contracts by Gloucestershire Airport are capitalised and depreciated in the same manner as other tangible fixed assets.

Equity dividends proposed by the Board of Directors of the Airport are not recorded in the financial statements until they are approved by the Shareholders at the annual general meeting. Equity dividends paid are dealt with as a movement on retained profits.

20. INTERNAL INTEREST

Interest is credited or debited to the General Fund and the Housing Revenue Account based on the level of their Fund Balances. The amounts are calculated using the average rate of interest earned by the council.

21. CHANGES IN ACCOUNTING POLICIES

Up until the 2009 edition, the SORP required that the total amounts due from and to individuals and organisations for council tax and business rates (NNDR) should be recorded on the council's balance sheet, despite the fact that the council acts as the agent of the county council and police authority and the Government in collecting their shares of these amounts. In addition the collection fund surplus credited to the council's Income & Expenditure account represented that amount to be credited according to statutory provisions, rather than the council's share of the surplus generated in the year.

The 2009 SORP requires that only the council's share of the council tax due from or to council taxpayers is shown on the council's balance sheet, with the shares of the county council and police authority shown on their balance sheets. Similarly the rates due from or to business ratepayers are no longer recorded on the council's balance sheet but on the Government's. The collection fund surplus credited to Income & Expenditure account is the council's share of the surplus generated in the year, which is reversed out to the Collection Fund Adjustment Account and replaced by the statutory credit in the Statement of Movement in the General Fund Balance.

The 2009 SORP also now requires the inclusion of any amount of long term borrowing, including interest, due to be settled within 12 months of the balance sheet to be shown in current liabilities rather than in long term liabilities.

The 2009 SORP no longer requires notes on section 137 expenditure, the building control account, Business Improvement District schemes, and income under the Local Government Goods and Services Act, since none of these disclosures are required by accounting standards or legislation. Consequently these notes have been removed from the notes to the core financial statements.

STATEMENT OF ACCOUNTS 2009/10

The 2009/10 Statement of Accounts has been prepared in accordance with these new requirements, further details of which are outlined in the relevant policies above. Prior year adjustments have been made to the 2008/09 comparatives, as outlined in the relevant notes.

The sundry debts bad debt provision includes a provision for 10% of outstanding sundry debtors invoices raised during 2009/10 to reflect the possibility of an increase in bad debts during 2010/11, as a result of the current economic situation. Previously no provision had been made for debts raised during the most recent financial year.

There were no other changes in accounting policies during 2009/10.

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 ensure 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

Chief Finance Officer (Section 151 Officer):

The Chief Finance Officer is responsible for the preparation of the authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March, 2010.

In preparing this Statement of Accounts, the Chief Finance Officer has:-

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

The Chief Finance Officer has also:-

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

The statement of accounts for 2009/10 presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2010.

..... (Mark Sheldon)

Date:.....

Chief Finance Officer (Section 151 Officer)

.....

Date:.....

Chair of Council meeting

STATEMENT OF ACCOUNTS 2009/10

INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

A prior year adjustment has been made to the 2008/09 Demand on the Collection Fund to reflect the new policy of including the council's share of the surplus generated in the year on the Collection Fund, rather than that credited according to statute. The former is then replaced by the latter in the Statement of Movement in the General Fund Balance.

	2009/10 Gross Expenditure £000's	2009/10 Gross Income £000's	2009/10 Net Expenditure £000's	2008/09 Net Expenditure £000's
Central Services to the public	9,106	8,285	821	(611)
Cultural, environmental, regulatory and planning services	38,682	9,402	29,280	12,776
Highways and transport services	8,486	6,339	2,147	(191)
Local authority housing (HRA)	24,044	17,228	6,816	3,186
Other housing services	33,789	32,443	1,346	1,392
Corporate and democratic core	3,017	422	2,595	2,448
Non distributed costs	1,964	150	1,814	2,270
Net Cost of Services	119,1088	74,269	44,819	21,270
(Gain) or Loss on the disposal of fixed assets			(201)	(104)
Parish council precepts			153	150
(Surpluses)/deficits on trading undertakings not included in Net Costs of Services (note 3)			(350)	(665)
Interest payable and similar charges			1,271	1,784
Contribution of housing capital receipts to Government Pool			238	222
Interest and investment income			(852)	(1,457)
Pensions interest cost and expected return on pensions assets (note 37)			3,017	1,682
Exceptional item - Impairment of Icelandic investments (note 2)			335	5,035
Exceptional Item – VAT refund	-	-	-	(1,166)
Exceptional Item – CBC v. Laird case (note 2)			187	899
Net Operating Expenditure			48,617	27,650
Demand on the Collection Fund			(7,827)	(7,563)
General Government Grants (note 6)			(1,724)	(1,387)
Non-Domestic Rates Redistribution			(7,129)	(7,664)
(Surplus)/Deficit for the Year			31,937	11,036

The service expenditure shown above is under the major service headings as required by the CIPFA *Best Value Accounting Code of Practice*.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance.

2008/09 RESTATED £000's		2009/10 £000's
11,036	(Surplus)/Deficit for the year on the Income and Expenditure Account	31,937
(12,354)	* Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(31,666)
(1,318)	(Increase) / Decrease in General Fund Balance for the Year	271
(1,399)	General Fund Balance brought forward	(2,717)
(2,717)	General Fund Balance carried forward	(2,446)

* The net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year is detailed below.

STATEMENT OF ACCOUNTS 2009/10

Note of reconciling items for the Statement of Movement on the General Fund Balance

2008/09 RESTATED £000's		2009/10 £000's
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
(66)	Amortisation of intangible fixed assets	(101)
(1,899)	Depreciation and impairment of fixed assets	(21,308)
481	Capital Grants and Contributions Deferred amortisation	604
(459)	Revenue Expenditure funded from Capital under Statute	(415)
11	Net gain / (loss) on sale of general fund fixed assets	87
	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	221
221		221
(4,284)	Net charges made for retirement benefits in accordance with FRS 17	(4,944)
(4,901)	Reversal of Icelandic investments impairment	5,035
750	Interest on Impaired Investments	(750)
(10,146)		(21,571)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	
320	Minimum revenue provision for capital financing	441
960	Capital expenditure charged in-year to the General Fund Balance	(4,430)
-	Revenue financing of capital expenditure	311
(222)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(238)
3,381	Employer's contributions payable to the Gloucestershire Pension Fund and retirement benefits payable direct to pensioners	3,717
4,439		(199)
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
(3,916)	Housing Revenue Account balance	(7,185)
-	Voluntary revenue provision for capital financing	-
(2,736)	Net transfer to / (from) earmarked reserves	(2,699)
5	Transfer to Collection Fund Adjustment Account	(12)
(6,647)		(9,896)
(12,354)	Net additional amount required to be credited to the General Fund Balance for the year	(31,666)

STATEMENT OF ACCOUNTS 2009/10

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the surplus/deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2008/09 RESTATED £000's		2009/10 £000's
11,036	(Surplus)/Deficit for the year on the Income and Expenditure Account	31,937
(14,671)	(Surplus)/Deficit arising on revaluation of fixed assets	25,656
-	(Surplus)/Deficit arising on revaluation of available-for-sale financial assets	-
11,142	Actuarial (gains)/losses on pension fund assets and liabilities	32,097
<hr/> 7,507	Total recognised (gains)/losses for the Year	<hr/> 89,690
	Prior Period Adjustments:	
673	Surplus / (Deficit) on the Collection Fund transferred to precepting authorities	709
<hr/> 8,180	Total recognised (gains)/losses since the last annual report	<hr/> 90,399

The prior year adjustment relating to the Collection Fund reflects the transfer of the County Council and Police Authority's shares of the balance at 1st April 2009 to their respective balance sheets.

BALANCE SHEET

STATEMENT OF ACCOUNTS 2009/10

	Notes	31st March 2010	31 st March 2009
		£000's	RESTATED £000's
Fixed Assets	11 - 17		
Intangible Fixed Assets	18	234	315
Tangible Fixed Assets			
Operational assets:			
Council dwellings		196,733	238,845
Other land & buildings		76,419	85,586
Vehicles, plant, furniture and equipment		1,630	2,103
Infrastructure assets		7,050	7,815
Community assets		226	61
Non-operational assets:			
Investment properties		22,608	25,501
Assets under construction		137	85
Other non-operational assets		25	40
Total Fixed Assets		305,062	360,351
Long-term investments	21(i)	10,560	12,978
Long-term debtors		201	232
Total Long-Term Assets		315,823	373,561
Current Assets			
Stocks and work in progress		117	102
Debtors	22	6,009	7,278
Short term Investments	21(ii)&(iii)	2,368	7,144
Cash and bank		22	17
Total Assets		324,339	388,102
Current Liabilities			
Short term borrowing		(17,912)	(20,447)
Creditors	23	(7,019)	(11,674)
Bank overdraft		(464)	(164)
Total Assets Less Current Liabilities		298,944	355,817
Long term borrowing	24	(26,900)	(26,900)
Provisions	27	(535)	(690)
Capital Grants and contributions unapplied	28	(783)	(994)
Capital Grants and contributions deferred	29	(8,583)	(8,724)
Liability related to defined benefit pension scheme	37	(70,405)	(37,081)
Total Assets Less Liabilities		191,738	281,428
Financed by:			
Revaluation Reserve	30a	13,811	40,441
Capital Adjustment Account	30b	237,232	269,739
Financial Instruments Adjustment Account	30c	(3,454)	(7,969)
Collection Fund Adjustment Account	30d	93	105
Pensions Reserve	37	(70,405)	(37,081)
Usable Capital Receipts Reserve	30e	-	-
Deferred Credits	31	172	204
Major Repairs Reserve		-	-
Earmarked Reserves	30	10,262	12,961
General Fund Balance		2,446	2,717
Housing Revenue Account Balance		1,581	311
Total Net Worth	19	191,738	281,428

CASH FLOW STATEMENT

STATEMENT OF ACCOUNTS 2009/10

2008/09	Revenue Activities	2009/10	
RESTATED		£000's	£000's
£000's	Cash Outflows		
17,424	Cash paid to and on behalf of employees	18,785	
34,534	Other operating cash payments	31,775	
15,631	Housing Benefit paid out	19,443	
150	Precepts paid	153	
222	Payments to the Capital Receipts Pool	238	
67,961			70,394
	Cash Inflows		
(7,230)	Rents (after rebates)	(6,654)	
(6,819)	Council Taxpayers	(6,862)	
(7,664)	NNDR receipts from national pool	(7,129)	
(1,067)	Revenue Support Grant	(1,646)	
(25,990)	DWP Grants for Benefits (see Note 42)	(31,380)	
(2,553)	Other Government Grants (see Note 42)	(847)	
(19,273)	Cash received for goods and services	(19,999)	
-	Other operating cash receipts	0	(74,517)
(70,596)			
(2,635)	Net revenue activities cash (inflow) / outflow (see Note 38)		(4,123)
	Cash Inflows		
(25)	Dividends received from Joint Ventures and Associates		(25)
	Returns on investments and Servicing of Finance		
	Cash Outflows		
1,817	Interest paid	1,269	
	Cash Inflows		
(1,229)	Interest received	(646)	
588	Net Cash (Inflow)		623
	Capital Activities		
	Cash Outflows		
9,451	Purchase of fixed assets	5,053	
9,451		5,053	
	Cash Inflows		
(269)	Sale of fixed assets	(663)	
	Capital grants received	(144)	
(3,951)	Other capital cash receipts	(400)	
5,231		(1,207)	3,846
3,159	Net Cash (Inflow) / Outflow before financing		321
	Management of liquid resources		
(5,100)	Net increase / (decrease) in short term deposits	(7,065)	
(4,301)	Net increase / (decrease) in other liquid resources	4,502	
(9,401)			(2,563)
	Financing		
	Cash Outflows		
331,658	Repayment of amounts borrowed	175,727	
-	Capital element of finance lease rentals		
	Cash Inflows		
-	New long term loans raised		
(326,126)	New short term loans	(173,190)	
5,532			2,537
(710)	Net decrease/(Increase) in cash (See Note 39)		295

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Changes in Operations and Discontinued Operations

The council has also entered into shared service arrangements with Tewkesbury Borough Council to provide legal services and building control services, as well as working in partnership with Cotswold District Council in the management of audit services. In addition, the council is looking at the possibility of sharing an Enterprise Resource Planning System with the other districts within the county which would provide a single finance, payroll, HR, procurement and cash receipting system. It is anticipated that this may deliver significant savings, reduce duplication of effort, provide service resilience and lead to the potential for sharing other 'back office' services between the councils.

2. Exceptional Items

Former Managing Director v Council dispute:

Expenditure of £187k was incurred during 2009/10 in respect of the dispute between the Council and the former Managing Director, Mrs Laird, including £95k for the subsequent independent public interest report prepared by KPMG Ltd. During January to April 2009 the council's case against its former Managing Director, Mrs Christine Laird, for damages for negligent and/or fraudulent misrepresentation was heard in the High Court. On 15th June 2009 the Court dismissed the Council's claim and also Mrs. Laird's counter-claim for damages and entitlement to benefits received by the council. The council is required to pay 65% of Mrs. Laird's costs and, although these need to be finalised, are likely to be between £300,000 and £550,000. Consequently a provision of £520,000 was set aside in 2008/09 to cover the future payment of these costs. A £150,000 payment on account has been made to Mrs Laird. The council is awaiting the final bill from Mrs Laird. Since the court case Mrs Laird has appealed against the decision regarding her legal costs, requesting that the council cover her full costs but the appeal was unsuccessful and the council was awarded its costs on the appeal.

Icelandic Banks:

Early in October 2008, the Icelandic banks Landsbanki Islands Hf, Kaupthing and Glitnir Hf collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing, Singer & Friedlander went into administration. The authority had £11 million deposited across three of these banks with varying maturity dates and interest rates. The current situation with regards to the recovery of the sums deposited varies between each bank. Based on the latest information available, the authority considers it appropriate to make impairment adjustments to the carrying value of the investments on the balance sheet of £0.335 million in 2009/10. This is in addition to an impairment of £5.035 million made on these investments in 2008/09. Full details are given in note 21(i), pages 54 – 57.

Single Status:

Single status is a national agreement which was entered into in 1997, with the purpose of providing harmonised, non-discriminatory, terms and conditions and grading structures at both national and local level across white collar and manual workers.

As a consequence, the council undertook a process of proposing new terms and conditions, and job evaluating all the professional, technical, clerical and manual posts in the authority for those grades covered by the national agreement. This has enabled the council to ensure fair terms and conditions, and that its new pay and grading structure provides for equal pay for work of equal value. This work was carried out by a single status working group comprising representatives from management and unions, over the period 2005/06 to 2009/10 at a total cost of £424,502. The costs incurred in 2009/10 were £41,202.

The nationally recognised trade unions were unable to agree the proposed package, therefore the council decided to put the proposals to employees (on the NJC terms and conditions) via a consultative ballot which was held in April 2009. In addition GMB balloted their membership. The consultative ballot resulted in an acceptance of the proposals. Single status implementation has

STATEMENT OF ACCOUNTS 2009/10

therefore been reached with any changes to pay, and protection effective from 1st September 2008.

Employees had a deadline of 30th June 2009 to lodge any appeal over their job evaluation outcome. These appeals were held during 2009/10 and the outcomes are included in the 2009/10 accounts.

Letters were sent to all employees to ask for their signed individual agreement to the contractual variation. and the changes took place effective from 11th September 2009, backdated to 1st September 2008. A small number of employees have yet to sign acceptance of their agreement.

A full equality impact assessment has been made on the single status package, and shared with the Trade Unions. Claims have been lodged by two employees in respect of equal pay back pay. Discussion and legal advice regarding these claims is ongoing and it is estimated that the maximum back pay that may be awarded, should the claims be proven successful, is £75,000, plus any legal costs incurred. This is included in the accounts as a contingent liability (see note 32, page 67).

STATEMENT OF ACCOUNTS 2009/10

3. Trading Operations

The council is involved in a number of trading activities; the surplus/deficit of which is included in the Income and Expenditure Account. An analysis of the trading activity is as follows:

	2009/10 Income £000's	2009/10 Expend £000's	2009/10 Net Profit £000's	2009/10 Contrib't'n to Revenue £000's	2009/10 Surplus / (Deficit) £000's	2008/09 Surplus / (Deficit) £000's
Included within net cost of services						
Town Hall/Pump Room Promotions	1,544	(812)	732	-	732	604
leisure@cheltenham	1,389	(4,092)	(2,703)	-	(2,703)	(847)
Cemetery & Crematorium	1,401	(1,676)	(275)	-	(275)	493
Car Parks	3,974	(3,934)	40	-	40	1,987
Total	8,308	(10,514)	(2,206)	-	(2,206)	2,237
Other Trading Activities						
Corporate properties	702	(362)	340	-	340	676
Gloucestershire CC (Schools)	298	(290)	8	-	8	(6)
Building Cleaning	2	-	2	-	2	(5)
T.I.C Shop & Agency	67	(31)	36	(36)	-	-
Art Gallery & Museum Shop	30	(17)	13	(13)	-	-
Total	1,099	(700)	399	(49)	350	665

The leisure@ recreation centre was partially closed for the period July 2007 to August 2008 following damage from the 2007 Gloucestershire floods. Full trading commenced on 1st September 2008, when the centre fully reopened. 2009/10 represents the first full year of trading post floods and the comparative trading results for 2008/09 are therefore not representative of a normal year's trading activity.

4. Expenditure on Publicity

Set out below, under the requirements of section 5(1) of the Local Government Act 1986, is the council's spending on publicity.

	2009/10 £000's	2008/09 £000's
Recruitment advertising	31	40
Other advertising	145	179
Information relating to regional government	-	-
Event promotion	97	102
TOTAL	273	321

5. Agency Income and Expenditure

The council has agency agreements with Gloucestershire County Council whereby the council is responsible for maintaining highway verges within the borough and enforcing on-street parking regulations on behalf of the County Council under the provisions of the Civil Parking Enforcement Regulations. These Agents reimburse the council for the works, including a contribution towards administrative costs.

STATEMENT OF ACCOUNTS 2009/10

A summary of expenditure incurred in respect of these activities, which is included in the Income and Expenditure Account, is as follows:-

	Expenditure 2009/10 £000's	Income 2009/10 £000's	Net Costs 2009/10 £000's	Net Costs 2008/09 £000's
Routine Maintenance	7	-	7	5
Verges & highway trees	317	(195)	122	147
Car Parking (On-Street)	970	(970)	-	-
Enmainment works	-	-	-	-
Administrative costs	569	(499)	70	49
	1,863	(1,664)	199	201

6. General Government Grants

The council received general government grants totalling £1,723,259 for 2009/10 (£1,387,000 for 2008/09). These are included in the income and expenditure account and are not attributable to specific services.

Government Grant	2009/10 £000	2008/09 £000
Revenue Support Grant	1,646	1,067
Area Based Grant	23	23
Local Authority Business Growth Incentive (LABGI)	55	297
Total	1,724	1,387

7. Members' Allowances

In 2009/10 the council paid £326,603 (2008/09 £319,615) in allowances to its 40 members. The expenditure reflects members' allowances approved by Council for 2009/10. Full details of the Members Allowances scheme for 2009/10 can be found on the council's website.

STATEMENT OF ACCOUNTS 2009/10

8. Officers' Emoluments

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 was:

Remuneration Band	No of Employees 2009/10		No of Employees 2008/09
	Total	Left during year	
£50,000 - £54,999	-	-	2
£55,000 - £59,999	6	-	5
£60,000 - £64,999	-	-	-
£65,000 - £69,999	1	-	-
£70,000 - £74,999	-	-	1
£75,000 - £79,999	-	-	-
£80,000 - £84,999	1	-	2
£85,000 - £89,999	3	1	-
£90,000 - £94,999	-	-	1
£95,000 - £99,999	-	-	-
£100,000 - £104,999	-	-	-
£105,000 - £109,999	-	-	-
£110,000 - £114,999	1	-	1
Total	12	1	12

STATEMENT OF ACCOUNTS 2009/10

The following tables sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year.

2009-10 Senior Officers emoluments – Salary is between £50,000 and £150,000 per year

Post holder information	Salary £	Expenses Allowances £	Compensation for loss of office £	Benefits in Kind e.g. car allowance £	Other payments £	Total remuneration excluding pension contributions 2009/10 £	Pension contributions £	Total Remuneration inc. pension contbns 2009/10 £
Chief Executive	108,083	2,213		1,126	378	111,800	15,890	127,690
Strategic Director – Environment	85,107	742		1,170		87,019	12,502	99,521
Strategic Director – Corporate Services	85,107	714		1,126		86,947	12,502	99,449
Group Director – Social & Community	21,300	237	45,249	11,008	11,257	89,051	4,770	93,821
Chief Finance Officer	70,474	576		8,958		80,008	9,000	89,008
Assistant Director – Operations	55,988			10,128		66,116	8,202	74,318
Assistant Director – Customer Access & Service Transformation	58,505	272		1,170		59,947	8,571	68,518
Assistant Director – Built Environment	58,505	272		1,170		59,947	8,571	68,518
Assistant Director – HR & Organisational Dvlpt	58,505	280		1,126		59,911	8,605	68,516
Assistant Chief Executive	58,505	117		1,126		59,748	8,571	68,319
Assistant Director – Community Services	58,505	94				58,599	8,571	67,170
Assistant Director – Wellbeing & Culture	55,988	749		1,126		57,863	7,525	65,388
Civic Pride Managing Director	19,618			283		19,901	2,874	22,775
TOTAL	794,190	6,266	45,249	39,517	11,635	896,857	116,154	1,013,011

Note 1: 'Other payments' relate to Returning Officer fees paid in respect of European and Local elections.

Note 2: Group Director – Social and Community retired during 2009-10.

Note 3: Civic Pride Managing Director started his employment during 2009-10. The equivalent annual salary is £81,089.

2008-09 Senior Officers emoluments – Salary is between £50,000 and £150,000 per year

STATEMENT OF ACCOUNTS 2009/10

Post holder information	Salary	Expenses Allowances	Compensation for loss of office	Benefits in Kind e.g. car allowance	Other payments	Total remuneration excluding pension contributions 2008/09	Pension contributions	Total Remuneration including pension contributions 2008/09
	£	£	£	£	£	£	£	£
Chief Executive	108,083	1,922		1,095		111,100	15,834	126,934
Group Director – Social & Community	80,286	709		6,462	4,939	92,396	12,451	104,847
Strategic Director – Environment	80,286	1,007		1,095		82,388	11,727	94,115
Strategic Director – Corporate Services	80,286	714		1,095		82,095	11,727	93,822
Chief Finance Officer	67,176	763		4,479		72,418	9,000	81,418
Assistant Director – Operations	52,167			5,574		57,741	7,642	65,383
Assistant Chief Executive	55,434	484		1,095		57,013	8,121	65,134
Assistant Director – Built Environment	55,434			1,095		56,529	8,121	64,650
Assistant Director – Human Resources & Organisational Development	55,107	368		1,095		56,570	8,073	64,643
Assistant Director – Community Services	55,017					55,017	8,060	63,077
Assistant Director – Wellbeing & Culture	52,167	10		1,095		53,272	7,642	60,914
Assistant Director – Customer Access & Service Transformation	32,336	2,060		586		34,982	4,737	39,719
TOTAL	773,779	8,037	0	24,766	4,939	811,521	113,135	924,656

Note 1: 'Other payments' relate to Returning Officer fees paid in respect of European and Local elections.

Note 2: Assistant Director - Customer Access & Service Transformation started her employment during 2008-09. The equivalent annual salary is £55,017.

9. Related Party Transactions

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 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. Out of 52 Third Party Declaration forms issued to relevant members and officers, 51 were received. This equates to a 98% return rate (98% in 2008/09).

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 the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in Note 42 relating to the Cash Flow Statement on Page 75.

Members of the council have direct control over the council's financial and operating policies. No member or officer has declared an interest with any outside commercial organisation. Several Members serve officially on bodies that receive major grants from the council and these are listed below.

Assisted organisations - the council provide financial assistance to 35 (33 in 2008/09) local bodies and voluntary organisations totalling £1,727,298.42 (£1,554,792 in 2008/09). It is the council's best value policy to have a Service Level Agreement in place for all grants exceeding £10,000, referred to as Conditional Offers of Grants.

Council employees are eligible to be members of the Local Government Pension Scheme, administered by Gloucestershire County Council. The total employer's contributions into the superannuation fund by the council was £3,717,000 in 2009/10 (£3,381,000 in 2008/09). See Note 37 to the Notes to the Core Financial Statements on Page 69.

The grants over £35,000 paid out during 2009/10 are as follows, together with the number of members who are officially appointed to serve on those organisations:-

	Cash Grant £	Support Costs £	Total Grant £	No's of Members
Cheltenham Festivals Ltd	259,200	195,466	454,666	0
Playhouse Theatre	89,785	1,960	91,745	1
Everyman Theatre	148,800	15,900	164,700	1
Citizens Advice Bureau	154,931	5,785	160,716	0
Community Development	2,100	85,900	88,000	0
Cheltenham Arts Council	10,000	95,700	105,700	0
Business & Economic Development Grants	94,720	0	94,720	0
Whaddon Lynworth & Priors Neighbourhood	42,200	8,600	50,800	0
Hester's Way Neighbourhood Project	42,200	8,700	50,900	0
GCVS (Cheltenham Community & Voluntary Action Group)	34,000	6,600	40,600	0
Racial Equality	7,882	13,700	21,582	0
	885,818	438,311	1,324,129	

STATEMENT OF ACCOUNTS 2009/10

Companies and joint ventures - the council has a 50% share in the Gloucestershire Airport. The accounts have been consolidated into the Group Accounts, which are shown on Pages 84-91. One member serves on the Airport's Board of Directors, over which the council has no material influence.

Gloucestershire Airport purchased goods and services from the council totalling £22,531 during 2009/10 (£20,032 in 2008/09). At 31st 2010 £11,437 was owed by the Airport to the council (£10,398 at 31st March 2009).

The council has an Arms Length Management Organisation (Cheltenham Borough Homes). The accounts for this company have been consolidated into the Group Accounts, which are shown on Pages 84-91. Five councillors serve on the company's Board of Directors.

The council procured supplies and services totalling £8,282,535 from Cheltenham Borough Homes during 2009/10 (£8,181,300 in 2008/09), £832,399 of which is included in the council's Balance Sheet and excluded from the Group Balance Sheet (£801,900 in 2008/09) (see Note 23 on Page 58 and Note 4 to the Group Accounts on Page 90).

Cheltenham Borough Homes procured supplies and services from Cheltenham Borough Council of £688,481 during 2008/09 (£712,125 in 2008/09), £69,077 of which is included in the council's Balance Sheet and adjusted for within the Group Balance Sheet (see Note 22 on Page 58 and Note 4 to the Group Accounts on Page 90).

On 31st March 2010, the council had 4 councillors who were members of the following parish councils:

Leckhampton with Warden Hill	1
Up Hatherley	1
Prestbury	1
Charlton Kings	1
Swindon Village	0

STATEMENT OF ACCOUNTS 2009/10

10. Audit Costs

The total audit fees payable to the council's external auditor and the Audit Commission in 2009/10 was £237,485 (£155,305 in 2008/09), made up as follows:

	2009/10	2008/09
	£	£
Certification of grant claims and returns	25,185	28,201
Statutory inspection	8,320	5,252
Audit of accounts (including whole of government accounts)	67,176	65,439
Other work provided by the appointed auditor:		
Use of resources / value for money work	37,874	36,547
Consideration of public questions	*98,930	17,066
National Fraud Initiative	0	2,800
Total	237,485	155,305

* Includes £95,000 in respect of the public enquiry into the former Managing Director's dispute (see note 2, page 39).

11. Summary of Capital Expenditure and Fixed Asset Disposals

All assets are owned. Impairments resulting from revaluation are included the revaluation line of Cost or Valuation, whereas those arising from the consumption of economic benefit are included in the charge for depreciation and impairments.

Operational Assets	Council dwellings	Other land & buildings	Vehicles, plant & equipment	Infra-structure	Community assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Cost or Valuation						
At 1st April 2009	255,507	87,651	3,261	8,236	61	354,716
Additions	3,800	146	430	514	6	4,896
Disposals	(179)	(250)	-	-	-	(429)
Reclassifications	92	1,031	(272)	(1,060)	64	(145)
Revaluations	-	(10,191)	-	-	95	(10,096)
At 31st March 2010	259,220	78,387	3,419	7,690	226	348,942
Depreciation and Impairments						
At 1st April 2009	(16,662)	(2,065)	(1,158)	(421)	-	(20,306)
Charge for 2009/10	(45,825)	(1,994)	(688)	(245)	-	(48,752)
Disposals	-	-	-	-	-	-
Reclassifications	87	-	57	26	-	170
Revaluations	-	2,004	-	-	-	2,004
At 31st March 2010	(62,487)	(1,968)	(1,789)	(640)	-	(66,884)
Balance Sheet amount at 31 March 2010	196,733	76,419	1,630	7,050	226	282,058
Balance Sheet amount at 1 April 2009	238,845	85,586	2,103	7,815	61	334,410

Non-Operational Assets	Investment Properties	Assets under construction	Other non-operational	Total
	£000's	£000's	£000's	£000's
Cost or valuation				
At 1st April 2009	25,501	85	406	25,992
Additions	-	137	-	137
Disposals	-	-	-	-
Reclassifications	75	(85)	(381)	(391)
Revaluations	(2,968)	-	-	(2,968)
At 31st March 2010	22,608	137	25	22,770
Depreciation and Impairments				
At 1st April 2009	-	-	(366)	(366)
Charge for 2009/10	-	-	-	-
Disposals	-	-	-	-
Reclassifications	-	-	366	366
Revaluations	-	-	-	-
At 31st March 2010	-	-	-	-
Balance Sheet amount at 31st March 2010	22,608	137	25	22,770
Balance Sheet amount at 1st April 2009	25,501	85	40	25,626

STATEMENT OF ACCOUNTS 2009/10

12. Capital expenditure and financing

	2009/10	2008/09
	£000's	£000's
<i>Opening Capital Financing Requirement</i>	41,448	41,768
<i>Capital Investment:</i>		
Intangible Assets	20	176
Operational Assets	4,896	9,163
Non-Operational Assets	137	113
Revenue Expenditure Funded from Capital under Statute	1,398	1,302
Capitalisation of Revenue Directive	4,430	-
<i>Sources of Finance:</i>		
Capital Receipts	(414)	(46)
Government Grants	(810)	(776)
S106 Capital Contributions and Partnership Funding	(929)	(4,003)
Lottery Funding	-	(84)
Revenue Financing (includes MRP):		
Minimum Revenue Provision (MRP)	(441)	(320)
HRA RCCO	(951)	(1,984)
Major Repairs Reserve	(3,036)	(2,900)
Revenue Reserves	(311)	(961)
<i>Closing Capital Financing Requirement</i>	45,437	41,448
<i>Explanation of movement in year</i>		
Increase in underlying need to borrowing (supported by Government financial assistance)	-	-
Increase in underlying need to borrowing (unsupported by Government financial assistance)	4,430	-
MRP	(441)	(448)
Commutation Adjustment to MRP	-	128
	3,989	(320)

13. Revenue Expenditure funded by Capital Under Statute

This comprises revenue expenditure (for example grants awarded to householders for improving their properties) which, under statutory provisions, can be financed from capital resources. The expenditure, together with any relevant grant received, is written out to revenue as it is incurred. Because the net cost is financed from capital resources, it is then reversed out in the statement of movement in the general fund balance to the Capital Adjustment Account.

14. Commitments under capital contracts

At 31st March, 2010 the council was committed to completing all schemes within its capital programme. This included contractual commitments at 31st March 2010 of £1.044m for works on properties, £0.372m for works on cycle paths and other infrastructure, £0.050m for insulation works, £0.011m for CCTV in car parks and £0.12m for digital TV connection upgrades in council houses, a total of £1.498m. Most of this is anticipated to be incurred by 31st March 2011.

STATEMENT OF ACCOUNTS 2009/10

15. Information on assets held

Operational Assets are fixed assets held and occupied, used or consumed by the council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Council dwellings relate to housing units and sheltered housing units only.

Other Land and Buildings includes all land and buildings accounted for other than non-operational assets, including residential units, garages and fixed plant furniture and equipment.

Vehicles, Plant, and Equipment includes all such items that are not a fixture or fitting to a building.

Infrastructure includes facilities required to enable other developments to take place (e.g. roads, street lighting) and similar structural works. Housing Revenue Account works are included within this head.

Community Assets are assets that the council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal e.g. land used for cemeteries.

Non Operational Assets are fixed assets held by the authority but are not directly occupied, used or consumed in the delivery of services. Examples are investment properties that are surplus to requirements, pending sale or redevelopment.

Some of the figures at 31st March 2009 have been restated to reflect reclassifications.

Fixed Assets owned by the council include the following:

	31st March 2010	31st March 2009
	(No.'s)	RESTATED
		(No.'s)
Council Dwellings	4,614	4,640
Town Hall	1	1
Offices	1	2
Depots and Workshops	2	2
Off-Street Car Parks	26	26
Leisure Centres and Pools	2	2
Pittville Pump Room	1	1
Museums and Galleries	1	1
Nursery	1	1
Parks and Recreation Grounds	397 hectares	397 hectares
Theatres	2	2
Cemeteries	2	2
Crematorium	1	1
Shopping Centre	1	1
Commercial Property Rented Out, including Shops on Housing Estates	74	73

16. Assets held under leases

The council's policy is generally to acquire vehicles, plant and equipment through leasing arrangements. These fall into one of two categories:

(i) Finance Leases

No new arrangements and no leasing payments were made in 2009/10 or 2008/09.

(ii) Operating Leases

Leasing payments, which all relate to vehicles, plant and equipment, made in 2009/10 amounted to £503,720 (£664,805 in 2008/09). Outstanding obligations as at 31st March 2010 amounted to £929,236 (£1,321,349 as at 31st March 2009); further details are shown below.

Operating lease payments (including Buyouts) committed as at 31 st March, 2010	£000's
2010/11	331
2011/12	267
2012/13	184
2013/14	87
2014/15	44
2015/16	16
Total	929

17. Assets held for leases

The council seeks to obtain income from property it owns but does not need for its own occupation, either by selling the freeholds or granting leases. Where the council grants leases it does so at best consideration unless it wishes to support the tenant financially (e.g. tenants who provide a service to the community).

Where the council wishes to support the tenant financially it needs to be satisfied that the use of the property supports the Corporate Plan objectives and is not commercially viable. Historically, the support has been by way of a reduced rent. The council has started to introduce a system where the tenant pays a rent equivalent to best consideration and enters into a service agreement linked to the lease which includes a grant in lieu of some or all of the rent depending on the service provided from the property.

The council received £1,155,533 in rental income in 2009/10 on its granted leases from commercial and Housing Revenue Account land and buildings (£1,462,669 in 2008/09).

STATEMENT OF ACCOUNTS 2009/10

18. Intangible Assets

	Purchased software licenses £000's	Licenses and trademarks £000's	Patents £000's	Total £000's
Balance at 1 st April 2009	315	-	-	315
Expenditure in Year	20	-	-	20
Written off to Revenue in Year	(101)	-	-	(101)
Balance at 31 st March 2010	234	-	-	234

Intangible Fixed Assets are defined in FRS 10 as 'non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights'.

Software licenses are held for a number of the council's main software packages e.g. the Financial Management System. The balance is amortised to the relevant revenue account over the economic life of the investment, to reflect the pattern of consumption of benefits (generally five years). Newly acquired assets are amortised from the year following that in which they were acquired.

19. Net Assets Employed

	2009/10 £000's	2008/09 RESTATED £000's	Net Increase / (Decrease) £000's
HRA	195,148	234,504	(39,356)
General Fund	(3,410)	46,924	(50,334)
Total	191,738	281,428	(89,690)

The net movement in Net Assets Employed is equal to the total recognised gain or loss for the year which is detailed on Page 36 within the Statement of Total Recognised Gains and Losses.

20. Interests in Companies

a. Cheltenham Borough Homes Limited

Cheltenham Borough Homes is a company limited by guarantee and is governed by its memorandum and articles of association. The liability in respect of the guarantee is set out in the memorandum of association and is limited to £1 per member of the company, the sole member being Cheltenham Borough Council. The company commenced on 1st April 2003 with a seven year contract with Cheltenham Borough Council to manage and maintain the council's social housing stock. The contract was renewed at 1st April 2010 for a further ten years.

The registered name of the company is Cheltenham Borough Homes Limited (Registration No. 04587658). The draft (un-audited) accounts for the company show net liabilities at 31st March 2010 of £5,880,173 (£901,422 net assets at 31st March 2009) and a trading profit of £38,248 in the year to 31st March 2010 (compared to a loss of £62,323 in the year to 31st March 2009). The main reason the net liabilities have increased is due to a significant increase in the net pension deficit, from £1.398 million at 31st March 2009 to £6.446 million at 31st 2010.

STATEMENT OF ACCOUNTS 2009/10

The net assets of Cheltenham Borough Homes are valued at cost (in accordance with company accounting rules) and may not therefore reflect their market value. The directors consider it appropriate to prepare the accounts on a going concern basis which assumes the company will be able to meet its liabilities as they fall due.

The accounts of Cheltenham Borough Homes Limited for the year ending 31st March 2010 can be obtained from the Company Secretary at the company's registered office – Cheltenham House, Clarence Street, Cheltenham, Gloucestershire, GL50 3RD.

Cheltenham Borough Homes accounts have been consolidated into the accounts of Cheltenham Borough Council by way of the Group Accounts, shown on Pages 84-91. Cheltenham Borough Homes has been treated as a subsidiary of Cheltenham Borough Council and has been consolidated in accordance with FRS 2.

b. Gloucestershire Airport Limited

Gloucestershire Airport Limited is a wholly owned airport company which was voluntarily established during 1992/93 by Cheltenham Borough Council together with Gloucester City Council, using powers available to them under the Airports Act (1986). This replaced the previous joint committee arrangements for the airport. The shares allocated were divided equally between the two councils. The market value of the shares is unknown as they are not quoted shares. They are classified within the council's individual accounts as Available-for-Sale financial assets – unquoted equity investments.

The registered name of the airport company is Gloucestershire Airport Ltd (Registration No. 2774189). The draft (un-audited) accounts of the company showed net liabilities at 31st March 2010 (including the pension liability) of £457,031 (compared to net assets of £1,143,355 at 31st March 2009) and an after tax loss of £120,386 for the year to 31st March 2010 (profit of £62,646 to 31st March 2009). The main reason net liabilities have increased is due to a significant increase in the net pension deficit, from £1.412 million at 31st March 2009 to £2.9 million at 31st March 2010.

The following table discloses the council's share of the Airport as follows:

	Gloucestershire Airport Limited	CBC's share of the Airport
	£	£
	2009/10	2009/10
Turnover	3,708,783	1,854,391
Profit/(Loss) on ordinary activities before taxation	(148,540)	(74,270)
Taxation on profit on ordinary activities	(28,154)	(14,077)
Profit/(Loss) for the financial year after taxation	(120,386)	(60,193)
	31st March 2010	31st March 2010
Fixed Assets	1,828,888	914,444
Current Assets	1,207,914	603,957
Liabilities due within one year	593,833	296,916
Liabilities due after one year	-	-

The net assets of the Airport Company are valued at cost (in accordance with company accounting rules) and may not therefore reflect their market value. The value of the Airport

STATEMENT OF ACCOUNTS 2009/10

company could, therefore, be significantly different to that suggested by the stated net assets of the company or the share capital issued.

The council's commitment to meet losses is limited to the shares that it holds. Gloucestershire Airport Ltd paid dividends of £50,000 for the year to 31st March 2010, of which the council received £25,000. .

The accounts of Gloucestershire Airport Ltd for the year ending 31st March 2010 can be obtained from the Airport Chief Executive at the company's registered office - The Tower Building, Staverton, Nr Cheltenham, Gloucestershire, GL51 6SR.

The Gloucestershire Airport accounts have been consolidated into the accounts of Cheltenham Borough Council by way of the Group Accounts, shown on Pages 84-91. Gloucestershire Airport has been treated as a joint venture of Cheltenham Borough Council and has been consolidated in accordance with FRS 9.

21. Investments

Categorised according to the period remaining to maturity or until payment is received	Amortised cost	
	2009/10 £000's	2008/09 RESTATED £000's
i) Long Term (over 1 year)		
Banks	10,124	12,542
Building Societies	-	-
Business / Company	435	435
Government Stock	1	1
	10,560	12,978
ii) Short Term (over 3 months)		
Building Societies	-	2,073
Fund Managers	-	-
Banks	2,368	5,071
	2,368	7,144
iii) Short Term (less than 3 months)		
Other Local Authorities	-	-
Building Societies	-	-
Banks	-	-
	-	-

The fair value of all loans held equate to the carrying value at the balance sheet date. The unquoted equity investments of £435,222 (shown at cost), consists of shares held in Gloucestershire Airport (see Note 20b), for which a fair value cannot be measured reliably. This is because the range of reasonable fair value estimates could be significant due to the proposed runway development project. There are no current plans to dispose of the shares.

The amortised cost of the short and long term investments in banks represent the cost of the investments less impairment charges for amounts invested in Icelandic-owned institutions.

21(i) Impairment of Investments - Icelandic Banks

STATEMENT OF ACCOUNTS 2009/10

Early in October 2008, the Icelandic banks Landsbanki Islands Hf, Kaupthing and Glitnir Hf collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing, Singer & Friedlander went into administration. The authority had £11 million deposited across three of these banks with varying maturity dates and interest rates as follows:

Bank	Date invested	Maturity date	Amount invested £'000	Interest rate (%)
Kaupthing, Singer & Friedlander	18/07/06	20/07/09	2,000	5.30
Kaupthing, Singer & Friedlander	14/12/07	15/12/08	1,000	5.86
Landsbanki Islands Hf	19/07/06	19/07/10	2,000	5.29
Landsbanki Islands Hf	19/07/06	19/07/11	2,000	5.31
Landsbanki Islands Hf	14/12/06	14/12/09	1,000	5.40
Glitnir Bank Hf	14/12/06	15/12/08	3,000	5.56

All amounts invested with these banks are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the council will be determined by the administrators and receivers. Of the original amounts invested, repayments of £1.050 million were received in 2009/10 (see section on Kaupthing, Singer & Friedlander below).

The current situation with regards to the recovery of the sums deposited varies between each bank. In 2008/09 the authority made impairment adjustments for the deposits, based on the latest information available at the time. The impairment charges were reviewed at 31st March 2010, based on the latest information and guidance, and as a result further adjustments were made in 2009/10. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators and receivers, it is likely that further adjustments will be made to the accounts in future years.

Kaupthing, Singer and Freidlander Ltd (KS&F)

Kaupthing, Singer & Friedlander is a UK registered bank, in administration under English Law. The company was placed in administration on 8th October 2008 and the administrators are partners of Ernst & Young LLP.

The latest creditor progress report issued by the administrators in April 2010 indicate a return to creditors in the range of 65p to 78p in the £. Claims are based on the principal and interest accrued up to 7th October 2008. The first payment of 20p in the £ was received in July 2009, and an additional 10p in the £ in December 2009. A third distribution of 5p in the £ was received on 1st April 2010 and another distribution of 6p in the £ is anticipated to be received in July 2010.

In 2008/09 the authority decided to recognise impairments based on it recovering 60p in the £ (the minimum indicated amount at the time) up to October 2012 (the date at the time up to when the High Court had permitted the administration to be extended). In calculating the impairments the authority made the assumption that the remaining 25% recovery would be divided equally between December 2010, December 2011 and October 2012.

For the purpose of calculating the impairment adjustment in 2009/10, the authority has assumed the mid-point in the current range of 65p to 78p in the £ (i.e. 71p), in accordance with accounting guidance. As 35% was received in 2009/10, it has been assumed the remaining 36% at 31st March 2010 will be received evenly at six monthly intervals, from July 2010 to January 2013. The increase in the recoverable amount, together with no significant change in the repayment profile, results in a reduced impairment adjustment for these deposits in 2009/10.

The administrators' statements and further information can be found at www.kaupthingsingers.co.uk

Landsbanki Islands Hf

This bank is an Icelandic institution. Following steps taken by the Icelandic government in early October 2008, its domestic assets and liabilities were transferred to a new bank (Landsbanki), with the management of the affairs of the previous bank being placed in the hands of a resolution committee or winding up board under Icelandic law.

The winding up board has recognised local authority claims as having priority status under Icelandic law, however other creditors have filed objections to this decision. The latest administrators' report and other relevant information indicate a recovery of 94.85% of claims that have priority status. Claims are based on principal and interest accrued up to 22nd April 2009, in accordance with Act 44/2009, which has recently been passed in Iceland.

However recovery is subject to the following uncertainties and risks:

- *Confirmation that deposits (including those made by local authorities) have preferential creditor status, which is likely to have to be tested through the Icelandic courts. Local authorities' legal advice is that the deposits have priority status under Icelandic law.
- *The impact of exchange rate fluctuations on the value of assets recovered and on the settlement of the authority's claim, which may be denominated in currencies other than sterling (although at present the effect of this is not expected to be material).

The authority decided to recognise an impairment in 2008/09 based on it recovering 88p in the £ (the latest information at the time). In the absence of further information, it was assumed repayments would be divided equally between December 2010, December 2011 and December 2012.

For the purpose of calculating the impairment adjustment in 2009/10, the authority has assumed a recovery rate of 94.85%, assuming the deposits have priority status in accordance with the view currently taken by the winding up board. Allowing for court cases to be heard regarding priority status, it has been assumed repayments will be made at annual intervals between October 2011 and October 2018 (with nearly 20% in 2018), as recommended by current guidance. The significant extension in the repayment profile, offset partly by the increased recovery rate, results in an increased impairment adjustment for the deposits in 2009/10.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the bond remains at its current value. Therefore if preferential creditor status is not achieved the recoverable amount may only be around 38p in the £ and the impairment charged to the Income and Expenditure account would be significantly greater, increasing by around £2.3 million, based on current information.

The resolution committee's presentations and further information can be found at www.lbi.is

Glitnir Bank Hf

Glitnir Bank Hf is also an Icelandic entity. Following steps taken by the Icelandic government in early October 2008, its domestic assets and liabilities were transferred to a new bank (Glitnir), with the management of the affairs of the previous bank being placed in the hands of a resolution committee or winding up board under Icelandic law.

In contrast to the decision made by the Landsbanki winding up board, the Glitnir resolution committee has recognised local authority claims as general unsecured claims, rather than priority claims under the Icelandic Banking Act. The latest information available indicates an expected recovery rate of around 29% for claims that do not have priority status. Under Act 44/2009, which recently came into force in Iceland, claims can include interest up to 22nd April 2009, and at a penalty rate in cases where the maturity date of the investment was before 22nd April 2009.

STATEMENT OF ACCOUNTS 2009/10

However, as with Landsbanki Islands HF, recovery on the above basis is subject to the following uncertainties and risks:

- *Confirmation that deposits (including those made by local authorities) do not have preferential creditor status, which is likely to have to be tested through the Icelandic courts. Local authorities' legal advice is that the deposits have priority status under Icelandic law.
- *The impact of exchange rate fluctuations on the value of assets recovered and on the settlement of the authority's claim, which may be denominated in currencies other than sterling (although at present the effect of this is not expected to be material)
- *Clarification of the rate of penalty interest applying between the maturity date of the deposit and 22nd April 2009.

The authority decided to recognise an impairment in 2008/09 based on it recovering 31% of the principal and interest due up to 22nd April 2009 (including interest at a penalty rate of 22%). In the absence of further information at the time, a repayment date of July 2010 was assumed.

For the purpose of calculating the impairment adjustment in 2009/10, the authority has assumed a recovery rate of 29%, assuming the deposit does not have priority status in accordance with the view currently taken by the winding up board. Based on the time required to realise investments and allowing for court cases to be heard regarding priority status, it has been assumed repayments will be paid evenly at annual intervals between October 2011 and October 2015. Given the absence of further information on the penalty rate to apply from the maturity date to 22nd April 2009, interest has been calculated at the contractual rate. The reduction in the recoverable amount and interest due, together with the extension in the repayment profile, results in an increased impairment adjustment for the deposit in 2009/10.

If preferential creditor status for local authority deposits were to be attained then recovery is likely to be around 100% of the principal and interest due up to 22nd April 2009, with repayment in June 2011 at the earliest. The impairment charge to the Income & Expenditure account would be reduced by around £2.4 million, based on current information. In any event, interest accruing from 23rd April 2009 until repayment would rank as an unsecured claim and is unlikely to be recoverable.

The resolution committee's presentations and further information can be found at www.Glitnirbank.com

The accounting entries made in respect of the banks are therefore as follows. All impairments have been recognised as at the balance sheet date of 31st March 2010.

Bank	Interest rate %	Amount invested £'000	Interest due £'000	Impairment 2008/09 £'000	Repayments 2009/10 (including interest) £'000	Impairment 2009/10 £'000	Carrying amount at 31 March 2010 £'000
KSF	5.30	2,000	119	947	709	-208	671
KSF	5.86	1,000	101	497	367	-107	344
Landsbanki Islands Hf	5.29	2,000	159	490	-	139	1,530
Landsbanki Islands Hf	5.31	2,000	160	490	-	140	1,530
Landsbanki Islands Hf	5.40	1,000	115	254	-	74	787
Glitnir Bank Hf	5.56	3,000	441	2,357	-	297	787
Total		11,000	1,095	5,035	1,076	335	5,649

The carrying amounts have been classified as short or long term according to the profile of expected repayments. Those amounts expected to be repaid within twelve months have been classified as short term.

STATEMENT OF ACCOUNTS 2009/10

The impairment losses recognised in the Income and Expenditure account have been calculated by discounting the estimated repayments at the effective interest rate of the original deposits, in order to recognise the anticipated loss of interest to the authority until the funds are recovered. The carrying amounts therefore represent the present value of the amounts likely to be recovered.

Interest credited to the Income and Expenditure Account (included in Interest and Investment income) in respect of the investments is as follows:

Bank	Amount invested £'000	Interest rate %	Interest credited in 2007/08 £'000	Interest credited in 2008/09 £'000	Interest credited in 2009/10 £'000	Total interest credited £'000
Kaupthing, Singer & Friedlander	2,000	5.30		75	44	119
Kaupthing, Singer & Friedlander	1,000	5.86	17	59	25	101
Landsbanki Islands Hf	2,000	5.29		73	86	159
Landsbanki Islands Hf	2,000	5.31		74	86	160
Landsbanki Islands Hf	1,000	5.40	16	54	45	115
Glitnir Bank Hf	3,000	5.56	216	166	59	441
Total	11,000		249	501	345	1,095

In 2008/09 the authority made use of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009 to defer the impact of the impairments on the General Fund, and the impairment of £5,034,874 charged to the Income & Expenditure account in that year was reversed out to the Financial Instruments Adjustment account, via the Statement of Movement in the General Fund Balance. Under the regulations the authority must transfer the loss back to the General Fund no later than 31st March 2011. As the authority received a capitalisation direction in 2009/10, allowing it to spread the cost over a number of years, the loss was transferred back to the General Fund in 2009/10, via the Statement of Movement in the General Fund Balance.

The loss was however reduced by interest due, but not received, for 2008/09 of £750,000, which was credited to the Financial Instruments Adjustment account in that year and has been transferred back to General Fund via the Statement of Movement in General Fund Balance in 2009/10.

Legislation does not permit an impairment of an investment to be charged to the Housing Revenue Account (HRA). If such a charge were allowed, the HRA share of the impairment in 2009/10 of £335,300 would be £8,950.

22. Debtors

	31 st March 2010 £000's	31 st March 2009 RESTATED £000's
Amounts falling due in one year		
Government departments and agencies	1,528	3,030
Council Taxpayers	218	204
Other Local and Police Authorities	1,064	478
Cheltenham Borough Homes	69	66
Housing Rents	578	630
Sundry Debtors	3,225	3,611
Payments in Advance	291	140
	6,973	8,159
Provision for doubtful debts	(964)	(881)
	6,009	7,278

STATEMENT OF ACCOUNTS 2009/10

The 31st March 2009 figures have been restated to exclude the County Council and Police Authority's respective shares of council tax arrears and provision for bad debts. The arrears shown above therefore represent only the Borough Council's share of the council tax outstanding.

The figures have also been restated to exclude arrears and provision for bad debts relating to business rates (NNDR), since the council merely collects these on behalf of central government.

23. Creditors

	31st March 2010	31st March 2009
	£000's	RESTATED
		£000's
Government Departments	814	5,468
Council Taxpayers	67	71
Cheltenham Borough Homes	832	802
Housing Rents	95	98
Other Local Authorities	1,025	1,439
Sundry Creditors	2,805	2,787
Receipts in Advance	1,381	1,009
	7,019	11,674

The 31st March 2009 figures have been restated to exclude the County Council and Police Authority's respective shares of council tax overpayments. The council tax creditors shown above therefore represent only the Borough Council's share of the council tax overpaid.

The figures have also been restated to exclude overpayments of business rates (NNDR), since the council merely collects these on behalf of central government. The business rates collected, but not paid over to the government at the balance sheet date, is included in the creditors payable to Government Departments.

STATEMENT OF ACCOUNTS 2009/10

24. Long Term Borrowing

	Range of Interest Rates Payable %	Total Outstanding	
		31st March 2010	31st March 2009
		£000's	£000's
Public Works Loan Board (PWLB)	4.35% - 4.875%	11,000	11,000
Money Market	3.82% to 4.95%	15,900	15,900
		26,900	26,900
An analysis of PWLB by maturity is:			
Maturing in 3-5 years		2,000	2,000
Maturing in more than 10 years		9,000	9,000
		11,000	11,000
An analysis of Money Market loans by maturity is:			
Maturing in 3-5 years		-	-
Maturing in 6-10 years		-	-
Maturing in more than 10 years		15,900	15,900
		15,900	15,900

The 2009 SORP clarifies that the interest accruals on loans should be separated from the long term loans and included with short term borrowing which has resulted in amending the 2008/09 figures.

25. Fair Value of assets and liabilities carried at amortised cost

Financial assets and financial liabilities represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair value of PWLB loans held at 31st March 2010 is £11,777,266 (£12,409,741 at 31st March 2009) compared to the carrying value of £11,000,000 at 31st March 2010 (£11,010,964 at 31st March 2009). The fair value is higher than the carrying amount because the authority's portfolio includes fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the authority would have to pay if it requested early repayment of the loans.

For all other long term borrowing fair value equates to carrying value at the Balance Sheet date.

26. Nature and extent of risks arising from financial instruments

The council has adopted CIPFA's *Treasury Management in the Public Services: Code of*

Practice and has set treasury management prudential indicators to control key financial instrument risks in accordance with CIPFA's prudential code.

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

- credit risk – the risk that other parties might fail to pay amounts due to the authority
- liquidity risk – the possibility that the council might not have funds available to meet its commitment to make payments
- market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates

The authority's overall risk management is carried out by the central treasury team under policies approved by the council in the treasury management strategy approved in February 2009. The council provides written policies for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

a. Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the authority's customers. Deposits during the 2009/10 were made with financial institutions that were rated independently with a Fitch credit rating of a minimum of AA credit rating and met the council's lending criteria as approved in its Investment Policy 2009/10.

The policy dictates the maximum amount of lending that can be held with any one institution, set in accordance with the institutions credit rating and the guidance of the council's treasury advisors, Arlingclose. The maximum amount of surplus balance that can be lent to an approved counterparty was £7m in 2009/10. No credit limits were exceeded during the year.

b. Liquidity risk

As the authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant portion of its borrowings at a time of unfavourable interest rates. This risk is reduced by working towards a rolling programme to ensure the maturity of loans is spread over a period of time.

c. Market risk

The authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. A rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the income and expenditure account will rise
- borrowings at fixed rates – the fair value of the liabilities borrowing will fall
- investments at variable rates – the interest income credited to the income and expenditure account will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure account or the Statement of Recognised Gains and Losses (STRGL). However, changes in interest payable and receivable on variable rate

STATEMENT OF ACCOUNTS 2009/10

borrowings and investments will be posted to the income and expenditure account and will affect the general balance. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

The authority has a number of strategies for managing interest risk. Policy is to aim to keep a maximum of 50% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

d. Foreign exchange risk

The authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

27. Provisions

	Balance at 1st April 2009	Charged to I&E in Year	Payments/ Transfers in Year	Balance at 31st March 2010
	£000's	£000's	£000's	£000's
General Fund Insurance	170	-	5	165
Legal claims	520	-	150	370
	<u>690</u>	<u>-</u>	<u>155</u>	<u>535</u>

A number of Insurance Provisions were established in 1992/93 to fund the cost of claims from third party claims against the council under insurance policy excesses. The Insurance Provision represents the value of an assessment of the council's liability in respect of the current insurance claims outstanding with the council's insurers. Transfers between the Insurance Provision and the Insurance Reserve are made in order to provide adequate funding for the outstanding claims liability notified by the insurance company. The insurance reserve is used to fund areas where the council does not carry insurance cover, fluctuations in insurance premiums and corporate risk management strategy implementation.

The Legal Claims provision has been set up to cover additional court costs and legal fees arising from the judgement made by the High Court against the council in the Cheltenham Borough Council v. Mrs Laird case.

STATEMENT OF ACCOUNTS 2009/10

28. Capital Grants and Contributions Unapplied

	Balance at 1st April 2009	Receipts / Refunds in year	Amounts used to fund revenue expenditure charged to capital under statute	Amounts used to fund fixed assets	Other amounts transferred to Revenue	Balance at 31st March 2010
	£000's	£000's	£000's	£000's	£000's	£000's
Developers Contributions Partnership Funding Lottery Grants Government Grants	632	(83)	(186)	(73)	(10)	280
	203	693	-	(670)	(13)	213
	-	-	-	-	-	-
	159	1,011	(797)	(13)	(70)	290
	994	1,621	(983)	(756)	(93)	783

Where government grants or contributions are used to fund revenue expenditure charged to capital under statute, they are written off fully in the year to the Income and Expenditure account. When a sum has been used to fund expenditure on fixed assets, a balance is established on the Capital Government Grants and Capital Contributions Deferred Account. The balance is then written off to the Income and Expenditure account to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them (see note 29). Consequently, £783,080 is available at 31st March 2010 to meet new expenditure.

29. Government Grants and Capital Contributions Deferred

	Balance at 1st April 2009	Amounts applied to finance fixed assets in year	Amounts transferred out to Service Revenue Accounts	Balance at 31st March 2010
	£000's	£000's	£000's	£000's
Developer/Other Contributions Lottery Grants Government Grants	4,925	450	(462)	4,913
	3,174	-	(113)	3,061
	625	13	(29)	609
	8,724	463	(604)	8,583

From 2010/11 government grants will no longer be able to be offset against the cost of fixed assets. Government grants will be credited in full in the year of receipt.

STATEMENT OF ACCOUNTS 2009/10

30. Reserves

The council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Restated balance 1 st April 2009 £000's	Net Movement in Year £000's	Balance 31 st March 2010 £000's	Purpose of Reserve
a. Revaluation Reserve	40,441	(26,630)	13,811	Store of gains on revaluation of fixed assets not yet realised through sales
b. Capital Adjustment Account	269,739	(32,507)	237,232	Store of capital resources set aside to meet past expenditure
c. Financial Instruments Adjustment Account	(7,969)	4,515	(3,454)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments
d. Collection Fund Adjustment Account	104	(11)	93	Balancing account to allow for differences in statutory requirements and proper accounting practices for council tax surpluses/deficits
e. Usable Capital Receipts	-	-	-	Proceeds of fixed asset sales available to meet future capital investment
f. Pensions Reserve	(37,081)	(33,324)	(70,405)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet
g. Housing Revenue Account	311	1,270	1,581	Resources available to meet future running costs for council houses
h. Major Repairs Reserve	-	-	-	Resources available to meet capital investment in council housing
i. General Fund	2,717	(271)	2,446	Resources available to meet future running costs for non-housing services
j. Earmarked Reserves:				
Capital Reserve	3,055	(36)	3,019	Resources available to finance the General Fund Capital Programme and new initiatives
Equalisation Reserves	928	315	1,243	Resources available to smooth out fluctuations in expenditure or income from year to year
Repairs & Renewals Reserve	1,901	(371)	1,530	Resources available to meet the future costs of building repairs/infrastructure
Reserves for Commitments	1,209	(951)	258	Resources available to carry forward budget commitments where spending did not take place in the year approved
Other Earmarked Reserves	5,868	(1,656)	4,212	Include sums built up to cover the future costs of planned expenditure
Total	281,223	(89,657)	191,566	

STATEMENT OF ACCOUNTS 2009/10

a. Revaluation Reserve	2009/10	2008/09
	£000's	£000's
Tangible Fixed Assets		
Balance at 1st April	40,441	25,779
Revaluation gains on Fixed Assets	8,010	14,671
Write down of accumulated revaluation gains	(33,666)	-
Write down in respect of the difference between current value and historic cost depreciation	(974)	(9)
Balance at 31st March	13,811	40,441

The Revaluation Reserve formally came into existence at midnight on 1st April 2007 with a zero balance. The balance on the reserve represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at re-valued amounts rather than depreciated historical cost.

b. Capital Adjustment Account	2009/10	2008/09
	£000's	£000's
Balance at 1st April	269,739	273,660
Add Capital Financing:		
Capital Receipts	425	46
Government Grants/Capital Contributions Applied	1,083	569
Revenue	1,262	2,945
Major Repairs Reserve	3,035	2,900
Government Grants	797	734
Minimum Revenue Provision (MRP)	441	320
Less:		
Revenue expenditure charged to capital –		
Capitalisation Direction for Icelandic bank losses	(4,430)	-
Write Down of Revenue Expenditure charged to		
Capital under statute	(1,408)	(1,302)
Depreciation in year	(5,961)	(4,811)
Write down in respect of the difference between current value and historic cost depreciation	974	9
Amortisation in year	(101)	(66)
Impairment Losses	(28,194)	(5,123)
Disposals	(430)	(142)
Balance at 31st March	237,232	269,739

The Capital Adjustment Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The balance on the Account thus represents timing differences between the amount of the historical cost of fixed assets that have been consumed and the amount that have been financed in accordance with statutory requirements.

c. Financial Instruments Adjustment Account

	2009/10	2008/09
	£000's	£000's
Balance at 1st April	(7,969)	(3,913)
Amortisation of past premiums/discounts	230	229
Impairment of Icelandic banks	5,035	(5,035)
Interest from Icelandic banks	(750)	750
Balance at 31st March	(3,454)	(7,969)

STATEMENT OF ACCOUNTS 2009/10

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

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009 allows authorities to defer the impact on the General Fund of the impairment of investments in Icelandic banks (see note 21), which the authority decided to take advantage of in full in 2008/09. The regulations also require, however, that where an investment is impaired, any related interest credited to the Income and Expenditure Account, but not received, must be reversed out in determining the movement on the general fund balance for the year. These adjustments are managed by transfers to or from the Financial Instruments Adjustment Account in the Statement of Movement in the General Fund Balance.

Under the regulations the authority must transfer the impairment, together with the interest credit, back to the General Fund no later than 31 March 2011. As the authority received a capitalisation direction in 2009/10, allowing it to spread the cost of the impairment over a number of years, the items were transferred back to the General Fund in 2009/10 via the Statement of Movement in the General Fund Balance.

d. Collection Fund Adjustment Account

This account reflects the difference between the rate at which collection fund surpluses or deficits are released to the council's General Fund Balance according to proper accounting practice, and the rate at which they are released according to statute. Proper accounting practice requires the surpluses or deficits generated in the year to be included in the Income & Expenditure account for the year, whereas statute does not allow these to be released to the general fund balance until the following year. The balance on this account of £92,944 therefore represents the surplus available to be released to the general fund balance in the future.

The balance at 1st April 2009 was created as a prior year adjustment from the Collection Fund Balance, representing the council's share of the Balance at 31st March 2009.

STATEMENT OF ACCOUNTS 2009/10

e. Usable Capital Receipts

	2009/10	2008/09
	£000's	£000's
Balance at 1st April	-	-
Capital receipts in year from sale of assets	663	269
Pooling of Housing Capital receipts	(238)	(222)
Receipts set aside to repay debt	-	-
Capital receipts applied during the year	(425)	(47)
Balance at 31st March	-	-

f. Pensions Reserve – further detail of movements is shown within Note 37 to the Core Financial Statements on Pages 69-73

g. Housing Revenue Account (HRA) – further detail of movements is shown within the HRA Statements on Pages 76-80

h Major Repairs Reserve (MRR) – further detail of movements is shown within the HRA Statements on Pages 76-80.

i. General Fund – further detail of movements is shown within the Statement of Movement on the General Fund Balance on Pages 34-35.

j. Earmarked Reserves

	Balance at	Transfers	Transfers	Balance at
	1st April	to	from	31st March
	2009	in Year	in Year	2010
	£000's	£000's	£000's	£000's
Capital Reserve	3,055	525	(561)	3,019
Equalisation Reserves	928	660	(345)	1,243
Repairs & Renewals	1,901	684	(1,055)	1,530
Reserves for Commitments	1,209	254	(1,205)	258
Other Earmarked Reserves	5,868	805	(2,461)	4,212
	12,961	2,928	(5,627)	10,262

31. Deferred Credits

These are amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of Council houses.

32. Contingent Liabilities

The council has a potential liability in respect of the run off of Municipal Mutual Insurance to the value of £474,018.56. This will only materialise if the assets of the company do not cover the insurance claims yet to be settled, the likelihood and timing of which is unknown at this stage.

The council has impaired its investments with Landsbanki Islands hf to reflect the likely amounts to be recovered. However it has been assumed that local authority deposits with Landsbanki have preferential creditor status under Icelandic law, which is likely to have to be tested through the courts.

STATEMENT OF ACCOUNTS 2009/10

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable and the impairment charge to the Income and Expenditure account for future years may as a result be significantly greater than that made in 2009/10.

The council have implemented single status, with any changes to pay, and protection effective from 1st September 2008. Employees had a deadline of 30th June 2009 to lodge any appeal over their job evaluation outcome. These appeals were held during 2009/10 and the outcomes are included in the 2009/10 accounts. Claims have been lodged by two employees in respect of equal pay back pay. Discussion and legal advice regarding these claims is ongoing and it is estimated that the maximum back pay that may be awarded, should the claims be proven successful, is £75,000, plus any legal costs incurred. This represents a potential liability.

33. Contingent Assets

The council has impaired its investments with Glitnir Bank hf to reflect the likely amounts to be recovered. However it has been assumed that local authority deposits with Glitnir do not have preferential creditor status under Icelandic law, which is likely to have to be tested through the courts. The securing of preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable and the impairment charge to the Income and Expenditure account for future years may as a result be significantly less than that made in 2009/10.

34. Authorisation of Accounts for issue

FRS 21 *Events after the Balance Sheet Date* requires the establishment of a date after which events will not have been recognised in the Statement of Accounts. For the audited accounts this is the date the accounts are signed by the Chief Finance Officer. On this basis, the date beyond which there can be no reasonable expectation that events could have been taken into account by the authority is 25th June 2010. This is the date after which any events are not recognised in the accounts for the year 2009/10.

35. Post Balance Sheet Events

There are no known post balance sheets events as at the date of authorisation for issue of this Statement of Accounts.

36. Trust Funds

The council acts as trustee for legacies left by inhabitants of the Borough.

	Balance at 1 st April 2009	Receipts in Year	Payments in Year	Balance at 31 st March 2010
	£	£	£	£
Captain Wild	63,739	-	-	63,739
Major Mason	437	8	-	445
Miss Privett	14,830	50	(160)	14,720
Phyllis Kay	1,862	-	-	1,862
Leslie Young	1,424	-	-	1,424
Garden of Remembrance	22,570	1,267	(6,136)	17,701
	104,862	1,325	(6,296)	99,891

The purpose of each of the funds is as follows:

STATEMENT OF ACCOUNTS 2009/10

- Captain Wild To fund the acquisition of objects for the Art Gallery and Museum and books to facilitate the study of the contents of the Art Gallery and Museum
- Major Mason To fund the maintenance of parks in Charlton Kings.
- Miss Privett To fund the maintenance and upkeep of Charlton Kings cemetery.
- Phyllis Kay To fund the acquisition of paintings created in the last 100 years for the Art Gallery and Museum, but not abstract works of art.
- Leslie Young To fund the acquisition of objects for the Art Gallery and Museum.
- Garden of Remembrance Donations from the public to fund the enhancement of the garden of remembrance at the cemetery.

In addition to the above, seven other trust funds are maintained outside of the council's accounts, the financial activity for which is summarised below:

	Balance at 1 st April 2009	Receipts in Year	Payments in Year	Balance at 31 st March 2010	Capital Value of fund at 31 st March 2010
	£	£	£	£	£
Stansby*	1,171	1,764	(2,935)	-	-
Ald W A Baker*	1,204	-	(1,204)	-	-
Septimus Redhead*	17,024	38,797	(55,821)	-	-
Turner Long	11,103	2,521	(2,300)	11,324	64,504
Caroline Strickland	6,257	15,482	(10,813)	10,926	53,404
Hay Trust	26,821	124,583	(135,069)	16,335	93,665
Walker Memorial	2,727	783	(800)	2,710	19,571
	66,307	183,930	(208,942)	41,295	231,144

* N.B. Trusts are now closed

The capital value of the Trust funds is based on the share values at 31st March 2010. The purpose of each of the funds is as follows:

- Stansby To fund apprenticeships for people under 21 years of age entering a trade occupation
- Ald W A Baker To offer relief to the widows and children of ex Council employees
- Septimus Redhead Grants to the hospital and RSPCA
- Turner Long Annuities to indigent women over 50 years of age
- Caroline Strickland Support to Almshouses - Hales Road
- Hay Trust Support to Almshouses - Naunton Park
- Walker Memorial Annuities to indigent women over 50 years of age

37. Retirement Benefits

Participation in the Pensions Scheme

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

The Authority participates in the Local Government Pension Scheme (LGPS), which is categorised as a defined benefit scheme and administered by Gloucestershire County Council, who are required to act in the best interest of the fund's beneficiaries. It is a funded scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with investment assets. The retirement benefits are determined independently of the investors of the scheme and the council has an obligation to make extra contributions where assets are insufficient to meet employee benefits.

Transactions Relating to Retirement Benefits

In accordance with the requirements of *Financial Reporting Standard No 17 – Retirement Benefits* (FRS 17), the operating costs of providing retirement benefits to employees are included in the Income and Expenditure Account. The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

The employers' contributions to the pension fund of £3,717,000 (£3,381,000 in 2008/09) have been replaced by the current service (pensions) costs, being the increase in the present value of the defined benefit scheme's liabilities expected to arise from employee service in the current period. These are included in the net cost of services and total £1,346,000 for 2009/10 (£1,474,000 in 2008/09).

Past service costs represent discretionary benefits awarded on early retirement, to include added years and unreduced pension benefits awarded under the rule of 85. The total past service costs are £96,000 for 2009/10 (£733,000 in 2008/09 including one-off retrospective changes on 1st April 2008) and are included in the net cost of services as non-distributed costs.

Curtailments show the cost of the early payment of pensions benefits of employees made redundant in the previous financial year. These are included in the net cost of services as non-distributed costs and total £485,000 for 2009/10 (£395,000 for 2008/09).

The expected return on employer assets is based on the long-term future expected investment return on assets as at 31st March 2010. This is £3,059,000 for 2009/10, representing 24.5% of pensionable pay (£4,560,000 in 2008/09, being 39.7%) and is included in the net operating expenditure within the Income and Expenditure Account.

The interest charged on pension scheme liabilities reflects the expected increase during the period in the present value of the scheme liabilities because the benefits are one year closer to settlement. This is £6,076,000 for 2009/10, representing 48.6% of pensionable pay (£6,242,000 for 2008/09, being 54.4%) and is included in the net operating expenditure within the Income and Expenditure Account.

The overall effect on the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year is summarised in the following table:-

Income and Expenditure Account	2009/10	2008/09
---------------------------------------	----------------	----------------

STATEMENT OF ACCOUNTS 2009/10

	£000's	£000's
<i>Net Cost of Services:</i>		
current service cost	(1,346)	(1,474)
past service costs	(96)	(733)
curtailments	(485)	(395)
<i>Net Operating Expenditure:</i>		
expected return on employer assets	3,059	4,560
interest on pension scheme liabilities	(6,076)	(6,242)
Net Charge to the Income and Expenditure Account	(4,944)	(4,284)
 <i>Statement of Movement in the General Fund Balance:</i>		
reversal of net charges made for retirement benefits in accordance with FRS 17	4,944	4,284
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
employer contributions	(3,717)	(3,381)
Net effect on the General Fund Balance	1,227	903

In addition to the recognised gains and losses included in the Income and Expenditure account, actuarial losses of £32,097 (£11,142,000 in 2008/09) are included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £43,406.

Assets and Liabilities in relation to Retirement Benefits

In accordance with FRS 17, the council has to disclose its share of assets and liabilities related to pension schemes for its employees. The underlying assets and liabilities for retirement benefits attributable to the authority at 31st March are as follows:

	31 st March 2010	31 st March 2009	Net Increase /(Decrease)
	£000's	£000's	£000's
Fair value of scheme Assets (A)	72,946	51,561	21,385
Present value of Scheme Liabilities	(141,452)	(87,206)	(54,246)
Present value of Unfunded Liabilities	(1,899)	(1,436)	(463)
Total value of Liabilities (B)	(143,351)	(88,642)	(54,709)
Net Pension Asset/(Liability) (A-B)	(70,405)	(37,081)	(33,324)

STATEMENT OF ACCOUNTS 2009/10

(A) Fair value of scheme Assets	31st March 2010	31st March 2009	Net Increase /(Decrease)
	£000's	£000's	£000's
1st April	51,561	65,549	(13,988)
Expected return on assets	3,059	4,560	(1,501)
Contributions by members	830	779	51
Contributions by the employer	3,717	3,381	336
Actuarial gains / (losses)	17,730	(19,093)	36,823
Unfunded benefits paid	(90)	(90)	-
Benefits paid	(3,861)	(3,525)	(336)
Closing fair value of assets	72,946	51,561	21,385

(B) Present value of Liabilities	31st March 2010	31st March 2009	Net Increase /(Decrease)
	£000's	£000's	£000's
1st April	88,642	90,585	(1,943)
Current service cost	1,346	1,474	(128)
Interest cost	6,076	6,242	(166)
Contributions by members	830	779	51
Past service costs	96	733	(637)
Losses (gains) on curtailments	485	395	90
Actuarial losses / (gains)	49,827	(7,951)	57,778
Estimated Unfunded benefits paid	(90)	(90)	-
Estimated Benefits paid	(3,861)	(3,525)	(336)
Closing value of liabilities	143,351	88,642	54,709

The liabilities show the underlying commitments that the council has in the long-term to pay retirement benefits. The net liability of £70.4m has a substantial impact on the net worth of the council as recorded in the Balance Sheet, although the overall balance remains positive at £192m. Statutory arrangements for funding the pension deficit mean that the financial position of the Authority remains healthy.

The deficit on the LGPS will be made good by increased contributions over the remaining working life of the employees, as assessed by the scheme's actuary.

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries.

The main assumptions used in their calculations, agreed with the council, are shown in the table below:

31st March 31st March

STATEMENT OF ACCOUNTS 2009/10

	2010	2009
Mortality Assumptions:		
Longevity at 65 for current pensioners - men	22.7	20.4 yrs
Longevity at 65 for current pensioners - women	26.1	23.4 yrs
Longevity at 65 for future pensioners - men	24.8	22.6 yrs
Longevity at 65 for future pensioners - women	28.3	25.5 yrs
Rate of inflation	3.8%	3.1%
Pension increase rate	3.8%	3.1%
Rate of increase in salaries	5.3%	4.6%
Rate of discounting scheme liabilities	5.5%	6.9%
Expected return on assets	6.9%	5.9%
Take-up of option to convert annual pension into retirement grant for pre April 2008 service	50.0%	50.0%
Take-up of option to convert annual pension into retirement grant for post April 2008 service	75.0%	-

Cheltenham Borough Council's share of assets in the LGPS, valued at fair value, principally at market value for investments, consists of the following categories, by proportion of the total assets held by the fund:

Assets at 31st March 2010

Restated Assets at 31st March 2009

Assets at 31st March 2010			Restated Assets at 31st March 2009			
Value	Expected long term return		Value	Expected long term return		
£000's	%	%	£000's	%	%	
48,874	67.00	7.8	Equities	25,781	50.00	7.00
17,507	24.00	5.0	Bonds	12,890	25.00	5.40
4,377	6.00	5.8	Property	4,125	8.00	4.90
2,188	3.00	4.8	Cash	8,765	17.00	4.00
72,946	100.00		Total	51,561	100.00	

It must be recognised that pension fund investments are made for the long term, and that market values and net fund liabilities at a given point in time, are only indicative of the position of the fund at that date.

The LGPS funding level is determined by actuarial valuation every three years. At the last valuation, 31st March 2007, the overall fund was 75% funded. Employers' contribution rates are calculated at each triennial valuation to achieve full funding of each employer's part of the scheme over the average future working life of that employer's active members. The minimum employers contribution rates agreed at the last triennial valuation were:

- 1st April 2008 to 31st March 2009 24.9% of pensionable pay
- 1st April 2009 to 31st March 2010 24.9% of pensionable pay
- 1st April 2010 to 31st March 2011 24.9% of pensionable pay

The council has agreed the objective to return the ongoing funding level of its portion of the scheme to 100% of the projected past service liabilities within a period of 20 years measured in accordance with the assumptions adopted as at the valuation date.

Actuarial Gains and Losses

STATEMENT OF ACCOUNTS 2009/10

The actuarial gains identified as movements on the pension reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March:

Restated amounts for current and previous accounting periods	Year to 31 st March 2010 £000's	Year to 31 st March 2009 £000's	Year to 31 st March 2008 £000's	Year to 31 st March 2007 £000's	Year to 31 st March 2006 £000's
Fair value of employers assets	72,946	51,561	65,549	69,438	64,453
Present value of liabilities	(143,351)	(88,642)	(90,585)	(104,277)	(104,671)
Surplus / (Deficit)	(70,405)	(37,081)	(25,036)	(34,839)	(40,218)
Experience gains / (losses) on Assets	17,730	(19,093)	(8,540)	(80)	8,666
Percentage of Assets	24.3%	(37.0%)	(13.0%)	(0.1%)	13.4%
Experience Gains/(Losses) on Liabilities	(53)	(55)	1,657	(1)	(30)
Percentage of the Total Present Value of Liabilities	(0.0%)	(0.1%)	1.8%	(0.0%)	(0.0%)
Actuarial Gains/(Losses) Recognised in STRGL	(32,097)	(11,142)	9,944	5,973	(2,982)
Percentage of the Total Present Value of Liabilities	(22.4%)	(12.6%)	11%	5.7%	(2.8%)
Cumulative Actuarial Gains/(Losses)	(43,406)	(11,309)	(167)	(10,111)	(16,084)
Percentage of the Total Present Value of Liabilities	(30.3%)	(12.8%)	(0.2%)	(9.7%)	(15.4%)

STATEMENT OF ACCOUNTS 2009/10

Notes relating to the Cash Flow Statement

Prior year adjustments have been made to the 2008/09 figures to reflect the removal of business rates (NNDR) and the County Council's and Police Authority's shares of council tax collected during the year, the precepts paid to the County Council and Police, and their respective shares of council tax benefit received. Prior year adjustments have also been made to ensure this statement complies with the SORP 2009.

38. Reconciliation of net deficit on the Income and Expenditure Account to the revenue activities net cash flow

2008/09 RESTATED £000's		2009/10 £000's
11,036	Net deficit on the Income & Expenditure Account	31,937
	Adjust for non-cash Transactions	
(10,089)	Depreciation and Impairment of fixed assets	(34,155)
(66)	Amortisation of Intangible fixed assets	(101)
(4,901)	Impairment of Investments	(335)
481	Amortisation of capital grants deferred	604
(689)	Provisions	155
104	Net gains/(losses) on disposal of fixed assets	201
(903)	Net charge for retirement benefits	(1,227)
<u>(16,063)</u>		<u>(34,858)</u>
	Adjust for Accruals	
3	Increase / (decrease) in stock	15
1,390	Increase / (decrease) in debtors	(1,282)
1,301	Decrease / (increase) in creditors	459
<u>2,694</u>		<u>(808)</u>
	Adjust for items shown elsewhere on the cashflow statement	
(1,784)	Interest payable	(1,271)
1,457	Interest receivable	852
25	Dividends received	25
<u>(302)</u>		<u>(394)</u>
(2,635)	Net Cash Outflow / (Inflow) from revenue activities	(4,123)

39. Reconciliation of movement in cash to the movement in net debt

2008/09 RESTATED £000's		2009/10 £000's
	Movement in Cash	
(2,635)	Cash (inflow) / outflow from revenue activities	(4,123)
(25)	Cash (inflow) / outflow from dividends	(25)
588	Cash (inflow) / outflow from returns on investments and servicing of finance	623
<u>5,231</u>	Cash (inflow) / outflow from capital activities	<u>3,846</u>
3,159	Net cash (inflow) / outflow of cash	321
	Movement in net debt	
710	Increase / (decrease) in cash at bank	(295)
(5,100)	Increase / (decrease) in investments	(7,065)
15,002	(Increase) / decrease in long term borrowing	0
(9,470)	(Increase) / decrease in temporary borrowing	2,537
(4,301)	Increase / (decrease) in other liquid resources	4,502
<u>(3,159)</u>	(Increase) / decrease in net debt	<u>(321)</u>

STATEMENT OF ACCOUNTS 2009/10

40. Reconciliation of movement in liquid resources to opening and closing balance sheets

2008/09 RESTATED			2009/10	
£000's	£000's		£000's	£000's
	<u>(9,401)</u>	Movement in liquid resources		<u>(2,563)</u>
		Movement in balance sheets		
9,431		Short term investments at beginning of year	7,144	
<u>7,144</u>		Less short term investments at end of year	<u>2,368</u>	(4,776)
	(2,287)			
20,598		Long term investments at beginning of year	12,978	
<u>12,978</u>		Less long term investments at end of year	<u>10,560</u>	(2,418)
	(7,620)			
	(4,301)	(Increase) / decrease in other liquid resources		4,502
	(228)	Increase / (decrease) in interest due		(206)
	<u>5,035</u>	Impairments		<u>335</u>
	<u>(9,401)</u>	Movement in liquid resources		<u>(2,563)</u>

41. Liquid Resources

The liquid resources include all deposits placed with banks and building societies.

42. Analysis of Government Grants

2008/09 RESTATED			2009/10
£000's			£000's
	DWP grants for Benefits		
831	Housing Benefits Administration		963
9,853	Rent Rebates		10,540
14,506	Rent Allowances		19,896
<u>800</u>	Council Tax Benefit (Borough Council share only)		<u>(19)</u>
<u>25,990</u>			<u>31,380</u>
	Other government grants		
274	Disabled facility grants		294
461	Private Sector Decent homes		503
<u>1,818</u>	Other grants		<u>50</u>
<u>2,553</u>			<u>847</u>

43. Additional Information

The Cash Flow Statement shows that there was a net inflow of cash from revenue activities which was mainly used to pay for fixed assets, leaving £321,000 which, together with cash realised from investments and new short term borrowing, was used to repay long term debt.

STATEMENT OF ACCOUNTS 2009/10

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE ACCOUNT

The Housing Revenue Account (HRA) deals with the provision and maintenance of Council houses and flats. There is a statutory requirement to keep this account separate from those for other housing activities.

	2009/10	2008/09
	£000's	£000's
Income		
Dwelling rents	(15,812)	(15,379)
Non-dwelling rents	(346)	(361)
Charges for services and facilities	(627)	(579)
Contributions towards expenditure	(443)	(144)
Total Income	(17,228)	(16,463)
Expenditure		
Repairs and maintenance	3,621	3,623
Supervision and management	5,768	5,571
Rents, rates, taxes and other charges	54	66
Housing Revenue Account subsidy payable	1,162	1,722
Depreciation and impairment of fixed assets	12,847	8,036
Revenue expenditure charged to capital under statute	11	20
Debt Management Costs	43	40
Increase in bad debt provision	193	252
Rent Rebates Subsidy Limitation	218	197
Total Expenditure	23,917	19,527
Net Cost of HRA Services per Authority Income and Expenditure Account	6,689	3,064
HRA services share of Corporate and Democratic Core	127	122
Net Cost of HRA Services	6,816	3,186
Gain on sale of HRA fixed assets	(114)	(93)
Interest payable and similar charges	529	874
Interest and investment income *	(46)	(51)
Deficit for the year on HRA Services	7,185	3,916

* Interest and investment income made up of £5,700 mortgage interest and £40,178 on notional cash balances (£13,000 and £38,000 respectively in 2008/09).

STATEMENT OF ACCOUNTS 2009/10

STATEMENT OF MOVEMENT ON THE HRA BALANCE

The reconciliation Statement takes the outturn on the HRA Income and Expenditure Account and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989:

2008/09		2009/10
£000's		£000's
3,916	(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	7,185
(3,204)	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	(8,455)
712	(Increase) / Decrease in the HRA Balance for the Year	(1,270)
(1,023)	HRA Balance brought forward	(311)
(311)	HRA Balance carried forward	(1,581)

NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

1. Note of reconciling items for the Statement of Movement on the HRA Balance

2008/09		2009/10
£000's		£000's
	Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Balance for the year	
9	Amortisation of premiums and discounts	9
(5,233)	Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	(9,463)
93	Gain or loss on sale of HRA fixed assets	114
(5,131)		(9,340)
	Items not included in the HRA Income and Expenditure Account but included in the Movement on the HRA Balance for the year	
(57)	Transfer to/(from) Major Repairs Reserve	(66)
1,984	Capital expenditure funded by the HRA	951
1,927		885
(3,204)	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	(8,455)

2. Housing Stock

STATEMENT OF ACCOUNTS 2009/10

An analysis of the number and types of dwellings is detailed below:-

Type	1 st April 2009	Additions	Sales	Demolitions	31 st March 2010
Houses & Bungalows	2,242	1	2	17	2,224
Flats	2,379		1		2,378
Shared Ownership (flats)	19				19
Total Stock	4,640	1	3	17	4,621

3. HRA Fixed Assets

The balance sheet valuation of HRA fixed assets is shown in the following table:-

	1 st April 2009 £000's	Revalue £000's	Additions £000's	Change of Use £000's	Impairment £000's	Disposals £000's	Depreciate £000's	31 st March 2010 £000's
Operational Assets								
Dwellings	238,846	(33,123)	3,789	92	(9,666)	(169)	(3,035)	196,734
Garages	765						(21)	744
Infrastructure	1,803		514				(45)	2,272
Non-operational Assets								
Investment Property	2,665	1,233		(92)	(79)			3,727
Total net fixed assets	244,079	(31,890)	4,303		(9,745)	(169)	(3,101)	203,447

The charges for impairment relate to capital expenditure in 2009/10 which has not enhanced asset valuation and has been written off to the capital adjustment account and accelerated depreciation following a reduction in stock valuation at 1st April 2009.

4. Dwelling Valuation

The vacant possession value of dwellings within the HRA at 1st April 2009 was £ 454,921,248. This valuation and the lower Balance Sheet valuation show the economic cost to Government of providing council housing at less than open market rents.

5. Major Repairs Reserve

STATEMENT OF ACCOUNTS 2009/10

An analysis of movements on the reserve is shown below:

	£000's
Balance 1 st April 2009	-
Transfer to reserve	3,101
Transfer from reserve to HRA	(66)
Finance of HRA capital expenditure	<u>(3,035)</u>
Balance 31st March 2010	<u>-</u>

6. Housing Repairs Account

An analysis of movements on the account is shown below:

	£000's
Balance 1 st April 2009	-
Contribution from HRA	3,621
Repair & Maintenance expenditure	<u>(3,621)</u>
Balance 31st March 2010	<u>-</u>

7. HRA Capital Expenditure

A summary of capital expenditure and sources of finance is shown in the following table:

Sources of Finance	Total Expenditure	Major Repairs Allowance	Capital Grants	Revenue	Capital Receipts
HRA Capital Expenditure	£000's	£000's	£000's	£000's	£000's
Major Repairs & Improvements	3,768	3,035	269	462	2
Infrastructure	514		25	489	
Repurchase of shared ownership flats	21				21
Asset Disposal					
Total	<u>4,303</u>	<u>3,035</u>	<u>294</u>	<u>951</u>	<u>23</u>

8. HRA Capital Receipts

An analysis of HRA capital receipts realised during the year is shown below:

	£000's
Sale of Dwellings	208
Mortgage Principal	21
Discounts repaid on former Council dwelling sales	32
Sale of Shared Ownership Flats	65
Total	<u>326</u>

9. Revenue Expenditure Funded from Capital Under Statute

STATEMENT OF ACCOUNTS 2009/10

Expenditure amounted to £10,707 in 2009/10 and related to grants to third parties. This has been wholly written off to the HRA within the year.

10. HRA Subsidy

The council's entitlement to HRA subsidy in 2009/10 is calculated in accordance with the subsidy determination for the year and is analysed into its component elements below:

	£000's
Management Allowance	2,721
Maintenance Allowance	5,227
Charges for Capital	9
Major Repairs Allowance	3,035
ALMO Allowance	2,515
Guideline Rent Income	(14,614)
Interest on Receipts	(61)
Adjustment re previous year	6
Total Net Subsidy Payable by Cheltenham Council	(1,162)

11. Rent Arrears

Rent arrears at 31st March 2010 amounted to £ 578,465 (£629,788 as at 31st March 2009) and the Balance Sheet includes a bad debt provision of £ 344,894 relating to those arrears (£359,000 as at 31st March 2009).

12. Rent Rebates Subsidy Limitation

The Secretary of State has directed that the additional cost of rent rebates granted to tenants which arises from council rents being in excess of the specified limit should be charged to the HRA and credited to the General Fund. In 2009/10 this amounted to £218,336 (£197,147 in 2008/09), a figure which will reduce in future years as government policy on rent restructuring is implemented.

STATEMENT OF ACCOUNTS 2009/10

THE COLLECTION FUND - INCOME AND EXPENDITURE ACCOUNT

	2009/10	2008/09
	£000's	£000's
INCOME		
Council Taxpayers	54,002	52,732
Transfers from General Fund		
Council Tax Benefits	6,832	6,110
Transitional Relief		-
Income Collectable from Business Ratepayers	48,244	48,678
Bad and Doubtful Debts		
Movement in Provision Increased / (Decreased)	(75)	(84)
Total Income	109,003	107,436
 EXPENDITURE		
Precepts and Demands from County and District Councils	60,620	58,500
Business Rates		
Payment to National Pool	47,353	48,073
Costs of Collection	188	185
Interest on Repayments	55	18
Bad and Doubtful Debts		
Write Offs	615	377
Surplus Distribution	265	240
Total Expenditure	109,096	107,393
Surplus/(Deficit) for the Year	(93)	43
Balance of Fund as at 1st April	814	771
Fund Balance as at 31st March	721	814

NOTES TO THE COLLECTION FUND

1. INCOME FROM BUSINESS RATEPAYERS

Under the arrangements for uniform business rates, the council collects Non-Domestic Rates for its area, which is based on local rateable values multiplied by a uniform rate set by the government. Certain reliefs are available and the figure shown is net of these reliefs. The total amount collected, less deductions for the cost of collection and bad and doubtful debts, is paid to a central pool (NNDR pool) managed by central government, which in turn pays back to authorities their share of the pool based on a standard amount per head.

The total non-domestic rateable value at 31st March 2010 was £117.459m (£117.430m at 31st March 2009) and the national non-domestic multiplier for 2009/10 was 48.5p (46.2p in 2008/09), resulting in gross income before cost of collection and provision for bad debts and interest of approximately £48m. The income shown in the Collection Fund of £48.2m is net of these adjustments.

2. CALCULATION OF COUNCIL TAX

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund Account.

From 1st April 1993, Community Charge was replaced by Council Tax and from the same date these accounts were consolidated with the council's accounts.

Council Tax is a property based tax with 25% reduction being made for single occupancy and 100% for void. The District Valuer has valued all domestic property in the area and has 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).

Band	Estimated Number of Properties in each Band (adjusted for discounts)	Ratio	Band "D" Equivalents
A	6996.20	6/9	4664.14
B	10457.25	7/9	8133.43
C	11749.85	8/9	10444.32
D	7638.45	1	7638.45
E	4177.35	11/9	5105.66
F	2279.50	13/9	3292.62
G	1750.80	15/9	2918.00
H	70.30	2	140.60
			42,337.22

Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation bandings, demolitions, disabled persons' relief and exemptions, plus adjustments for new properties. (This amounts to 1.00% of the tax base).

Council Tax Base for 2009/10

41,918.20

3. PRECEPTS

STATEMENT OF ACCOUNTS 2009/10

The precepts on the Collection Fund are as follows:-

	2009/10 £000's	2008/09 £000's
Gloucestershire County Council	44,682	43,131
Cheltenham Borough Council	7,652	7,376
Gloucestershire Police Authority	8,132	7,843
Charlton Kings Parish Council	43	41
Leckhampton Parish Council	25	24
Prestbury Parish Council	54	53
Swindon Village Parish Council	9	9
Up Hatherley Parish Council	23	23
	60,620	58,500

In practice, Cheltenham Borough Council precepts for its own requirements and for the parishes. The parishes' requirements are in turn paid out of Cheltenham's General Fund.

4. FUND BALANCE

The balance of the Fund is shared between the council and its major precepting authorities in the following year. Of the balance any amounts arising from Council Tax are shared by the council, Gloucestershire County Council and Gloucestershire Police Authority. The amounts are transferred to the council's general fund and the County Council and Police Authority funds.

The respective authority's share of the balances is as follows:

	CBC share £000's	County share £000's	Police share £000's	Total £000's
Balance at 1 st April 2009	104	601	109	814
Decrease in the Year	(11)	(70)	(12)	(93)
Balance at 31st March 2010	93	531	97	721

GROUP ACCOUNTS

STATEMENT OF ACCOUNTS 2009/10

The Group Accounts bring together the council's accounts with those of Gloucestershire Airport Limited, in which the council has a 50% shareholding (the remaining 50% of shares are owned by Gloucester City Council), and Cheltenham Borough Homes (CBH), a company limited by guarantee whereby the council is the sole member.

Further details of these companies are given in Note 20 to the core financial statements on Pages 51-53

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

Cheltenham Borough Homes Limited has been categorised as a subsidiary company of Cheltenham Borough Council and its interests have been consolidated in accordance with FRS 2.

FRS 2 requires income and expenditure, assets and liabilities to be consolidated on a line-by-line basis. The operating income and expenditure has been included within the local authority housing (HRA) line before net cost of service. Taxation has been disclosed as a separate line before net operating expenditure, although it should be noted that Cheltenham Borough Homes has been granted exemption from Corporation Tax.

The Group Balance Sheet has been prepared by combining Cheltenham Borough Homes' assets and liabilities with those of the council on a line by line basis, eliminating inter-organisation debtors and creditors.

Gloucestershire Airport Limited has been categorised as a joint venture company as the decisions regarding the operating and financial policies of the company require the consent of all parties. Its assets and liabilities have been consolidated with the council's in accordance with FRS 9.

FRS 9 requires the Gross Equity Method to be used when consolidating joint ventures. Under this method, the council's share of the operating result of the Airport is reported gross (i.e. gross turnover and expenditure) as a separate line before net cost of service within the Group Income and Expenditure Account. Taxation has been disclosed as a separate line before net operating expenditure.

In the Group Balance Sheet the council's share of the gross assets and liabilities are included as a long-term investment. The council's share of the Airport's reserves are also included.

PRIOR YEAR ADJUSTMENTS

The Group accounts have been restated to take into account the changes made in the council's single entity accounts as a result of changes in accounting for council tax and non-domestic rates (see Accounting policies, page 20).

STATEMENT OF ACCOUNTING POLICIES FOR THE GROUP ACCOUNTS

These are set out on Pages 20-30. There are a number of exceptions and additions which are identified in Note 19 on Page 29, to ensure compliance with UK Generally Accepted Accounting Practice (UK GAAP).

GROUP INCOME AND EXPENDITURE ACCOUNT

Note	2009/10	2009/10	2009/10	2008/09
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STATEMENT OF ACCOUNTS 2009/10

	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure RESTATED
	£000's	£000's	£000's	£000's
Central Services to the public	9,106	8,285	821	(611)
Cultural, environmental and planning services	38,682	9,377	29,305	12,801
Highways, roads and transport services	8,486	6,339	2,147	(191)
Local authority housing (HRA)	1 23,834	17,228	6,606	3,282
Other housing services	33,789	32,443	1,346	1,392
Corporate and democratic core	3,017	422	2,595	2,448
Share of operating result of Gloucestershire Airport Limited	2 1,868	1,855	13	(68)
Non distributed costs	1,964	150	1,814	2,270
Net Cost of Services	120,746	76,099	44,647	21,323
(Gain) or Loss on the disposal of fixed assets			(201)	(104)
Contribution of housing capital receipts to Government Pool			238	222
Parish council precepts			153	150
(Surpluses)/deficits on trading undertakings not included in Net Costs of Services			(350)	(665)
Interest payable and similar charges			1,271	1,784
Share of interest payable of Gloucestershire Airport Limited			-	30
Gains and losses on the repurchase or early settlement of borrowing			-	-
Interest and investment income			(856)	(1,461)
Share of interest and investment income of Gloucestershire Airport Limited			-	(6)
Pensions interest cost and expected return on pensions assets			3,254	1,652
Share of taxation of Cheltenham Borough Homes			-	-
Share of taxation of Gloucestershire Airport Limited			(14)	12
Exceptional item – Impairment of Icelandic investments			335	5,035
Exceptional item – VAT refund			-	(1,166)
Exceptional Item – CBC v. Laird case			187	899
Net Operating Expenditure			48,664	27,705
Demand on the Collection Fund			(7,827)	(7,563)
General Government Grants			(1,724)	(1,387)
Non-Domestic Rates Redistribution			(7,129)	(7,664)
(Surplus)/Deficit for the Year			31,984	11,091

RECONCILIATION OF THE SINGLE ENTITY SURPLUS OR DEFICIT FOR THE YEAR TO THE GROUP SURPLUS OR DEFICIT

STATEMENT OF ACCOUNTS 2009/10

	2009/10	2008/09
	£000's	RESTATED
		£000's
(Surplus)/Deficit on the authority's single entity Income and Expenditure Account for the year	31,937	11,036
Add subsidiary and associate dividend income and any other distributions from group entities included in the single entity surplus or deficit on the Income and Expenditure Account	25	25
Add: (surplus) or deficit arising from other entities included in the group accounts analysed into the amounts attributable to:		
Cheltenham Borough Homes	(38)	62
Gloucestershire Airport Limited	60	(32)
Group Account (Surplus)/Deficit for the year	31,984	11,091

STATEMENT OF ACCOUNTS 2009/10

GROUP BALANCE SHEET

	Notes	31 st March 2010 £000's	31 st March 2009 RESTATED £000's
Fixed Assets			
<i>Intangible Fixed Assets</i>		234	315
<i>Tangible Fixed Assets</i>			
Operational assets:			
Council dwellings		196,878	238,845
Other land & buildings		76,448	85,631
Vehicles, plant, furniture and equipment		1,728	2,198
Infrastructure assets		7,050	7,815
Community assets		226	61
Non-operational assets:			
Investment properties		22,608	25,501
Assets under construction		137	85
Other		25	40
Total Fixed Assets		305,334	360,491
Long-term investments		10,125	12,543
Long-term investment in Gloucestershire Airport Limited	3	21,368	22,176
Long-term debtors		249	284
Total Long-Term Assets		337,076	395,494
Current Assets			
Stocks and work in progress		117	102
Debtors	4	6,064	7,280
Short term Investments		2,368	7,144
Cash and bank		96	161
Total Assets		345,721	410,181
Current Liabilities			
Short-term borrowing		(17,912)	(20,189)
Creditors	4	(6,902)	(11,515)
Bank overdraft		(464)	(164)
Total Assets Less Current Liabilities		320,443	378,313
Long-term borrowing		(26,900)	(27,158)
Provisions		(535)	(690)
Capital Grants and contributions unapplied		(783)	(994)
Capital Grants and contributions deferred		(8,583)	(8,724)
Liability related to defined benefit pension scheme	6	(76,851)	(38,479)
Total Assets Less Liabilities		206,791	302,268
Financed by:			
Revaluation Reserve	5	35,408	62,045
Capital Adjustment Account		237,232	269,739
Financial Instruments Adjustment Account		(3,454)	(7,969)
Collection Fund Adjustment Account		93	105
Usable Capital Receipts Reserve		-	-
Deferred Credits		172	204
Pensions Reserve	6	(70,405)	(37,081)
Major Repairs Reserve		-	-
Earmarked Reserves		10,262	12,961
Cheltenham Borough Homes Profit & Loss Account		(5,880)	(901)
Gloucestershire Airport Limited Profit & Loss Account		(664)	137
General Fund Balance		2,446	2,717
Housing Revenue Account Balance		1,581	311
Total Net Worth	7	206,791	302,268

STATEMENT OF ACCOUNTS 2009/10

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Group for the year and shows the aggregate increase in its net worth. In addition to the surplus/deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	2009/10	2008/09
	£000's	RESTATED £000's
(Surplus)/Deficit for the year on the Income and Expenditure Account	31,984	11,091
(Surplus)/Deficit arising on revaluation of fixed assets	25,665	(14,688)
Actuarial (gains)/losses on pension fund assets and liabilities	37,829	13,247
Total recognised (gains)/losses for the Year	95,478	9,650
Prior Period Adjustments:		
Surplus / (Deficit) on the Collection Fund transferred to precepting authorities	709	673
Total recognised (gains)/losses since the last annual report	96,187	10,323

STATEMENT OF ACCOUNTS 2009/10

GROUP CASH FLOW STATEMENT

Revenue Activities	2009/10		2008/09
	£000's	£000's	RESTATED
Cash Outflows			£000's
Cash paid to and on behalf of employees	23,509		22,095
Other operating cash payments	26,494		27,646
Housing Benefits paid out	19,443		15,631
Precepts paid	153		150
Payments to the Capital Receipts Pool	238		222
		69,837	65,744
Cash Inflows			
Rents (after rebates)	(6,654)		(7,230)
Council Taxpayers	(6,862)		(6,819)
NNDR receipts from national pool	(7,129)		(7,664)
Revenue Support Grant	(1,646)		(1,067)
DWP Grants for Benefits	(31,380)		(25,990)
Other Government Grants	(847)		(2,553)
Cash received for goods and services	(19,607)		(17,431)
Other operating cash receipts	-		-
		(74,125)	(68,754)
Net Cash (Inflow) from Revenue Activities		(4,288)	(3,010)
Dividends from joint ventures and associates - Airport		(25)	(25)
Returns on investments and Servicing of Finance			
Cash Outflows			
Interest paid	1,269		1,817
Cash Inflows			
Interest received	(650)		(1,233)
Net Cash (Inflow)		619	584
Capital Activities			
Cash Outflows			
Purchase of fixed assets & other capital payments	5,293		9,591
Cash Inflows			
Sale of fixed assets	(663)		(269)
Capital grants received	(144)		-
Other capital cash receipts	(400)		(3,951)
		4,086	5,371
Net Cash (Inflow) / Outflow before financing		392	2,920
Management of liquid resources			
Net increase / (decrease) in short term deposits	(7,065)		(5,100)
Net increase / (decrease) in other liquid resources	4,502		(4,302)
		(2,563)	(9,402)
Financing			
Cash Outflows			
Repayment of amounts borrowed	175,727		331,658
Capital element of finance lease rentals	-		-
Premiums paid on borrowings repaid	-		-
Cash Inflows			
New long term loans raised	-		-
New short term loans	(173,190)		(326,126)
Cash Outflow/(Inflow) from Financing		2,537	5,532
Net Cash Outflow/(Inflow) from all activities		366	(950)

NOTES TO THE GROUP ACCOUNTS

1. Cheltenham Borough Homes Limited

The audited accounts show that company made a trading profit of £38,248 to 31st March 2010 (£62,323 loss to 31st March 2009), which has been included in the gross expenditure line for local authority housing (HRA).

2. Gloucestershire Airport Limited

The audited accounts show that company made an after tax operating loss of £120,386 to 31st March 2010 (profit of £62,646 to 31st March 2009), of which 50% is represented within the Group Accounts. The company paid dividends of £50,000 for the year to 31st March 2010, of which the council received £25,000. Equity dividends proposed by the Board of Directors of the Airport are not recorded in the financial statements until they are approved by the shareholders at the annual general meeting. Equity dividends paid are dealt with as a movement on retained profits.

3. Long-term investment in Gloucestershire Airport Limited

The Group Balance Sheet has been prepared by combining the council's 50% share of the Airport's assets and liabilities as a long-term investment, eliminating the share capital. Since the Airport's accounts show fixed assets at historic cost, they have been re-valued and shown in the group balance sheet at current value, to bring them in line with the council's accounting policies:

- Operational assets added at leasehold existing use value (50% share) = £15.810 million.
- Non-operational assets added at leasehold market value (50% share) = £6.5 million.

4. Inter-organisation debtors and creditors

Internal debtors and creditors between the council and Cheltenham Borough Homes have been eliminated from the Group Balance Sheet. There is no requirement to adjust for transactions carried out and balances held between the council and Gloucestershire Airport Limited.

5. Revaluation Reserve

The difference on the Revaluation Reserve is due to the revaluation of the Airport's assets (50% of (£44.620 million - £1.428 million) = £43.192 million) as detailed above in Note 3.

6. Pension Liability/Reserve

FRS 17 requires Cheltenham Borough Homes to consolidate the financial position of the Pension Fund within its Balance Sheet and Profit and Loss Account. Given that the council will need to indemnify Cheltenham Borough Homes from such a liability, the Pension Liability/Asset and Reserve have been grossed up to reflect that the liability/asset is covered by the Group's overall net worth.

7. Total Net Worth

The Group Balance Sheet shows an increase of £15 million in net assets, compared to the single entity Balance Sheet.

STATEMENT OF ACCOUNTS 2009/10

Notes relating to the Group Cash Flow Statement

The Group Cash flow Statement combines the cash flow statements of Cheltenham Borough Council and its subsidiary (Cheltenham Borough Homes), eliminating intra-organisational transactions. The statement does not include cash transactions for Gloucestershire Airport Ltd, as this is classified as a joint venture.

A reconciliation of net surplus/deficit on the Income and Expenditure Account to the revenue activities net cash flow in the Cash Flow Statement

	2009/10	2008/09
	£000's	RESTATED £000's
Net deficit on the Income & Expenditure Account (excluding Gloucestershire Airport)	31,899	11,098
Adjust for non-cash Transactions		
Depreciation and Impairment of fixed assets	(34,262)	(10,194)
Amortisation of Intangible fixed assets	(101)	(66)
Impairment of Investments	(335)	(4,901)
Amortisation of capital grants deferred	604	481
Provisions	155	(689)
Net gains/(losses) on disposal of fixed assets	201	104
Net charge for retirement benefits	(1,084)	(1,013)
	<u>(34,822)</u>	<u>(16,278)</u>
Adjust for Accruals		
Increase / (decrease) in stock	15	3
Increase / (decrease) in Debtors	(1,210)	1,072
Decrease / (increase) in Creditors	397	1,363
	<u>(798)</u>	<u>2,438</u>
Adjust for items shown elsewhere on the cashflow statement		
Interest Payable	(1,447)	(1,754)
Interest Receivable	855	1,461
Dividends received	25	25
	<u>(567)</u>	<u>(268)</u>
Net Cash Outflow / (Inflow) from revenue activities	<u>(4,288)</u>	<u>(3,010)</u>

Reconciliation of movement in cash to the movement in net debt

2008/09 RESTATED £000's		2009/10 £000's
	Movement in Cash	
(3,010)	Cash (inflow) / outflow from revenue activities	(4,288)
(25)	Cash (inflow) / outflow from dividends	(25)
584	Cash (inflow) / outflow from returns on investments and servicing of finance	619
5,371	Cash (inflow) / outflow from capital activities	4,086
2,920	Net cash (inflow) / outflow of cash	<u>392</u>
	Movement in net debt	
949	Increase / (decrease) in cash at bank	(366)
(5,100)	Increase / (decrease) in investments	(7,065)
15,002	(Increase) / decrease in long term borrowing	-
(9,470)	(Increase) / decrease in temporary borrowing	2,537
(4,301)	Increase / (decrease) in other liquid resources	4,502
(2,920)	(Increase) / decrease in net debt	<u>(392)</u>

Annual Governance Statement 2009/10

Scope of responsibility

Cheltenham Borough 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. Cheltenham Borough 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, Cheltenham Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and the management of risk.

Cheltenham Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government.

A copy of the Local Code of Corporate Governance is on our website or can be obtained from the Policy and Performance division of the council, Municipal Offices, Promenade, Cheltenham Gloucestershire GL50 9SA

This statement explains how Cheltenham Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of an annual governance statement.

The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of Cheltenham Borough 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 governance framework, which was revised and approved by the Audit Committee on the January 2010 and approved by Council March 2010, has been in place for the year ended 31st March 2010 and up to the date of approval of the annual report and statement of accounts.

The governance framework

Code of governance approved by Council identified a number of principles that underpin the effective governance of the council, and these have been used when assessing the adequacy of its governance arrangements. The main elements that contribute to these arrangements are set out below:

Focusing on the purpose of the council and on outcomes for the community, including citizens and service users and creating and implementing a vision for the local area.

The council had a three year business plan (2007 -10) which was based on the sustainable community strategy – a document which was drawn up following extensive public consultation (Cheltenham 20:20) on key issues and priorities for the town and which sets out a long term vision for Cheltenham. During 2009/10 work was undertaken to develop the council's corporate strategy for 2010 -15 which clearly articulates how the council will deliver better outcomes for the community either directly or in partnership.

The business plan/corporate strategy is updated on an annual basis to reflect any issues which have arisen since the plan was drawn up and to provide a clear work programme based on priorities for the council. This document is approved by council. Monitoring reports are taken to meetings of the overview and scrutiny committees to ensure that the council's objectives are progressing as planned.

The cabinet agrees a medium term financial strategy which is in line with the priorities set out in the council's business plan and identifies any new expenditure which may need to be incurred to meet new legislation or changes in service provision. In order to address year on year budget shortfalls and identify savings, the council has developed within its medium term financial strategy how it will broadly achieve the savings targets while keeping council tax at a reasonable level. Each year the council looks to areas where it can make efficiency savings or budget cuts, which will not impact on its ability to deliver in priority areas.

The council has a well established web site with many services online, including a "report it" tool. The council makes significant use of the local media in order to get across key messages and to receive feedback, and councillors and officers are now taking part in the neighbourhood panels set up by the Police as part of their neighbourhood management initiative. During 2009/10 the council commenced consultation with a range of stakeholders as to how it could enhance neighbourhood working in Cheltenham.

The council undertakes a customer satisfaction survey on a periodic basis and uses the results to identify whether we are meeting customer needs. The council also undertakes service specific user surveys as well as using customer feedback from its corporate complaints and comments system to improve service quality. During 2009/10 the council commenced a review of the way in which customers access council services and a strategy will be considered by members in 2010/11

The leader and chief executive of the council sit on the Cheltenham Strategic Partnership (CSP) which supports the delivery of the sustainable community strategy. Cabinet members sit on the six thematic partnerships which support the CSP in the delivery of the vision and each partnership has a part time partnership officer. The council also supports partnership work at a county level to ensure that the vision and aspirations of Cheltenham are supported through the local area agreement, and through the work of the Gloucestershire Conference. During 2009/10 the Improvement and Development Agency undertook a peer review of the CSP and identified a number of actions which were taken forward.

The Cheltenham Strategic Partnership and its thematic partnerships have reviewed their governance arrangements, which include terms of reference, membership and identification of partnership risk. The board of directors have each agreed to take a lead on one of the thematic partnerships, and along with the relevant cabinet member are able to ensure that the council's views are fully represented at partnership meetings.

Members and officers working together to achieve a common purpose with clearly defined functions and roles.

The council's constitution defines and documents the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication. The cabinet has executive powers and make decisions within the overall policy framework (three year business plan and budget) as set by the council.

The board of directors and senior management team support all councillors and provide advice to members on policy options and implications. All reports identify the financial, legal and HR implications and also any risks associated with the matter, as well as how it addresses corporate plan priorities.

There are three overview and scrutiny committees which hold the cabinet to account and assist with policy formulation. The council has two committees which deal with governance, internal control and ethical arrangements, (Audit Committee and Standards Committee), as well as a Staff and Support Services Committee which deals with employee related matters. In addition there are two quasi judicial committees which deal with licensing and planning. The council's constitution is approved by council, and is subject to periodic review.

The council's Audit Committee meets four times per year and its terms of reference are set out in the council's constitution. The council's external auditors have access to the committee, and the committee also has responsibility for overseeing the risk management process.

The council has statutory posts of monitoring officers (to ensure decisions comply with legislation and that the council has robust procedures in place to prevent maladministration) and a section 151 officer (to ensure that the council's financial arrangements are sound).

The council has an internal audit function which reports to the council's audit committee. During 2009/10 the council agreed to the establishment of an audit partnership with Cotswold District Council, with a shared audit management post. The new arrangements have resulted in a more resilient audit service and the ability to create trainee posts which may assist with succession planning.

The council has external inspection and audit undertaken by the KPMG the external auditors appointed by the Audit Commission and their annual management letter is presented to members.

There is a corporate governance group chaired by the Chief Executive who ensures corporate governance arrangements are addressed. The council has a treasury management panel with cross party support from members that oversees the council's treasury management strategy and an asset management working group that oversees the way in which the council manages its property assets.

The council has an intranet site where policies are easily accessible to employees and members and will run update/briefing seminars as appropriate.

Promoting the values of the council and demonstrating the values of good governance through behaviour.

The code of corporate governance was reviewed during 2007/8 and a new code adopted by council in March 2008. This code was updated during 2009/10. This code clearly sets the aspirations of the council in ensuring that there are effective governance arrangements.

All members and officers are subject to a member and officer code of conduct, and periodically training sessions are held. Both members and officers must declare interests and a register of declarations is maintained. The council's monitoring officer and standards committee are responsible for ensuring that breaches of the code are investigated appropriately.

Members of the standard committee periodically attend meetings of the council so that they can see how members behave in meetings. The chief executive through his employee blog will also promote good governance messages for employees.

The council has a complaints process and quarterly reports analysing the nature and type of complaint are considered by the senior leadership team.

The council has a competency framework for its employees who are assessed through the annual appraisal process and these competencies reflect the core values of the council which underpin good governance arrangements.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

The council has adopted the leader and cabinet style executive decision making arrangements. The leader can delegate their executive functions to members of the cabinet or to officers and this is set out in the council's constitution. All meetings of cabinet are held in public, agendas are published in advance and the minutes of the meetings are available on the council's web site or for public view in libraries and the council offices. Decisions made by the cabinet must be in accordance with the policy framework which is approved by council.

Similar arrangements are in place for other council committees with published agendas and minutes. For all meetings of the council the public are able to ask questions (with advance notice).

There are three overview and scrutiny committees who hold the cabinet to account and have (subject to criteria) the ability to call in decisions of the cabinet.

During 2008/9 the council took the opportunity to update the way it presents the business plan, so that there are clear ambitions, milestones and performance measures. The senior leadership team has collective ownership for ensuring that the business plan is monitored and delivered.

The council has an electronic service planning system (ESP) which provides up to date information as to how the council is performing against the performance measures and milestones as set out in the business plan. Quarterly reports are presented to the Senior Leadership Team to track progress and periodically the overview and scrutiny committee receive reports on progress.

The business plan is used to drive the organisation, and activities and associated expenditure have to demonstrate they are meeting business plan priorities. The council also prioritises expenditure to where the council's performance requires improvement. The council has an appraisal process where all employees are set objectives for the coming year which meet the business plan priorities.

The council approves the council's standing orders, financial rules and scheme of delegation and these are periodically reviewed to ensure that they are still relevant and appropriate. The staff and support

services committee have a role to play in any review of the council's constitution to ensure that changes are considered in more detail ahead of their consideration by council. The council has a risk policy which was approved by the audit committee and clearly identifies responsibilities.

During 2009/10 the council received a public interest report from its auditors in relation to the decision making process on a legal case. The report was considered by the council and a number of recommendations in relation to the way in which the council's decision making and risk management process were identified and an action plan was developed to address the issues raised.

The council has a whistle blowing policy, an anti-fraud and anti-corruption policy and has agreed a new money laundering policy. These documents are available on the council web site, and accessible to employees from the intranet site.

Processes are in place governing the procedures for the regulation of investigatory powers act (RIPA) with clearly named officers. The council has also recently reviewed its procedures and processes for information management and data protection, and the internal auditors have identified a number of actions which will improve the governance arrangements.

The council's budget is set annually and agreed by council. Monitoring reports are presented to cabinet and an outturn report and annual statement of accounts is approved by the council.

The council operates with cost centre managers who are responsible for the day to day management of their budgets and all expenditure is incurred in line with financial rules. Each year the council produces an annual efficiency statement which demonstrates how the council makes 2.5% efficiency savings.

Developing the capacity and capability of members and officers to be effective.

There is a member training programme, which is supported by both the human resources division and democratic services. Generic training needs for members are identified in consultation with members and group leaders.

During the course of the year the council's external auditors identified the need to review the way in which the council delivers training to its members and this has resulted in a greater input from the human resources division, better usage of the council's learning gateway system and proposals for supporting new members following the election.

Officer training needs are identified through the appraisal process, and the Senior Leadership Team and service managers have recently completed a senior leadership development programme. The council has adopted a coaching relationship for assistant directors and service managers within the organisation.

The council has adopted a programme and project management approach to its key change programmes and has released capacity for programme and project support. This approach has enabled better usage of officer capacity to focus on the key delivery issues.

Engaging with local people and other stakeholders to ensure robust public accountability

Council, cabinet and committee meetings are open to the public with agendas and minutes being publicly available. Members of the public are able to ask questions at such meetings. The council has adopted an equality policy which recognises the need to engage with different sections of the community and has a community engagement strategy.

The council has a complaints and comments system for member of the public. There is a three stage complaint system which gives divisions an opportunity to resolve a complaint at the first point of contact. If

a complainant is still unhappy they are entitled for the matter to be investigated on behalf of the chief executive. Complainants may also refer matters to the local government ombudsman for investigation once they have been through the council's complaint system.

The council publishes a leaflet with its council tax demands which summarises performance and at the end of each financial year the council publishes an annual report.

During 2010/11 the council will be introducing a more robust procedure for the way in which it deals with any petitions it receives from members of the public which may include a debate at council or the matter being considered by one of the overview and scrutiny committees.

Delivery through third parties

The council delivers its housing management responsibilities through Cheltenham Borough Homes (CBH), an arms length management organisation wholly owned company of the council. CBH has its own internal control procedures and arrangements which are subject to internal and external audit as well as independent inspection. Annually internal audit review the procedures and policies and report on the adequacy of arrangements. The company policy is overseen by a board of directors which includes tenants and it has an audit committee.

A resources committee oversees CBH finances and managed HRA finances and reports to the board of directors. The board receives quarterly reports on performance. CBH has a service level agreement with the council and the management fee and level of service is agreed on an annual basis. Monthly monitoring meetings are held to discuss performance. Payroll and payments services are administered by CBC on behalf of CBH and the company shares the council's financial ledger system.

The council is a shareholder of Gloucestershire Airport, which is a company limited by shares, and is subject to the requirements set by the companies act. There is a board of directors who monitor the company's performance and are responsible for the internal control activities. The airport has a commercial director and company secretary as well as an airport director. The statutory accounts are audited each year by a private firm of accountants, and presented to the board and to the shareholders, and are approved at the AGM in September. The council's chief finance officer receives regular management accounts for the airport, and either he or the strategic director for corporate services attends the monthly airport programme board meetings.

Review of effectiveness

Cheltenham Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the audit partnership manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. This year it also draws on the public interest report that it received from KPMG.

The effectiveness of the governance framework draws on evidence from:

- Internal and external audit and inspection

- Statutory officers group
- Financial controls
- Risk and performance management
- Assurance statements from each division
- Legal standards
- Code of corporate governance

The council approves the code of corporate governance and it has established a corporate governance officer group who oversee the review of the effectiveness of the code of corporate governance and internal control. All assistant directors have to complete an annual statement of assurance which outlines the key control areas to which the division should comply.

The corporate governance group review the statements to identify common themes which need to be reflected in any action plan. Individual assistant directors are expected to take forward any specific control improvements within their own service plans. These certificates along with evidence from other sources such as audit letters, internal audit reports, corporate controls and the code of corporate governance are reviewed by the assistant chief executive, audit partnership manager and the policy officer who identify governance and control issues to be included in the action plan for the forthcoming year, and reflected in the annual governance statement. The statement is then considered by the senior leadership team, the leader, the cabinet member corporate services and the corporate governance group.

The draft annual governance statement is presented to the audit committee who review the summary evidence and make a recommendation to council to approve the annual governance statement as part of the statement of accounts. The audit committee are then responsible for monitoring progress against the actions taken, or proposed, to deal with significant governance issues.

Although internal control procedures are the responsibility of officers, major service issues are discussed with the relevant cabinet member. There is also a cabinet member who has responsibility within their portfolio for corporate governance, internal audit and risk. Regular briefings are held with the cabinet member so that they are aware of any issues.

Significant governance issues

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by audit committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

STATEMENT OF ACCOUNTS 2009/10

Control issue and source April 2009-10	Action	Lead officer
<p>The council received a public interest report during 2009/10 from its external auditors KPMG. The report highlighted a number of recommendations to improve the council's decision process including risk management and programme and project management.</p> <p>KPMG public interest report</p>	<p>To implement the action plan which was produced in response to the report and approved by Council on 22nd March 2010</p> <p>The audit committee to monitor the implementation of the action plan on a quarterly basis.</p>	<p>CEO</p> <p>Borough Solicitor</p>
<p>Processes need to be put in place to ensure compliance with all the requirements of the documents listed in appendix A of the code of corporate governance and that staff are aware of the documents and have had training on their application as appropriate</p> <p>Governance assurance</p>	<p>Assistant directors to raise via their divisional management teams and through service planning actions</p> <p>Discussions to be held with HR&OD as to how the Learning Gateway can be used to support the process of awareness</p>	<p>All ADs</p> <p>Assistant CEO</p>
<p>The current audit of payroll highlights that controls could be put at risk due to anticipated short term resource constraints in the payroll team.</p> <p>Audit Assurance report</p>	<p>HR operations manager's response to the audit report should include a plan of action to manage resource issues as evidence that risks to key controls are being managed in the shorter term.</p>	<p>AD HR</p>
<p>Processes need to be improved to ensure that all policies are reviewed and assessed in line with the equalities impact assessment process.</p> <p>Governance assurance</p>	<p>The new report template will include a reference to equality impacts of any recommendations and decisions. The new service planning template includes a section on equalities.</p>	<p>All ADs</p>
<p>The Use of Resource assessment identified the need to review member training to ensure that it is delivering outcomes</p> <p>Use of resources assessment</p>	<p>Human Resources now have the service lead for member training and are encouraging all members to use the learning gateway.</p> <p>The member induction programme for new councillors has included a "buddying" system so that new members are supported in their first six months.</p> <p>Service managers and ADs are being encouraged to liaise with the learning and development team when arranging seminars to ensure that outcomes are clear.</p>	<p>AD HR&OD</p>

STATEMENT OF ACCOUNTS 2009/10

Control issue and source April 2009-10	Action	Lead officer
<p>The Use of Resources assessment has identified a need to develop targets for income collection and recovery of arrears KPMG Use of Resources Assessment 2007-08</p>	<p>A draft corporate debt recovery policy with clear targets and performance monitoring arrangements has been produced and will be considered by council in July</p>	<p>AD CAST</p>
<p>The use of resources assessment identified the need to develop a more proactive approach to contract monitoring Use of resources assessment</p>	<p>There were recruitment difficulties with the appointment of an officer, but an appointment has been made and they will during the course of 2010/11 develop effective contract monitoring mechanisms</p>	<p>AD CAST</p>
<p>The council is compliant with government connect and has arrangements in place for information management but it is recognised that these need to be strengthened to include usage of the governments protective marking scheme and the storage and retrieval of information Governance assurance and information management group</p>	<p>An information strategy is being prepared for consideration by Cabinet in September.</p> <p>Awareness raising with employees on the use of the protective marking scheme, and guidance notes on information management.</p> <p>Internal audit are building information management into their system reviews</p>	<p>ACE</p>

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements which were identified in our review of effectiveness, and will monitor their implementation and operation as part of our next annual review.

Signed: Leader of Council

.....Councillor Steve Jordan

and Chief Executive

.....Andrew North

on behalf of Cheltenham Borough Council

GLOSSARY OF TERMS

Accounting Period The period of time covered by the accounts, normally a period of twelve months, commencing on 1st April for local authority accounts.

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

STATEMENT OF ACCOUNTS 2009/10

accounts, balance sheets.

Accruals	Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.
Actual	Actual, as opposed to budget, expenditure and income directly attributable to an accounting period, generally referred to as 'actuals'.
Amortised cost	Financial instruments are shown on the balance sheet at amortised cost, being the principal amount of the loan plus or minus the balance of any premium or discount associated with that loan, plus any interest accrued at the balance sheet date.
Audit	An independent examination of an organisation's activities, either by internal audit or the organisation's external auditor.
Balances	Working balances are reserves needed to finance expenditure in advance of income from debtors, precepts and grants. Any excess may be applied, at the discretion of the authority, to reduce future demands on the Collection Fund or to meet unexpected costs during the year. Balances on holding accounts and provisions are available to meet expenditure in future years without having adverse effect on revenue expenditure.
Budget	A statement of the income and expenditure policy plan of the council over a specified period. The most common is the annual Revenue Budget expressed in financial terms and including other physical data, e.g. manpower resources.
Capital Financing	The raising of money to finance capital expenditure. In the past the cost of capital assets was usually met by borrowing, but capital expenditure may also be financed by other means such as leasing, contributions from revenue accounts, the proceeds from the sale of capital assets, capital grants and contributions from developers or others.
Capital Financing Requirement	The capital financing requirement measures the authority's underlying need to borrow for capital purposes.
Capital Grants	Government grant towards capital expenditure on a specific service or project.
Cash Limit	A method of expenditure control which restricts the amount available for spending for a particular purpose to a specified cash amount, regardless of the effects of inflation.
Collection Fund	This is a statutory fund kept separate from the main accounts of the council. It records all income due from the council Tax, National Non Domestic Rates and Revenue Support Grant and shows the precept payments due to Gloucestershire County Council and the Gloucestershire Police Authority.
Contingent Asset	An asset which exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events, for example, a claim for compensation that an authority is pursuing through the due legal process, where the outcome will only be decided by the decision of the courts.
Contingent Liability	A liability which exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events, for example, the default by a borrower on a loan from a third party

STATEMENT OF ACCOUNTS 2009/10

for which the authority has given a guarantee.

Creditors	Amounts owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment was not made at the balance sheet date.
Current Assets	Assets which can be expected to be consumed or realised during the next accounting period.
Current Liabilities	Amounts which will become due or could be called upon during the next accounting period.
Debtor	An amount due to an organisation within the accounting period not received at the balance sheet date.
Deferred Liabilities	This represents the liability for principal repayments on finance leases.
Depreciation	The theoretical loss in value of an asset, owing to age, wear and tear, deterioration, or obsolescence.
Effective Interest Rate (EIR)	The interest rate that can be applied to a loan to take account of all discounted cash flows during the life of the loan, to include any changes to actual interest rates and any premiums or discounts paid or received.
Employee Costs	These include salaries, wages and allied national insurance and superannuation costs payable by the Borough Council, together with training expenses and charges relating to the index-linking of pensions of former employees.
Final Accounts	Accounts prepared for an accounting period, usually in a summarised form. These accounts show the net surplus (profit) or deficit (loss) on individual services and a balance sheet is prepared for them. They are produced as a record of stewardship and are available to interested parties. Local authorities are required to publish each year a Statement of Accounts (final accounts and balance sheet), as specified in the Accounts and Audit Regulations 1993.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.
Financial Year	The local authority financial year commences 1 st April and finishes 31 st March the following year.
Fixed Asset	Assets which can be expected to be of use or benefit to the Authority in providing its service for more than one accounting period.
Government Grants	Payments by central government towards local authority expenditure. They must be specific e.g. Housing Benefits, or general e.g. Revenue Support Grant.
Housing Investment Programme (HIP)	Annual submission that housing authorities make to government which details their capital expenditure plans and the strategy proposed to meet local housing requirements.
Impairment	A loss in value of an asset as a result of damage or other event or as a result of a reduction in market value.
Interest	An amount received or paid for the use of a sum of money when it is invested or borrowed.

STATEMENT OF ACCOUNTS 2009/10

Joint Venture	An entity in which the reporting authority has an interest on a long-term basis and is jointly controlled by the reporting authority and one or more entities under a contractual or other binding agreement.
Minimum Revenue Provision	The minimum amount which must be charged to an authority's revenue accounts as a contribution towards the reduction in its overall borrowing requirement. The amount represents that which the authority considers to be prudent, taking into account the period over which the borrowing was taken, which is usually equivalent to the life of the asset.
National Non Domestic Rates (NNDR)	An NNDR poundage is set annually by central government and collected by Charging Authorities. The proceeds are redistributed by the government between Local Authorities in proportion to their adult population.
Operating Lease	A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.
Precepts	The amount which a Precepting Authority (e.g. a County Council) requires from a Charging Authority to meet its expenditure requirements.
Renovation Grants	Statutory or discretionary payments that local authorities make to home-owners to provide basic amenities and enable them to bring dwellings up to modern standards. The maximum amounts payable are determined by government, which reimburses the authority for part of the cost it incurs in providing the grants.
Repairs & Renewals Fund	A fund which an authority can establish to meet the cost of repairing, maintaining, replacing and renewing its buildings, vehicles, plant and equipment.
Revenue Expenditure charged to capital under statute	Expenditure which can by law be financed from capital resources (e.g. capital receipts) but which does not result in a fixed asset, e.g. renovation grants.
Revenue Support Grant	A grant paid by government to meet a proportion of the local authority expenditure necessary to provide a standard level of service throughout the country.
Stock	Items of raw materials and stores an authority has procured to use on a continuing basis which it has not used.
Subsidiary	An entity is a subsidiary of the reporting authority if the authority is able to exercise control over the operating and financial policies of the entity, and is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.
Value for Money	An expression describing the benefit obtained (not just in financial terms) for a given input of cash. The phrase is widely used within public bodies, but there are many difficulties in its use because value, as such, is a subjective measure and there are rarely supporting objective measures. The council's external auditor, appointed by the Audit Commission, is required to consider value for money with the three objectives of economy of input, efficiency of operation and effectiveness of output in service provision.
Work in Progress	The cost of work done on an uncompleted project at a specified date which has not been recharged to the appropriate account at that date.

