Bishop Fleming
Audit · Accountancy · Tax · Advisory

Audit Completion Report
Cheltenham Borough Council

For the year ended 31 March 2024

Date: February 2024

Those Charged with Governance
Cheltenham Borough Council
Municipal Offices
Promenade
Cheltenham
GL50 9SA

Dear Sirs and Madams

Cheltenham Borough Council – Audit Completion Report

We are pleased to attach our Audit Completion Report. This report summarises our audit conclusions, highlights the key findings arising from our work and details a number of points that we would like to discuss further with you.

We have initially discussed the contents of our report with management and have incorporated their comments where relevant.

This report is intended to be solely for the information and use of management and those charged with governance of the Council and should not be shared with anyone beyond the Council without our prior approval.

We would like to take this opportunity to thank the finance team for the co-operation and assistance afforded to us during the course of the audit.

Kind regards

Yours faithfully

BISHOP FLEMING LLP

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1. Executive summary

Status of audit

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (the Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Our audit is largely complete, however, is subject to the resolution of certain outstanding queries outlined in section 2. In addition, as noted in section 2, there are a number of areas which we have been unable to complete work on due to the prior year opinion not being issued until 4 December 2024. We anticipate issuing a modified disclaimed opinion due to the lack of assurance over opening balances, as a result of the prior year financial statements also being disclaimed by the previous auditor.

Amendment to audit deadlines

On 9 September 2024, the Secretary of State for Ministry of Housing, Communities and Local Government laid regulations to introduce statutory deadlines for publication of audited accounts amending the Accounts and Audit Regulations 2015. These came into force on 30 September with the intention of addressing the backlog in local government accounts.

For the 2023/24 financial year, under these new regulations, an authority must publish its audited statements (namely its audited statement of accounts, annual governance statement and narrative statement) on or before 28 February 2025. This date is known as the 'backstop' date.

Key audit issues

Within our Audit Plan which was presented to the Audit, Compliance and Governance Committee in October 2024, we outlined a number of risks that we considered to be of particular significance to the audit. Our plan also detailed our planned approach at that time for addressing each of these risks.

The specific significant risks highlighted were as follows:

- Management override of controls;
- Fraud in revenue recognition;
- Fraud in expenditure recognition;
- Valuation of land and buildings;
- Valuation of investment properties;
- Valuation of heritage assets; and
- Valuation of the pension fund net liability.

In respect of the significant risks, as detailed in section 2 of this report, we have not been able to complete work on the valuation of land and building, investment properties, heritage assets and the pension fund net liability due to limitations imposed by the backstop. We have not identified any issues with regards to the other significant risks.

This report also sets out the areas of our audit work where, given the limitations of scope imposed by the backstop, we have made progress including the work undertaken and our findings. On page 5, we have set out a more detailed update to our planned audit approach.

Audit Adjustments

During the course of our work, adjustments were identified and, on agreement of management, were adjusted in the financial statements.

Full details of the adjustments identified are included in section 6 to this report.

Management Letter Points and Internal Control Matters

One control point was identified during the course of our work, which is further detailed in section 7 to this report. This is not considered to have an important effect on your system of internal control.

Value for Money

We are also required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024. The National Audit Office's Code of Audit Practice requires us to report on the Council's arrangements under three specified reporting criteria:

- Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Council ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work has not identified any significant weaknesses; see section 8 for more details. The results of the Value for Money work are reported separately in our Auditor's Annual Report.

Independence

The FRC Ethical Standard and ISA 260 requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The aim of these communications is to ensure full and fair disclosure by us to those charged with governance on matters in which you have an interest.

We are not aware of any relationships that, in our professional judgment, may reasonably be thought to bear on our independence or the objectivity of the audit engagement team.

We confirm that in our professional judgment, Bishop Fleming is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff has not been compromised.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. Should you have any specific matters that you wish to discuss, please contact us.

2. Introduction

Responsibilities of the audited body

The audited body is responsible for the preparation of the financial statements and for making available to us all the information and explanations we consider necessary. Therefore, it is essential that it confirms that our understanding of all matters referred to in this report are appropriate, having regard to its knowledge of the particular circumstances.

We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of Cheltenham Borough Council.

In consequence, our work did not encompass a detailed review of all aspects of the system and controls and cannot be relied upon necessarily to disclose possible frauds or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might reveal.

Materiality

In carrying out our audit work we have considered whether the financial statements are free from 'material misstatement'. Materiality is an expression of the relative significance of a particular matter in context of the financial statements as a whole.

In general, misstatements, including omissions, are considered to be material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The assessment of whether a misstatement is material in the context of the financial statements is a matter of professional judgement and will have regard to both the size and the nature of the misstatement, or a combination of both. It is also affected by our perception of the financial information needs of users of the financial statements.

	Basis of materiality	Amount
Cheltenham Borough Council	2% of gross expenditure	£1,886,000

Anticipated audit report

The Council's financial statements for 2022/23 were given a disclaimed audit opinion by the predecessor auditor, with no substantive audit work having been carried out. As a result, we do not have assurance over the opening balances for the 2023/24 audit and we will be issuing a disclaimed opinion on the financial statements of Cheltenham Borough Council for the year ended 31 March 2024. We will be aiming to rebuild assurance over subsequent audit years, although the timeframe for getting the Council to an unqualified opinion is currently unclear and is the subject of significant discussions within the sector.

Letter of Representation

The letter of representation is attached at Appendix 1.

Update on our planned approach

As you will be aware, on 5 September 2024 the government published the Accounts and Audit (Amendment) Regulations 2024, which came into force on 30 September 2024. These set a publication date for financial statements up to and including 2022/23 of 13 December 2024 and for the 2023/24 financial statements of 28 February 2025. The National Audit Office Code, which came into force on 14 November 2024, also requires that auditors should issue their audit report in time for the relevant authority to publish its accounts by the specified date in those Regulations. Where audit work is not concluded, this will result in either a qualification or disclaimer of opinion.

As discussed with management, it will not be possible for us to complete all our planned work for the 2023/24 audit by the statutory backstop date. This is due primarily to the prior year accounts not being audited, which has meant that we are unable to place reliance on opening balances or give an opinion on in-year movements which depend on those balances. In addition, the tight timeframe between the 2022/23 audit being signed off on 4 December 2024 and the deadline of 28 February 2025 has meant that there are other areas that we have been unable to conclude on.

Given the lack of time between the 2022/23 sign off and the 2024 statutory deadline we have focused our testing on areas that will enable us to build back assurance over your statement of accounts in the most effective way. Our main area of focus has been to get assurance over the balance sheet of the Council as at 31 March 2024 as this will enable us to have assurance over the cut-off of transaction between 2023/24 and 2024/25. You will see from the summary below, we have audited all areas of the 31 March 2024 balance sheet, other than valuation adjustments. Management have agreed to complete a full valuation of all fixed assets held at valuation at 31 March 2025, which will enable us to gain full assurance over the valuation of these assets at 31 March 2025.

Our work undertaken can be summarised as follows:

Area	Work Completed
AGS	Standard audit approach taken
Narrative Report	Standard audit approach taken
Expenditure (including payroll)	Standard audit, other than payroll, housing benefit expenditure and depreciation not tested
Income	Standard audit approach taken
Expenditure and Funding Analysis	Standard audit approach taken
Property, Plant and Equipment	Standard audit for additions and disposals. No assurance over depreciation, valuation and existence and ownership. Testing of a full valuation, existence and ownership at 31 March 2025 and depreciation in 2024/25.
Heritage Assets	Standard audit for additions and disposals. No assurance over valuation, existence and ownership. Testing of a full valuation, existence and ownership at 31 March 2025 will build back assurance.
Investment Property	Standard audit for additions and disposals. No assurance over valuation, existence and ownership. Testing of a full valuation, existence and ownership at 31 March 2025 will build back assurance.
Investments	Standard audit approach taken
Debtors	Standard audit approach taken
Assets Held for Sale	Testing not completed - Will build back assurance in 2024/25 by testing the 31 March 2025 year-end balance.
Cash and cash equivalents	Standard audit approach taken
Borrowing	Standard audit approach taken

Area	Work Completed
Creditors	Standard audit approach taken
Grants receipts in advance	Testing not completed - Will build back assurance in 2024/25 by testing the 31 March 2025 year-end balance
Provisions	Standard audit approach taken
Reserves and MiRS	Standard audit approach taken to testing of consistency and accounting treatment in reserves. However, gaining assurance over the accuracy and completeness of reserves balances brought forward is much more complex given the lack of audit work completed on 2022/23 income and expenditure. This is discussed further below.
Cash Flow Statement	Standard audit approach taken
Related Party transactions	Standard audit approach taken
Collection Fund	Standard audit approach taken
Financial Instruments Disclosures	Standard audit approach taken
Senior Officer Remuneration	Standard audit approach taken
Capital expenditure and financing	Standard audit approach taken
Defined benefit pension scheme	Standard audit approach taken
Journals	Standard audit approach taken
Lease disclosures	Standard audit approach taken
HRA	Testing not completed - Will build back assurance in 2024/25 by testing the 2024/25 transactions
Group (consolidation)	Testing not completed on the consolidation. However, we are also the external auditors of Cheltenham Borough Homes and have completed a full audit of the group's only material subsidiary company. The Council equity accounts for their share of the assets and liabilities of Gloucestershire Airport. With this investment expected to be sold in the future, the expected or actual sales value will give a good level of assurance of the appropriate carrying value of the assets at 31 March 2025. Therefore, we have the ability to build back assurance over this area looking forward.

In order to complete our audit of the areas above, we need to finalise work on the following:

- Income – Agreement of right to recognise grant income, bank details to show sample received
- Capital expenditure and financing – Various queries
- Final review of workings papers and the accounts
- To consider post balance sheet events prior to signing
- Approval of the financial statements
- Receipt of the signed management representation letter

Building back assurance over reserves

As highlighted in the table above, the ability to build back assurance over reserves balances is complex. This is a sector wide challenge and as such the regulators and audit firms have been meeting to discuss practical solutions to this problem. There is a sandbox environment for technical leads for the audit firms to discuss potential approaches that could be taken moving forward.

The most straight forward option to build back the assurance would be to perform testing over the 2022/23 transactions that impact reserves. However, this could be suggest that auditors would need to complete full audit procedures over 2022/23 to fill the gaps in the assurance levels. There is not sufficient capacity in the system to complete this work retrospectively and was not the intention of the regulators when the backstop arrangements were put in place.

It is likely that a bespoke arrangement will need to be tailored for each Council that takes into account the risk of material misstatement for each reserve that will include consideration of:

- The materiality of the reserve balances
- The materiality in the movement in and out of the reserves balances
- The ability to translate a year end reserve balance into a discrete number of auditable items or transactions or whether it is the net of a large number of in year transactions (like movements on the general fund)
- The consistency in the balances and movement in reserves with other balances in the statement of accounts
- The predictability of the balances and whether some assurance can be provided by analytical procedures

Confidentiality

This document is strictly confidential and although it has been made available to those charged with governance to facilitate discussions, it may not be taken as altering our responsibilities to the Council arising under the Local Audit and Accountability Act 2014 (the Act) and from the Code of Audit Practice. The contents of this report should not be disclosed to third parties without our prior written consent.

3. Audit and accounts process

The preparation of the financial statements is a vital process for the management of the Council and one which should be performed on a timely basis. We met with senior officers as part of our planning work to discuss how we would work together to make the audit process effective.

We discussed key accounting issues early, so they could be considered before the audit commenced.

As detailed within Section 2 above, the fact that the prior year accounts were unaudited and the tight timeframe between the 2022/23 audit being signed off and the deadline of 28 February 2025 has meant that there are several areas of the audit that we have been unable to conclude on. We have discussed this with management throughout the process and appreciate their help in completing work those areas that we have been able to.
We appreciate that the timeframe has made the audit more difficult for management as well as ourselves. Key members of the finance team made themselves available to us throughout the audit where possible, and the quality of the working papers and supporting evidence provided was generally good. We will work with management so that we can all understand how we can build back assurance over the areas that have not been audited.

We are keen to continually improve our service and the effectiveness of the process and, therefore, will hold a debrief discussion with management to identify areas where this might be possible.

4. Audit risks

Management override of controls (applicable to the Group and Council)	
Significant Risk We are required by auditing standards (ISA 240) to consider fraud and management override of controls to be a significant risk for all audits as no matter how strong a control environment, there is the potential for controls to be overridden or bypassed.	**Work done and conclusion** To address this risk, we have: • reviewed the reasonableness of accounting estimates and critical judgements made by management; • tested journals with a material impact on the results for the year; and • considered a sample of other journals with key risk attributes. In testing journals, we used data analytics tools to interrogate the whole population of journals posted in the year and focus on those with key risk factors. We have not identified any material errors from our work carried out.

Fraud in revenue recognition (applicable to the Group and Council)	
Significant Risk There is also a presumption under auditing standards that the risk of fraud in revenue recognition is considered to be a significant risk area.	**Work done and conclusion** Having considered the risk factors set out in ISA240 and the nature of the revenue streams of the Council, we have concluded that the risk of fraud arising from revenue recognition can be rebutted because: • There is little incentive to manipulate revenue recognition; • Opportunities to manipulate revenue recognition are very limited; and • The culture and ethical framework of local authorities, including Cheltenham Borough Council, mean that all forms of fraud are seen as unacceptable. We have not identified anything in our audit work that suggests our assessment needed to be updated.

Fraud in expenditure recognition (applicable to the Group and Council)

Significant Risk

Practice Note 10: Audit of Financial Statements and regularity of public sector bodies in the United Kingdom sets out that the risk of fraud related to expenditure is also relevant.

We consider that the risk of fraud at the Council to be around the cut-off at year end.

Work done and conclusion

At the planning stage, we considered whether we have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.

We concluded that this was not a significant risk for Cheltenham Borough Council because:

- expenditure is well controlled, and the Council has a strong control environment; and
- the Council has clear and transparent reporting of its financial plans and financial position.

We have not identified anything in our audit work that suggests our assessment needed to be updated.

Valuation of land and buildings (applicable to the Council)

Significant Risk

There is a risk over the valuation of land and buildings due to the high degree of estimation uncertainty, and judgements involved in build valuations.

Work done and conclusion

We set out in our Audit Plan our proposed approach to address this risk. However, given the time constraints imposed by the statutory deadline of 28 February 2025, and as set out in Section 2 above, we have been unable to undertake our testing for land and building valuations.

Valuation of investment properties (applicable to the Council)

Significant Risk

There is a risk over the valuation of investment properties due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions and judgements.

Work done and conclusion

We set out in our Audit Plan our proposed approach to address this risk. However, given the time constraints imposed by the statutory deadline of 28 February 2025, and as set out in Section 2 above, we have been unable to undertake our testing of investment property valuations.

Valuation of heritage assets (applicable to the Council)

Significant Risk

There is a risk over the valuation of heritage assets due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions and judgements.

Work done and conclusion

We set out in our Audit Plan our proposed approach to address this risk. However, given the time constraints imposed by the statutory deadline of 28 February 2025, and as set out in Section 2 above, we have been unable to undertake our testing of heritage asset valuations.

Valuation of the pension fund net liability

Significant Risk	Work done and conclusion
There is a risk over the valuation of the pension fund net liability due to the values involved and the high degree of estimation uncertainty, due to the sensitivity of the estimate to changes in key assumptions.	We set out in our Audit Plan our proposed approach to address this risk. However, given the time constraints imposed by the statutory deadline of 28 February 2025, and as set out in Section 2 above, we have been unable to conclude our testing for the valuation of the pension fund net liability. To address this risk, we have: • documented our understanding of the processes and controls put in place by management, and evaluate the design of the controls; • reviewed the instructions provided to the actuary and the actuary's skills and expertise, in order to determine if we can rely on the management expert; • considered the accuracy and completeness of the information provided to the actuary; • ensured that the disclosures in the financial statements in respect of the pension fund liability are consistent with the actuarial report from the actuary; • carried out procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of Oxfordshire Pension Fund in respect of the controls around the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. We have identified one amendment resulting from our audit of the pension fund net liability, as detailed in Section 5 below.

5. Other audit and financial reporting matters

Valuation of the LGPS
The macro-economic environment has had a significant effect on the actuarial valuation of a local government body's share of the Local Government Pension Scheme (LGPS), with deficits reported by the actuaries through their IAS 19 reports reducing significantly in each of the last two years. Across the Local Government sector, accounting surpluses have become more prevalent. IFRIC 14 provides guidance from the International Financial Reporting Interpretations Committee on the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liability needs to be recognised in respect of onerous funding commitments. The sector-wide approach to applying IFRIC 14 has evolved over the last year as IAS 19 surpluses are becoming more common. This has resulted in some actuaries revising their approach when producing 'asset ceiling' calculations that adopt the principles set out in IFRIC 14. We reviewed the asset ceiling report provided by the actuary in respect of the net asset (before any adjustments) of £9.170m. This report detailed that there is an additional liability to recognise and an adjustment of £32.918m is required to the net asset/liability for the effect of the asset ceiling, which would leave a net liability of £23.748m. In addition, as is detailed within the asset ceiling report, the asset ceiling calculations do not take account of any of the Employer's unfunded benefits. The unfunded liability of £1.084m should have been included as a liability. Management have amended the financial statements for this issue, as shown in Section 6.

6. Audit Adjustments

In accordance with the requirements of International Standards on Auditing, we must communicate all adjusted and unadjusted items identified during our audit work, other than those which we believe to be clearly insignificant.

Adjusted items

All adjusted misstatements are set out in detail below along with the impact on the key statements for the year ended 31 March 2024:

	Comprehensive Income and Expenditure Statement		Balance sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
CIES – Financing and Investment gross expenditure[1]	743			
CIES – Financing and Investment gross income[1]		743		
Remeasurement of the net defined benefit liability /(asset)[2]	24,832			
Other long-term liabilities[2]				24,832
Total	**25,575**	**743**	**0**	**24,832**

1. Expenditure and income were both understated in the CIES due to a miscoding
2. Restatement of net pension fund balance to take into account asset ceiling calculations

Misclassifications and adjustments to disclosures

The table below provides details of any misclassification and disclosure changes identified during the audit.

Misclassification/ Disclosure change	Audit comment	Value (£000)	Adjusted?
Capital Commitments	Additional capital commitment identified for a contract signed on 28/03/24	590	Y
Balance Sheet – Short-term investments	Reclassification of £248k into short-term investments that had previously been recorded under short-term debtors	248	Y

Unadjusted items

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The JASC is required to approve management's proposed treatment of all items recorded within the table below (these are also set out in the Letter of Representation).

	Comprehensive Income and Expenditure Statement		Balance sheet	
	Dr	Cr	Dr	Cr
	£'000	£'000	£'000	£'000
Defined Benefit Schemes – Investment Assets			120	
Pensions Reserve				120
Total	0	0	120	120

Impact of prior year unadjusted misstatements

Given the disclaimed opinion on the 2022/23 financial statements, and our consequential inability to place reliance on opening balances, there are no prior year unadjusted misstatements to consider.

7. Management letter points and internal control systems

The Council's management is responsible for the identification, assessment and monitoring of risk, for developing, operating and monitoring the systems of internal control and for providing assurance to the Those Charged with Governance that it has done so.

In accordance with the terms of our engagement we have not provided a comprehensive statement of all issues which may exist in the accounting and internal control systems or of all improvements which may be made, but outline below our observations arising from the audit; none of which are considered significant.

KEY:

Observations refer to issues that are so fundamental to the system of internal control that management should address immediately to minimise the risk of a material misstatement within the financial statements.

Observations refer mainly to issues that have an important effect on the system of internal control and, if left uncorrected could potentially lead to a material misstatement within the financial statements.

Observations refer to issues that would, if corrected, improve internal control in general and engender good practice, but is unlikely to have a material impact on the financial statements.

Current Year Issues

Implementation of the asset ceiling on the pension fund net liability	
We reviewed the asset ceiling report provided by the actuary in respect of the net asset (before any adjustments) of £9.170m. This report detailed that there is an additional liability to recognise and an adjustment of £32.918m is required to the net asset/liability for the effect of the asset ceiling, which would leave a net liability of £23.748m. In addition, as is detailed within the asset ceiling report, the asset ceiling calculations do not take account of any of the Employer's unfunded benefits. The unfunded liability of £1.084m should have been included as a liability. Management have amended the financial statements for this issue, as shown in Section 6.	<u>Recommendation</u> As part of the accounts compilation process for 2024/25, management should ensure that they understand the reports from the actuary and apply the recommended treatment. <u>Management comment</u> This was the first year in which an asset ceiling report was requested in response to the net pension liability in the actuary report being calculated as positive, meaning the accounting treatment of the balance needed to be assessed. The 2024/25 asset ceiling report has already been requested from the actuary as part of the preparation for the closedown and accounts preparation process.

Review of the bad debt provision	
Our review of the bad debt provision identified that there is no information to support the percentage of debts provided for.	<u>Recommendation</u> We recommend that management review the methodology for calculating the bad debt provision and use a percentage that is based off actual historic write-off levels.

	Management comment The numerical value and number of bad debt write-offs processed each year is extremely low. Our methodology of using management judgement to determine a percentage provision against each category of debt is deemed to be a more prudent approach.

Payroll/HR Documentation	
Our review of the payroll testing identified that there were three employees for whom we signed up-to-date contracts could not be provided.	Recommendation We recommend that management ensures strong procedures are in place for maintaining appropriate HR documentation. Management comment Our HR and payroll teams will ensure that all future contracts are returned and filed within their systems.

8. Other matters

Other information

We are also required by the Code of Audit Practice, to give an opinion on whether other information published together with the audited financial statements, is consistent with the financial statements. Because of the matter described in the Basis for Disclaimer of Opinion section, we do not express an opinion on the financial statements. We also do not express an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

Reporting by exception

We are required to report to you by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report on these matters.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Going concern

As we have been unable to form an opinion on the financial statements, we are unable to obtain sufficient appropriate audit evidence to enable us to conclude that:

- a material uncertainty related to going concern has not been identified; and
- management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Value for money arrangements

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024. The Code of Audit Practice requires us to report on the Council's arrangements under three specified reporting criteria:

- Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Council ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

We asked management to complete an evidenced self-assessment of the Council's arrangements. We then reviewed the evidence provided and carried out follow-up work as appropriate to consider whether there are any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

We have not identified any significant weaknesses, and the results of the Value for Money work are reported separately in our Auditor's Annual Report.

Whole of Government accounts work

Alongside our work on the financial statements, we also review and report to the National Audit Office on the Council's Whole of Government Accounts (WGA) return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have received the group instructions from the National Audit Office in respect of our work on the Council's WGA submission and will complete this work alongside the conclusion of our audit work.

Audit certificate

At the end of the audit, as auditors, we are required to certify the completion of the audit. The effect of this certificate is to close the audit and marks the point when the auditor's responsibilities in respect of the audit of the period covered by the certificate have been discharged.

We cannot formally conclude the audit and issue the audit certificate until we have confirmation from the NAO that no additional work (beyond submission of the Assurance Statement) will be required in respect of the Whole of Government Accounts exercise.

Audit fees

Our final fee for the 2023/24 audit is set out below:

	Fee proposed at planning stage (£)	Final fee (subject to approval by PSAA) (£)
PSAA scale fee 2023/24	153,220	153,220
Fee variation in relation to additional procedures in relation to revisions to ISA 315	N/A	11,997
Fee variation in relation to additional procedures incurred for audit of pension disclosures to ensure compliance with IFRIC 14 (see section 5)	N/A	2,602
Fee variation in relation to development of audit approach to address prior year disclaimer to enable building back assurance. Development and approval of disclaimed audit opinion.	N/A	TBC
Total (excluding VAT)	**153,220**	**TBC**

We can confirm that we have not undertaken any non-audit work at the Council during the year.

Appendices

1. Letter of representation

Bishop Fleming LLP
10 Temple Back
Redcliffe
Bristol
BS1 6FL

[Date]

Dear Sirs

Cheltenham Borough Council

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the Cheltenham Borough Council (the Council) financial statements for the year ended 31 March 2024. These enquiries have included inspection of supporting documentation where appropriate, and are sufficient to satisfy ourselves that we can make each of the following representations. All representations are made to the best of our knowledge and belief.

1. **General**

   We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) and applicable law and for being satisfied that they give a true and fair view and for making accurate representations to you.

   All the transactions undertaken by the Council have been properly reflected and recorded in the accounting records.

   All the accounting records have been made available to you for the purpose of your audit of the Council. We have provided you with unrestricted access to all appropriate persons within the Council, and with all other records and related information requested, including minutes of all Council and Committee meetings.

   The financial statements are free of material misstatements, including omissions.

2. **Internal control and fraud**

   We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe that we have appropriately fulfilled these responsibilities. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.

   We have disclosed to you all instances of known or suspected fraud affecting the Council involving management, employees who have a significant role in internal control or others where fraud could have a material effect on the financial statements.

   We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the Council's financial statements communicated by current or former employees, analysts, regulators or others.

3. **Assets and liabilities**

   The Council has satisfactory title to all assets and there are no liens or encumbrances on the Council's assets, except for those that are disclosed in the notes to the financial statements.

   Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include PPE and investment property valuations, pension liability and NNDR provisions.

All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.

We have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

4. Accounting estimates

The methods, data and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework.

5. Legal claims

We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for and disclosed in the financial statements.

6. Laws and regulations

We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

We confirm that all correspondence with our Regulators has been made available to you.

7. Related parties

Related party relationships and transactions comply with the Council's financial regulations, relevant requirements of the Code and have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with regulatory, legislative and accounting standards requirements.

8. Subsequent events

All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

9. Going concern

We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that the financial reporting framework applicable to local government bodies means that the anticipated continued provision of entity's services in the public sector is normally sufficient evidence of going concern. We have not identified any material uncertainties related to going concern.

10. Annual Governance Statement

We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

11. Narrative Report

The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

We have taken all the appropriate steps in order to make ourselves aware of any relevant audit/ other information and to establish that you are aware of that information.

Yours faithfully

……………………………………………………………………………………………

Signed on behalf of the Audit, Compliance and Governance Committee of Cheltenham Borough Council

[Date]

2. Required communications with the Audit, Compliance and Governance Committee

Under the auditing standards, there are certain communications that we must provide to the Audit, Compliance and Governance Committee as those charged with governance. These include:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Plan
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Plan
With respect to misstatements: • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: • enquiries of those charged with governance to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud.	Audit Completion Report Discussions at Audit, Compliance and Governance Committee
Significant matters arising during the audit in connection with the entity's related parties.	Audit Completion Report
Significant findings from the audit including: • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters significant to the oversight of the financial reporting process or otherwise identified during the audit that we believe will be relevant to the Committee when fulfilling their responsibilities.	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations	Audit Completion Report Discussions at Audit, Compliance and Governance Committee
Significant matters in relation to going concern.	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity.	Audit Completion Report
Confirmation of independence and objectivity of the firm and engagement team members.	Audit Plan Audit Completion Report

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Auditor’s Annual Report
Cheltenham Borough Council

For the year ended 31 March 2024

Members of the audit, Compliance and Governance Committee
Cheltenham Borough Council
Municipal Offices
Promenade
Cheltenham
GL50 9SA

Dear Sirs and Madams

Cheltenham Borough Council – Auditor's Annual Report

We are pleased to attach our draft Auditor's Annual Report. This report summarises our audit conclusions and highlights the key findings arising from our value for money work.

We have initially discussed the contents of our report with management and have incorporated their comments where relevant.

This report is intended to be solely for the information and use of the Management and those charged with governance of the Authority and should not be shared with anyone beyond the Authority without our prior approval.

We would like to take this opportunity to thank the Council's officers for the co-operation and assistance afforded to us during the course of the audit.

Kind regards

Yours faithfully

Bishop Fleming LLP

BISHOP FLEMING LLP

Contents

1. Introduction

Our Auditor's Annual Report (AAR) summarises the work that we completed for Cheltenham Borough Council for the year ended 31 March 2024.

The Council is responsible for keeping proper accounts and proper records in relation to the accounts and for maintaining an appropriate system of internal control. The Council is responsible for the preparation of annual accounts for each financial year. Such accounts must present a true and fair view and comply with the requirements of enactments that apply to them.

The Council Authority is also responsible for putting in place appropriate arrangements to secure the economy, efficiency and effectiveness in its use of resources and to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives whilst safeguarding and securing value for money from the public funds at their disposal.

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are responsible for and are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We are also required to report to the Council by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

In addition, we are also responsible for reviewing the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report on the Council's arrangements under three specified reporting criteria:

- Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Council ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

We carried out our work in accordance with our External Audit Plan that we presented to the Audit, Compliance and Governance Committee on 22 October 2024.

2. Executive summary

Results from the audit of the financial statements

We have completed our proposed audit work on the financial statements.

The previous auditor's, Grant Thornton, issued a 'Disclaimer of Opinion' within their audit report on the Statement of Accounts for 2022/23 having completed no audit work on the results for the year ended 31 March 2023.

This has resulted in us having no assurance over any of the comparative results relating to 2022/23 in the statement of accounts; no assurance over the opening balance sheet at 1 April 2023; and no assurance over the cut-off of transactions in the Comprehensive Income and Expenditure Statement between 2022/23 and 2023/24.

We have therefore issued a disclaimed audit opinion for 2023/24. See section 3 for more details.

Results on our work on other matters

We completed our review of other matters in line with our issuing of the audit opinion. There were no other matters that were necessary to be reported in relation to our responsibilities in these areas. These is set out in further detail in section 3.

Results from our work on VFM arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

Our conclusions are summarised below. See sections 4-8 for more details.

Financial sustainability		We did not identify any significant weakness in the Council's arrangements. We have identified three recommendations where we consider arrangements in place could be improved. See section 8 for further details.
Governance		We did not identify any significant weakness in the Council's arrangements. We have identified one recommendation, where we consider arrangements in place could be improved. See section 8 for further details.
Improving economy, efficiency and effectiveness		We did not identify any significant weakness in the Council's arrangements. We have identified two recommendations, where we consider arrangements in place could be improved. See section 8 for further details.

Key:

	No significant weaknesses in arrangements identified and no recommendations made
	No significant weaknesses in arrangements identified but recommendations made

	Significant weaknesses in arrangements identified and recommendations made

3. Audit of the financial statements

Audit opinion on the financial statements

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). We are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

It was not possible for us to complete all our planned work for the 2023/24 audit by the statutory backstop date. This is due primarily to the prior year accounts not being audited, which has meant that we are unable to place reliance on opening balances or give an opinion on in-year movements which depend on those balances. In addition, the tight timeframe between the 2022/23 audit being signed off on 4 December 2024 and the deadline of 28 February 2025 has meant that there are other areas that we have been unable to conclude on.

Given the lack of time between the 2022/23 sign off and the 2024 statutory deadline we have focused our testing on areas that will enable us to build back assurance over your statement of accounts in the most effective way. Our main area of focus has been to get assurance over the balance sheet of the Council as at 31 March 2024 as this will enable us to have assurance over the cut-off of transaction between 2023/24 and 2024/25.

The work that we have planned to complete in the time available is largely complete.

We anticipate issuing a disclaimed audit opinion due to the lack of assurance over opening balances, as a result of the prior year financial statements also being disclaimed by the previous auditor.

Key issues arising from the accounts audit

Management obtained an Asset Ceiling Report from the actuary for the year ended 31 March 2024 to determine whether a pension asset on the Local Government Pension Scheme should have been recognised. This report confirmed that, in addition to derecognising the asset, management should have recognised an additional liability of £24.8m.

Other matters

We are required to report to the Council by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or

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

We concluded that there were no matters to bring to the Council's attention in respect of these matters.

More detailed findings can be found in our Audit Completion Report which was reported to the Audit, Compliance and Governance Committee on 25 February 2025.

4. Value for Money

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

The Code requires us to report our commentary on the Council's arrangements under three specified reporting criteria:

- Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Council ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The NAO has issued guidance for auditors to report against each of the three specified reporting criteria. The guidance also includes a number of further areas for review within each criteria for the auditor to assess those arrangements.

Our risk assessment did not identify any potential risks of significant weakness.

We asked management to complete an evidenced self-assessment of the Council's arrangements. We then reviewed the evidence provided and carried out follow up work as appropriate to consider whether there is any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our commentary on the Council's arrangements in each of these three areas is set out in sections 5, 6 and 7 of the report. Our recommendations for improvement are included in section 8.

5. Financial sustainability

We considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including how it:

- ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- plans to bridge its funding gaps and identifies achievable savings;
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Overview and 2023/24 outturn

As per the original budget for 2023-24 (approved by the Council on 20 February 2023), there was a planned £0.3m contribution towards general balances for 2023-24, in addition to assumed planned savings and additional income of £1.3m. However, as per the 2023-24 Financial Outturn (reported to Council on 22 July 2024) rather than contributing to reserves, the Council had in fact used £1.3m reserves. In addition, as per the HRA Operating account, there was a net operating deficit of £0.6m, greater than the £0.2m forecast. This has resulted in the HRA Reserve being reduced to £0.9m from £1.5m

For 2023-24, the council budgeted for capital of £17.7m with final capital outturn being £7.1m. The main areas of underspend were on replacement vehicles and recycling equipment and enabling the delivery of Private Rented Sector Housing. In addition, there was an underspend of £0.7m on the HRA Capital programme of £21m.

Financial planning and monitoring

The Council sets its budget and Medium-Term Financial Strategy (MTFS) annually, with the 2022-23 to 2026-27 version being approved on 20 February 2023 by the Council. The MTFS is updated twice a year in November and February. It is subject to regular review at these points by Cabinet and Council and is also presented to the Audit, Compliance and Governance Committee and Overview and Scrutiny Committee for overview and challenge.

The Council presents quarterly performance reports to the Overview and Scrutiny Committee and to Cabinet that set out delivery against the annual budget. This approach ensures that financial targets, including cost-saving initiatives, are closely tracked against key performance metrics. This proactive governance framework supports the Council in responding to emerging financial challenges while maintaining fiscal sustainability.

As at 31 March 2024, the Council has a large amount (£203m) of borrowings, an increase of £23m from the prior year. Of this, £70m is due within the 2024-25 financial year (up from £65m in 2022-23). The use of short-term borrowing is to benefit from interest rates being lower than on long-term loans – This is in line with the Council's Borrowing Strategy. As per the Council's budget proposals, there are expected to be fewer large financial commitments in 2024-25 and there will be therefore more cash available, and less requirement to take out short-term temporary borrowing. As per the Borrowing Strategy, the Council replaced £20m of temporary borrowing with a fixed 10½ year PWLB Annuity loan but will continue to use short-term loans with interest rates being lower.

The increased costs of financing loans as a result of higher interest rates are included in the budget, but there is a risk that these will fluctuate. The Council's increased level of debt (which is largely due to major repairs and replacements on its housing stock) should be seen as a risk. Levels have increased over recent years, with total borrowing increasing from £174m in March 2021, and the Council's debt ratio (the total debt as a percentage of total assets) increasing in that period from 28.9% to 33.3%. Moreover, the Treasury Management Strategy forecasts external borrowing to rise to £268m by 31 March 2027. We have therefore raised a recommendation that the Council needs to put plans in place to manage the levels of debt.

Achieving efficiency savings

As detailed above, the Council had planned to make £1.3m of savings. This included cost savings across several service areas and increased income including an increase in disposal of property interest and review of the council's resources for discretionary services. However, of the £1.3m, the Council has only met £0.9m of this. We have therefore included a recommendation below as the Council should review savings targets and understand reasons for not meeting these.

The Council's savings target in 2024-25 is £2.7m and, given the budget shortfalls projected it is important the Council continues to deliver on its increasingly ambitious savings targets.

2024-25 financial planning

The Council presented the 2024-25 Budget to elected members in February 2024. The plan shows a balanced budget for the year after a draw from reserves of £0.362m. All financial planning is completed based on provisional budget settlements issued by UK Government departments, which feed into the Council's overall planning assumptions.

The Council's approach to the capital programme aligns with its approach to the budget planning. The Council's capital programme budget and outturn reports are presented to Cabinet alongside General fund revenue account budgets and outturn reports. The costs of financing the capital programme are reflected within the general fund revenue account budget.

There is no workforce strategy implemented at the Council, which is in line with prior year findings. We have included this within section 8 of the report within the prior year recommendations for follow-up. There is no evidence to suggest that progress has been made to implement a workforce plan during 2023-24.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's financial sustainability arrangements. We have made three recommendations for areas of improvement at section 8

6. Governance

We considered how the Council ensures that it makes informed decisions and properly manages its risks, including how it:

- monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships.
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

Risk management

Risk management is evolving at the Council, however at 31 March 2024 the Corporate Risk Register was lacking key features such as link to strategic objectives, specific risk mitigation details and direction of travel. There is an absence of a risk appetite statement although the policy does refer to "tolerance" of risk and high-level guidance on levels which are RAG rated. The Risk Register details a specific reference, the risk detail, the risk manager, current assessment score based on impact and probability. There are control details and a risk action indicator with a review date.

We have seen that the corporate risk register presented to the Audit Committee in September 2024 reflects work that has been undertaken to improve risk documentation and while many additional features are included, there is still some additional improvements that could be made. Details of our associated recommendation can be found in section 8 in the following pages.

We have seen evidence that progress is being made in risk reporting and will review this further in our 2025 audit work. We note that since 1 April 2024 the Council have appointed a Learning & Development lead who is in the process of pulling together a corporate training plan and we note that this includes risk management training which will benefit members and aid embedding solid risk management oversight at all levels.

The Council's Governance Structure is made up of one Leader (Chair), one Deputy Leader (Vice Chair), and five other Cabinet members. Each Cabinet member has assigned responsibilities for an area of the Council allowing them to consider levels of risk in each area.

Internal control

The Audit, Compliance and Governance Committee has a key role to play in ensuring the overall effectiveness of internal controls. The Committee discharges this function appropriately by adhering to its terms of reference and challenging officers in relation to internal and external audit findings.

Another key element of internal control is the role of Internal Audit.

The Council's Internal Audit is provided by the Southwest Audit Partnership (SWAP), who have a representative at each of the Audit Committee meetings to present any audit findings. The Audit, Compliance and Governance Committee approves the Annual Internal Audit Plan and is provided with a progress report against the plan at each meeting.

Through our review of the Internal Audit reports, along with review the Audit, Compliance and Governance Committee minutes and supporting documents, we have not identified any significant gaps in the assurance the Council receives over matters in the work programme.

Internal Audit completed their work for the 2023/24 financial year and the Head of Internal Audit opinion stated that the Council has a "generally sound system of governance, risk management and control in place". The Annual Opinion from SWAP was one of "low reasonable" which is defined as some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. Through review of the Internal Audit reports we have seen improvement recommendations made that are generally responded to positively and implemented by management.

Budget setting and budgetary control

Budgets are designed and set by budget holders before presentation and consultation by the Cabinet with review of the performance against the prior year undertaken alongside budget holders before being approved at a Full Council meeting.

The budget setting process for 2023/24 considered past performance, analysis and impact of global events such as the war in Ukraine and domestic issues such as interest rates, public confidence following the mini budget in September 2022 and risk scenarios linked to the MTFS. We have seen through Committee papers including those presented and discussed at Cabinet and Full Council that budget setting is considered at all levels from budget holders, Portfolio Holder for Finance, the Chief Executive, Deputy Chief Executive, S151 Officer and Senior Leadership Team. Within the monitoring reports seen, it is clear that budget holders are held to account for delivering budget or developing mitigating actions. Minutes of the Overview and Scrutiny Committee show quarterly monitoring and scrutiny. Budgets are presented for approval at Cabinet. We have seen the 2023/24 budget was approved at Cabinet in the meeting of 13 February 2024 and then by Full Council later on 23 February 2024.

Quarterly reporting of capital projects to Overview and Scrutiny Committee and Cabinet evidence monitoring and oversight of capital matters.

Sufficient evidence has been seen through review of minutes to provide assurance that the budget setting and monitoring processes are reported and discussed with leaders throughout the year. Analysis of budget variations and explanations were included in the reporting.

Decision making

We are satisfied that appropriate arrangements are in place to ensure that all relevant information is provided to decision makers before major decisions are made, and that there are arrangements for challenge of such decisions before they are made.

There is an appropriate culture set by senior officers, driven by the code of conduct set out in the Council's Constitution. This includes appropriate levels of engagement by the leadership team with other senior members and attendance at governance meetings. Leadership also ensure that the appropriate experts are consulted for unusual or complex transactions such as the Publica transition reports.

Ensuring appropriate standards

The code of conduct for members and officers gives clarity and guidance in connection with standards expected. We have seen compliance with the standards as an example in the gifts and hospitality declarations which are included on a register and on the council website.

We have not encountered any examples of gaps in standards during the course of our work and have been assured by management that no serious data breaches have occurred. The Audit, Compliance and Governance Committee receive cyber security update reports to enable monitoring of the adequacy of cyber security arrangements.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's governance arrangements. We have made one recommendation for areas of improvement at section 8.

7. Improving economy, efficiency and effectiveness

We considered how the Council uses information about its costs and performance to improve the way it manages and delivers its services, including:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Assessing performance and evaluating service delivery

Quarterly performance reports are presented to the internal leadership team (Chief Executive, S151 Officer, Deputy s151, Executive Directors, Monitoring Officer and Head of Performance). Individual programmes and projects also have their own targets and performance expectations and are reported via the programme/project boards as required. In line with planned work for the Oversight & Scrutiny Committee, in October 2023 a CBC Performance Report was presented to committee as a response to a request for further performance indicators and demonstration of how the council is performing, this included data for 2022/23. It shows quarter by quarter data on Business Units (e.g. Bereavement Services, Building Control, Commercial & Income Generation etc) and allows inquiry and challenge by the committee on progress. Overall performance in most areas exceeded targets however a number of areas fell below target. These include savings identified due to excess energy costs, exit interviews, Marketing Cheltenham and the absence of the ice rink over the Christmas period and Complaints regarding Ubico (cleaning services).

The plan for the Overview & Scrutiny Committee agreed in March 2024 includes the same expected exercise, however at the time of our work, no such report was presented in 2024. We are aware that a change in approach has taken place with managers reporting on a more streamlined set of performance metrics aligned to the priorities in the current corporate plan. We have seen this has been reported to Cabinet in July 2024. We will review progress on this further in our 2025 audit work.

Peer challenge is a core part of the Local Government's Association's (LGA) sector support offer to councils. We note that the last corporate peer review was undertaken at the Council on 18th November 2022. The peer review report was published for the Full Council meeting in April 2023. The report highlighted a number of areas where the Council has made good improvements since the last review and went on to develop an action plan to address the further development areas.

Publica outsourcing arrangements

The Council are one of four authorities that outsource a handful core functions (including elements of the finance function) to Publica Group Limited (Publica). Publica is a 'Teckal company' owned by Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council, established in 2017.

Since 2017 Publica has delivered council services on behalf of Cheltenham Borough Council. A Local Government Association independent peer review was commissioned in 2022 by Cheltenham Borough Council to look at whether Publica was still able to meet the current and future needs of its owners. Subsequently, an options appraisal was undertaken by the consulting firm, Human Engine, which recommended that that the majority of services should move from Publica back to the councils, leaving Publica to deliver reduced number of back office and customer services for the Councils. Cheltenham Borough Council agreed with the recommendation and the Chief Executive has organised a detailed transition plan that initially covers phase 1 of the transfer which took place 1 November 2024, in conjunction with partnership authorities.

The functions utilised within Cheltenham Borough Council remain unchanged at the time of our reporting, with phase 1 of the transitional process having no direct impact.

We will consider monitoring and oversight in more detail in our 2024/25 work.

Partnership working

The Council participates in a wide range of local partnerships and has a track record of working with strategic partners to develop strategies and translate those into actions for the Council to deliver. The Council's two key partnerships are with Publica (role detailed above) and Ubico. The purpose of Publica is to delivers shared services between Cheltenham Borough Council, Cotswold, West Oxfordshire and Forest of Dean District Councils. Publica has a service agreement with CBC in relation to the provision of payroll, finance (AP & AR), health & safety, ICT and procurement services.

The Council maintains oversight and monitoring of Publica and Ubico, with regular meetings occurring within the senior management team. These are reported annually to the Overview and Scrutiny Committee and the Cabinet who review the progress made within the partnerships in line with the framework for partnership working.

The Council has significant Net Zero agenda and a population that is expected to grow up to 5,300 households between now and 2029. Decisions made about commissioning from Ubico in the coming years are likely to be critical both to future savings plans and to the Council's ability to reach net zero targets. The Council has a good working relationship with Ubico and arrangements for annually reviewing Ubico's business plans and performance, which will be important.

As the Council progresses work with the National Cyber Innovation Centre and associated housing developments around it, new commercial partners are likely to become more important as well. The Council does not at present have a partnership policy or register of its key partners. In 2022/23 it was recommended that the council should consider adopting a new partnership strategy and register and the details can be found in section 8 below, this recommendation remains valid for the current year.

Commissioning and procuring services

The Council has a procurement and project management strategy in place, which was last updated in July 2015. While a review is significantly overdue, we are aware that there are draft Contract Rules in progress of being updated and expected to be in line with the Procurement Act 2023 (PA23) and the Procurement Regulations 2024 (PR24) which come into effect February 2025. This outlines how procurement services are outsourced to Publica, and the communicated vision is to demonstrate value for money through effective commissioning and procurement whilst minimising impacts on the environment. The Council have an in-house procurement executive who oversees the Publica procurement function in detail. The revision of this procurement strategy and policy should be concluded and we have raised a recommendation below in section 8, to this effect.

The Council should review and revise contract management arrangements regularly and timely around renewals and waivers to ensure that appropriate lead times reduce the instance of urgency. The prior year auditors raised that a large number of waivers were reported, these waivers were due to emergency circumstances requiring urgent action. Subsequent to these prior year audit findings, an Internal Audit was undertaken on Waivers in 2023/24 which is evidenced in Audit Committee papers, with an assurance opinion of "low substantial" given on the audit by SWAP. Waivers are used less frequently now and are reported as decisions on the external website.

There is no evidence that suggests the Council is failing to operate a fair procurement exercise for significant contracts.

The Council have decided to bring the housing maintenance and management services delivered by CBH back in house – with the transfer back into the Council of all staff from 1 July 2024. This is expected to afford greater direct control in a sector with challenging increased compliance requirements and the ability to make some efficiency savings by streamlining management structures.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness. We have made two recommendations for areas of improvement at section 8.

8. Recommendations

KEY:

Recommendations that refer to issues that have resulted in a significant weakness in the Council's arrangements.

Recommendations that should improve the arrangements in place at the Council but are not as a result of identifying a significant weakness.

Current Year Issues

Financial Sustainability – Level of borrowing	
The Council's level of borrowing has increased significantly over recent years and is forecast to increase more so over the life of the Treasury Management Strategy, whilst there are a number of ongoing strategic projects that the Council are investing in. There is also increasing borrowing for capital expenditure for the replacement of housing property components in the HRA. A significant proportion of the debt is short term borrowing following movements in interest rates have made long term fixes less attractive.	<u>Recommendation</u> We recommend that the Council closely tracks the need for additional borrowing as projects such as the Golden Valley development and strategic disposals progress. The Council should review options to reduce external borrowing (such as strategic disposals to fund reinvestment in the HRA) in order to minimise finance costs and manage risks of adverse movements in interest rates. <u>Management comment</u> At the end of 2024/25 the Capital Financing Requirement of the Council is estimated to be £211.02m. This is split between the General Fund (£112.2m) and Housing Revenue Account (£98.8m). As noted in the body of the report, although our asset to debt ratio has increased this is only by a small percentage demonstrating that our assets and investments are continuing to perform strongly. Work is currently ongoing to review the 30 year HRA business plan which tracks a number of different measures including interest cover and borrowing levels. Reducing our reliance on borrowing is important to ensuring the long term sustainability of the HRA. Management will work with the administration to agree a strategy around any future borrowing and investment which will support this which may include generation of capital receipts which can be used as an alternative to borrowing.

	Treasury management activity at the Council is about managing the risks and maximising the benefits of our cash flows, borrowing and investments. The team monitor PWLB rates on a daily basis and are constantly looking to take advantage of lower rates for our borrowing – as demonstrated by the recent fixing of HRA borrowing. Projects within the general fund which require an element of borrowing are subject to robust business cases which demonstrate that borrowing costs can be covered and there is an appropriate return on investment or saving generated from the investment. This is vital to ensure our capital programme continues to be affordable.

Governance – Risk management	
The Corporate Risk register would benefit from additional key features expected in best practice and a formal risk appetite statement should align to the Council's strategy and policy documentation.	Recommendation While many improvements have been started during 2024/25, we would suggest that a clear link to the five key strategic priorities of the council, with a clear articulate risk appetite statement. We would expect to see the inherent risk score, impact of mitigations and therefore residual risk score reflected to allow management and committee to interrogate controls in place and their effectiveness over time. Management comment The existing Corporate Plan for 2023-27 is currently being reviewed and a draft was provided as part of the audit evidence. Once the Corporate Plan and strategic priorities of the administration have been refreshed for 2025-2029 then we can consider whether an overall risk appetite is appropriate.

Improving Economy, Efficiency and Effectiveness – Updating of Procurement and contract management strategy	
The Council's procurement and contract management strategy requires updating, including giving appropriate consideration to the Procurement Act 2023 which is effective from 24 February 2025.	Recommendation The Council Procurement and contract management strategy should be reviewed, and revised where appropriate, to ensure that it is not failing to operate a fair procurement exercise for significant contracts and the revised procurement and contract management strategy should reflect current governance arrangements. The Council should obtain specialist advice and support to ensure that the procurement and contract management strategy is revised and updated in a timely manner and reflects current legislation.

	Management comment As evidenced as part of this review, the Council now have in post a specialist Strategic Procurement Manager who is assessing and supporting our readiness for the implementation of the new Procurement Act. As part of this role, documentation and procurement toolkits are being updated and relaunched with accompanying training and support. The toolkit will split out current procurement and contract management strategy into smaller sections making it easier to access and use.

Prior Year Issues reported by the predecessor auditor – Ongoing

Financial Sustainability – Achieving savings targets	
<u>Previous finding</u> Discipline over savings plans will be necessary to re-build the general balance. <u>Previous recommendation</u> Savings and additional income plans: For future years, a detailed look back at the previous areas of overspend and non-delivery should feed into assumptions made at the budget setting stage. Sensitivity analysis, both during budget setting and refreshed during the year, will be important for remaining mindful of the impact that any shortfall in savings plans could have.	<u>Previous management comment</u> Work is going is ongoing to ensure that there is a collective accountability across the organisation for budget and saving decisions. Where work has been successful in identifying savings, some have not been seen through to achievement and in some budget areas we are going reporting overspends against base budgets which needs to be owned and managed by service areas. <u>Arrangements in place during 2023-24</u> Savings and additional income plans were not delivered in full for 2023-24, as had been the case for the two previous financial years. Savings plans will need to be adhered to, given the reducing level of reserves. <u>Revised management comment</u> The Section 25 report produced by the Section 151 Officer to accompany each final budget proposal makes a number of assumptions to determine the appropriate level of general balances. One of those assumptions is the level of savings delivered each year. In 2024/25 that was assumed to be 80%, with general balances sufficient to cover any shortfall. At January 2025 we have delivered 73% of the £2.741m. This is a significant increase in the level of savings delivered in 2023/24 which reflects the work with the administration and budget holders on collective accountability. Work continues on the 2024/25 savings and any undelivered target will need to be achieved in 2025/26. The 2025/26 budget also makes much more prudent assumptions on levels of commercial income, fees and charges which have missed their targets during the post pandemic period. Together, these actions should result in a significant replenishment of reserves and balances by 31 March 2025.

Financial Sustainability – Formal Workplan	
<u>Previous finding</u> Scope for strengthening workforce planning arrangements for better alignment with the budget. <u>Previous recommendation</u>	<u>Previous management comment</u> Once the transfer of Cheltenham Borough Homes (CBH) employees has been undertaken and we have a stable HR operation, work will be undertaken on a larger term sustainable workforce strategy to meet future needs.

The Council should consider developing a formal workforce strategy.	<u>Arrangements in place during 2023-24</u> The decision was taken in October 2023 to wind up CBH and the staff were transferred back to the Council in July 2024. The decision was taken to delay the development of a workforce strategy until the new structures and alignment of the two sets of officers was embedded. <u>Revised management comment</u> Although the staff from Cheltenham Borough Homes were transferred back to the Council in July 2024, operationally many teams are still transitioning. In the final quarter of 2024/25 the second phase of management reorganisation is underway and it is expected that teams will start to stabilise under new structures by late Summer 2025. At this point the future workforce strategy will be reviewed, taking into account the resilience of our officer functions in preparation for Local Government Reorganisation within Gloucestershire.

Improving economy, efficiency and effectiveness – An approved Partnership strategy	
<u>Previous finding</u> The council does not have a partnership policy or a register of its key partners. The council is in the process of identifying how key partners contribute to the corporate objectives as they develop performance management. <u>Previous recommendation</u> The Council should develop and approve a partnership strategy and partnership register which includes: - A central record of Council's partnership activity, including partnership governance arrangements - An assessment of partnership risks and subsequent mitigations through the inclusion of a partnership risk register. - Best practice information for officers in respect of partnership management	<u>Previous management comment</u> The council recently appointed a full time Director with responsibility for governance who also acts as the Council Monitoring Officer. Partnership governance arrangements and activity will be overseen and coordinated through this postholder. Partnership risks are currently captured on CBC's corporate risk register but these could be categorised and pulled out for a separate register in the future. Different partners require a differing approach from client managers, but we can consider incorporating some suitable training on the best approach as long it is specific to that partner. <u>Arrangements in place during 2023-24</u> The Council does not at present have a partnership policy or register of its key partners. As the Council progresses work with the National Cyber Innovation Centre and associated housing developments around it, new commercial partners are likely to become more important as well. <u>Revised management comment</u>

	There is a clear distinction between our partners who are commissioned to deliver core services on our behalf and contractual partners who are procured for specific goods and services. The monitoring of each will differ dependent on the nature and specification of those services with the latter falling much more within the contract management recommendation above as part of the new Procurement Act regulation. For partners who are engaged under commissioning arrangements, we are currently reviewing our management structures as part of an organisational restructure following the transfer of housing services back to the Council. This includes commissioning functions to ensure there is capacity and resource to scrutinise, support and monitor delivery.

Prior Year Issues reported by the predecessor auditor – Resolved

Governance – Effectiveness of Audit, Compliance and Governance Committee.

For the Audit, Compliance and Governance Committee, the council should consider a self-assessment exercise; the provision of any necessary training: and the recruitment of two independent members.	<u>Recommendation</u> The Audit, Compliance and Governance Committee is effective. The Council should ensure its continued effectiveness by conducting a self-assessment exercise, in line with the Chartered Institute of Finance and Public Accounting's (CIPFA) methodology, which will enable the Committee to evaluate its effectiveness and identify areas for improvement and any unmet training needs. We also recommend that the Council recruits at least two appropriately qualified, independent members of the Committee. <u>Management comment</u> Working with our internal auditors (Southwest Audit Partnership), Cheltenham Borough Council have now started a review of the effectiveness of the committee. This will include consideration as to whether the council wishes to appoint independent members. <u>Arrangements in place during 2023-24</u> A Member Development Strategy has been produced and was approved in December 2024. This addresses all Members and Committees. The Audit Committee is to be combined with the Standards Committee in 2025/26, including two independent Members.

Governance – Organisational and leadership capacity Resolved	
Significant changes are planned. It will be important that strong processes are in place to secure the intended benefits from these decisions	<u>Recommendation</u> The Council should build strong organisational and leadership capacity to oversee the high-profile changes it is currently managing. This will include building risk management and project management skills; learning from partners; engaging specialist technical support; reviewing arrangements for governance, oversight and budget monitoring; and capturing financial impacts of the medium-term financial plan. When the changes involve bringing new staff in-house to join the existing workforce, there will be other considerations as well. Arrangements for governance and oversight over teams; performance monitoring; skills, capacity and training will need to be aligned both during the transition and, on a permanent basis, afterwards <u>Management comment</u> CBC will continue to develop a leadership and management team that embeds the consideration of the risks and measures of mitigation as part of its business-as-usual activities and within any change/transformation projects. Consideration will also be given on what further training and support colleagues needs to ensure that CBC continue to strengthen an organisational culture with an

	understating of risk, governance, change/transformation and financial management at its core. <u>Arrangements in place during 2023-24</u> The 2022 Peer Review concluded similarly. The Peer Review Action Plan was presented to the Overview & Scrutiny Committee in January.

Governance – Overview and Scrutiny Committee Approach	
The OSC does not perform its function of holding the Cabinet to account as well as it could because it does not have a forward plan that mirrors that of the cabinet, which undermines its identity to challenge the cabinet. There is evidence that it does not make the best use of its call-in powers.	<u>Recommendation</u> The Council should take a more strategic approach to the work the Overview and Scrutiny Committee (OSC), including developing an OSC Forward Plan which aligns with the Cabinet's Forward Plan. The Committee should also make full use of its pre- and post-decision call-in powers to strengthen its ability to act as critical friend to the Cabinet. <u>Management comment</u> Since the Audit, OSC have exercise their power of call-in demonstrating the vital role that scrutiny plays in our decision-making process. Whilst OSC do have a work plan and do review the executive forward plan, it is acknowledged that forward plans are not aligned. A review of OSC work plan will take place following the council elections in May 2024. <u>Arrangements in place during 2023-24</u> The Overview & Scrutiny Committee has a forward plan which is reviewed as a standing agenda item at each meeting.

Governance – Updating of the Council Constitution.	
Constitution requires updating and appropriate resource mix will be important.	<u>Recommendation</u> The Council should review and revise its Constitution to ensure it is fit for purpose and reflects current governance arrangements. The Council should obtain specialist advice and support to ensure that the Constitution is revised and updated in a timely way. <u>Management comment</u> As acknowledged in the report a constitution working group has been set up, led by the monitoring officer, and a significant amount of work on updating the constitution has now been undertaken, including a complete review of appendices, updates to the scheme of delegation, revised financial procedure rules and the introduction of a council budget meeting protocol. Work continues, at pace, on review and revision and we are satisfied with the progress being made. <u>Arrangements in place during 2023-24</u>

	A Constitution Working Group is now operational and has run throughout 2023/24. The Group focus on different areas of the constitution with relevant decisions on changes being presented to Council for approval.

Improving economy, efficiency and effectiveness – Reporting of waivers	
23 waivers were issued in 2021/22 and 10 in 2022/23. All were appropriately authorised and included full descriptions of services required and reasons for the waiver. No evidence that these waivers are overseen by members. Urgency was often cited as a reason for waiver.	<u>Recommendation</u> Consideration should be given to reporting waivers to an appropriate committee on at least an annual basis. The report should include the number of waivers compared to recent years, these services procured and the reason why the waiver was approved. <u>Management comment</u> All waivers that are authorised on the ground of 'urgency' are reported to the next available Cabinet meeting, and all contracts are published by way of formal decision notice. The Council will review the mechanisms available through our new performance management software to capture the number of waivers compared to recent years. The services procured and the reason why the waiver was approved. Once agreed the Council will determine which committee this information should formally be reported to. <u>Arrangements in place during 2023-24</u> Work has been ongoing to reduce the numbers of waivers used to support procurement decisions. An Internal Audit was undertaken in 2023/24 which is evidenced in Audit Committee papers. Waivers are used much less frequently now and are reported as decisions on the external website.

Bishop Fleming
Audit · Accountancy · Tax · Advisory

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Cheltenham Borough Council

Audit, Compliance and Governance Committee

25 February 2025

Final Accounts 2023-24

Accountable member:

Councillor Alisha Lewis, Cabinet Member for Finance and Assets

Accountable officer:

Paul Jones, Deputy Chief Executive and S151 Officer

Ward(s) affected:

All

Key Decision: No

Executive summary:

To bring the final draft of the statement of accounts for 2023/24 for Audit, Compliance and Governance Committee to review and sign off.

Recommendations: That Audit, Compliance and Governance Committee:

1. **notes the final draft of the statement of accounts 2023/24;**

2. **subject to any material changes to the accounts between the committee date and the backstop date of 28 February 2025, delegates authority to the Chair of the Audit, Compliance and Governance Committee to sign the final accounts and management letter of representation 2023/24.**

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1. Implications

1.1 Financial, Property and Asset implications

The financial implications are contained throughout the report. The main implication is that the accounts have now been closed but not fully audited.

Signed off by: Jon Whitlock, Chief Accountant, jon.whitlock@cheltenham.gov.uk

1.2 Legal implications

The Accounts and Audit Regulations 2015 set out the requirements for the production and publication and audit of the annual statement of accounts.

Signed off by: One Legal legalservices@onelegal.org.uk

1.3 Corporate Plan Priorities

This report contributes to the following Corporate Plan Priorities:

- Making Cheltenham the Cyber Capital of the UK
- Working with residents, communities and businesses to help make Cheltenham #netzero by 2030
- Increasing the number of affordable homes through our £180m housing investment plan
- Ensuring residents, communities and businesses benefit from Cheltenham's future growth and prosperity
- Being a more modern, efficient and financially sustainable council

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2 Background

2.1 The single entity draft accounts were published at the end of end of May 2024 for the 2023/24 accounts. The full group accounts were then published in January 2025 following the receipt of the accounts for Gloucestershire Airport Limited which are consolidated into our own.

2.2 The statement of accounts and financial records have been subject to a light touch audit for this financial year by our new external auditors Bishops Fleming due to timing constraints caused by the delays in concluded the 2022/23 audit with Grant Thornton. The accounts have to be signed off due to the 'back stop' dates introduced for outstanding audits – by 28 February 2025 for year 2023/24.

2.3 After approval by this committee the final accounts will be available on the website or a hard copy can be obtained. Members can access the draft accounts via this link: https://www.cheltenham.gov.uk/info/18/council_budgets_and_spending/494/statement_of_accounts_and_annual_report and a hard copy is available in the Finance department.

2.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) Toolkit for Local Authority Audit Committees published in 2006 recommends the following focus in relation to the committee's review of the financial statements:

- the suitability of accounting policies and treatments

• any changes in, and compliance with, accounting policies and treatments

• major judgemental arrears such as provisions

• significant adjustments and material weaknesses in internal control reported by the external auditor

There have been no changes to these areas of work and assumptions since the accounts for each of these years were produced.

3 Final Statement of Accounts 2023/24

3.1 The final draft statement of accounts included in Appendix 1, have been subject to a light touch audit and there are not expected to be an further material changes to the accounts presented to Committee.

3.2 The regulations require the formal approval of the accounts and this will be signed by the Chair of the Audit, Compliance and Governance Committee signing and dating the accounts on the page entitled the Statement of Responsibilities for the Statement of Accounts. This statement is from the Chief Finance Officer S151 and will also be signed.

3.3 There has been a light touch audit of the 2023/24 statement of accounts due to the delays in conclusion of the 2022/23 audit protocol by Grant Thornton. The Government set a backstop date for the finalisation of the 2023/24 statement of accounts of 28 February 2025. As a result from the beginning of the engagement with Bishops Fleming we expected a qualified opinion on these statements because of the limited time available for a full audit. We are already preparing for the 2024/25 closedown and are taking steps to minimise the chance of another qualified opinion for the financial year ending 31 March 2025.

4 Letter of Representation – 2023/24

4.1. Our external auditor requires assurances from us on various financial matters including statutory and contractual requirements, reasonableness of estimates and provisions, responsibility for internal controls, various disclosures and information provided. These are detailed in the attached letter for 2023/24 which needs recommendation for approval by this committee.

5 Final Auditors Annual Report 2023/24

5.1. Bishops Fleming have submitted their final draft version of their audit report and Value for Money conclusion for consideration by the Committee.

6 Reasons for recommendations

6.1 To bring a close to the 2023/24 statement of accounts and allow the commencement of the 2024/25 closedown and accounts preparation. Without sign off of the 2023/24 accounts it would cause further delays in auditing the 2024/25 accounts.

7 Consultation and feedback

7.1 The draft accounts have been advertised as available for inspection and are available on the Council's website. As required by legislation these will be updated with the final version including the external audit opinion on our website once signed.

Report author:

Gemma Bell, Director of Finance & Assets, gemma.bell@cheltenham.gov.uk

Appendices:

i. Statement of Accounts 2023/24
ii. Letter of Representation 2023/24

Background information:

Financial Outturn Report 2023/24 – Council 22 July 2024

CHELTENHAM BOROUGH COUNCIL

DRAFT Statement of Accounts
2023/24

CONTENTS

Cheltenham Borough Council

Who are we and what do we do?

Cheltenham is a world renowned cultural destination and rated one of the best places to live in the UK. Building on our successes, our investments into the Golden Valley Development - a pioneering scheme which will include a national cyber innovation centre - aim to cement our position as the cyber capital of the UK and extend Cheltenham's presence in the global economy as the safest place to do business online. As well as providing high-quality and affordable homes and spaces for business and academia, this development will also play a key role in reducing carbon and encouraging biodiversity.

But the scale of our unique ambition has been set against a backdrop of global instability, a national cost of living crisis and the still recent pandemic. All of these factors mean that our communities are facing real adversity, where being able to feed a family and keep them warm are a real and increasing challenge. As a council we continue to work now and in the months and years ahead to deliver practical support to our residents, businesses and communities.

As we look beyond the difficult financial and economic pressures that we face, we are clear in our future ambition for Cheltenham. We're setting a higher standard for ourselves, and our town, to build a better future for everyone in Cheltenham, ensuring that everyone who lives and works here can equally share the benefits of Cheltenham's successes.

The commitment the Council has to the town has been clearly apparent in the response to the COVID-19 pandemic and cost of living crisis which resulted in a financial year unlike any other in 2022/23. The economic instability across the country and locally here in Cheltenham, created a huge amount of financial uncertainty which has continued into 2023/24.

The long term financial impact on the council will continue to be closely monitored and reported throughout 2024/25 and beyond to ensure the Council has robust arrangements in place to respond to any future impacts on our funding or resource requirements.

Who are Cheltenham Borough Council?

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

The council has 40 elected members representing twenty wards within the Cheltenham Borough. There are also five parish councils within the borough. Elections are held every two years, when 50% of the seats are offered for re-election. The most recent election was held in May 2024 when all seats were re-elected after recent boundary changes in the borough.

The political make-up of Cheltenham Borough Council at 31 March 2024 was:

Liberal Democrat Party	31 councillors

Conservative Party	5 councillors
Green Party	2 councillors
People Against Bureaucracy Party	2 councillors

The Liberal Democrat group therefore had an overall majority on the Borough Council for this period. There was all out elections in the borough in May 2024 where the makeup of the Council changed to 36 Liberal Democrat, three Green and one People Against Bureaucracy representatives.

Supporting the work of councillors is the organisational structure of the council, headed by the Leadership team, led by the Chief Executive. This position is held by Gareth Edmundson.

During 2023/24 the Executive comprised of the Chief Executive and two Executive Directors, one of whom is also the statutory section 151 officer, Paul Jones. In October 2022 Claire Hughes was appointed to a permanent role of Monitoring Officer which is shared with Stroud District Council.

Who has overall responsibility at Cheltenham Borough Council?

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

In 2023/24, the Cabinet consisted of the Leader, a Deputy Leader and a Cabinet of seven Members as follows:

Leader of the Council	Councillor Rowena Hay
Deputy Leader of the Council and Cabinet Member for Finance and Assets	Councillor Peter Jeffries
Cabinet Member for Housing	Councillor Victoria Atherstone
Cabinet Member for Safety and Communities	Councillor Flo Clucas
Cabinet Member for Waste, Recycling and Street Services	Councillor Iain Dobie
Cabinet Member for Customer and Regulatory Services	Councillor Martin Horwood
Cabinet Member Cyber, Regeneration and Commercial Income	Councillor Mike Collins
Cabinet Member for the Climate Emergency	Councillor Alisha Lewis
Cabinet Member Economic Development, Culture, Tourism and Wellbeing	Councillor Max Wilkinson

When major decisions are to be discussed or made, these are published in the Cabinet's Forward Plan in so far ahead 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.

Supporting the work of councillors is the organisational structure of the council, Members of the council also nominate a Councillor each year to take on the roles of Mayor and Deputy Mayor.

The Mayor and Deputy Mayor for 2023/24 were:

Mayor	Councillor Matthew Babbage
Deputy Mayor	Councillor Paul Baker

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

The Council's Corporate Plan for 2023 - 2027

Overall, we believe that building a better future means leaving a legacy of sustainability for future generations. This is the foundation of our ambitions to reduce Cheltenham's carbon emissions to net zero, but also encompasses building affordable carbon neutral homes across Cheltenham, conserving and enhancing our green spaces, and securing financial and economic sustainability through the Golden Valley Development. We want our residents and communities to thrive, not just survive, and this means continuing investments in partnerships and services that will augment the long-term financial stability of Cheltenham.

The delivery of our priorities will be based around the following six principles. We will:

1. Help all our communities to benefit and prosper from our strong local economy

2. Work together with everyone in our networks to improve our borough and support our residents to be healthy, our communities to be strong and our businesses to thrive

3. Be commercially minded to keep costs down and our council financially stable, so we always provide value for money to the taxpayer

4. Use data and research to drive improvement, listening carefully to our residents, communities and businesses to underpin informed decisions

5. Ensure the climate emergency agenda is at the forefront and integral to all our decision-making

6. Be risk aware, rather than risk averse

In order that we can support our town to manage the challenges of the most significant cost of living crisis in a generation, we will continue to invest in Cheltenham for the benefit of Cheltenham both in terms of sustainable Council finances, but also in terms of the way we invest commercially and for regeneration.

Our corporate priorities

The 2023-2027 Corporate Plan outlines our strategic priorities for Cheltenham, what we have chosen to focus on and why we think these are important for our town. The table below outlines our priorities and how we have invested in their achievement over the past twelve months:

Key Priority 1 - Enhancing Cheltenham's reputation as the cyber capital of the UK	• At the end of August 2019, we completed the purchase of 112 acres of strategically important land for £37.5m which forms part of the Cyber Central Golden Valley development. This was the most expensive land purchase ever made by the Council. It will enable the delivery of the Cyber Central vision and has been specifically named in the Government's National Cyber Strategy launched in February 2022. The planning applications were submitted in 2023/24 and work is underway to deliver the vision for the Innovation Centre into 2024/25. In January 2024, Cheltenham Borough Council were provisionally awarded £20m of Levelling Up funding by the Government for the delivery of the Innovation Centre. In May 2024 we received notification that the bid can progress and a Memorandum of Understanding was signed. The first drawdown of funds is expected to be received in July 2024. • In addition to the flagship Golden Valley development, the Council are also working in partnership with the Workshop Group to establish a brand new business and cultural hub in the town centre. The Minister Innovation Exchange will be a critical strand of our economic recovery strategy; continuing the momentum created at Hub8 ahead of the opening of Cyber Central at Golden Valley and establishing Cheltenham as the UK's foremost cyber tech cluster with a global reach. • The scheme is due for completion by summer of 2024, following a successful bid for £3.114m of funding via GFirst LEP from the Government's 'Getting Building Fund'.
Key Priority 2 - Working with residents, communities and businesses to help make Cheltenham net zero by 2030	• Our Climate Emergency Action Plan: Pathway to Net Zero is to target residents, communities, businesses, public and voluntary organisations. • To demonstrate our commitment to this vision and lead the response to the climate challenge in Cheltenham, £300k of capital investment has been committed to the Carbon Neutrality programme since 2023-24. Additionally, the Council successfully secured £382k of capital funding from the central Government's Public Sector Decarbonisation Scheme which has been invested in installing submeters across our buildings. • Funding of over £1.178m from the UK Shared Prosperity Funding was secured in 2022/23, which is to be spent on a number of carbon reduction projects over the next three years. The projects include the

	development of a town centre cycle hub for safe bicycle parking and associated activities, carbon footprint and reporting for businesses to develop and carry out carbon reduction plans, address fuel poverty, installation of electricity infrastructure in key locations around the town to remove reliance on generators for key events and to fund our commitment to climate change. These projects have continued into 2023/24 and will complete by 31 March 2025.
Key Priority 3 - Increasing the number of affordable homes through our £180m housing investment plan	• The Council's Housing Investment Plan has committed £100m of service investment to fund mixed tenure housing in the private rented sector and £80m of investment from the Housing Revenue Account to fund affordable housing. The purpose of these investments is to shape sustainable and resilient communities and allow residents secure homes in which they and their families can thrive. • We have already spent £35m delivering 136 homes, with a strong pipeline set to deliver significant numbers of additional affordable homes over the current and following four years. A further £48m is forecast to be spent within the HRA capital programme between 2024 and 2027. The transition of our housing services back to the Council will only support this planned delivery. • Additionally, the Council will continue to work with the private sector to utilise redundant assets and vacant land to bring them into a useful economic purpose to facilitate regeneration and employment creation. The 2024/25 capital programme commits a further £4.5m a year for three years to 2026/27 to increase the supply of housing in the town. • In October 2023 the Cabinet took the decision to wind up Cheltenham Borough Homes and bring our housing services back in-house. A programme is now operating to manage the transfer following tenant and leaseholder consultation. All Cheltenham Borough Homes staff will transfer to the employment of the Council on 1 July 2024. One of the key objectives of taking this decision is to work in partnership with all agencies to bring more housing delivery schemes forward in line with the Housing Investment Plan.
Key Priority 4 - Ensuring residents, communities and businesses benefit from Cheltenham's future growth and prosperity	• Cheltenham will see huge investment over the coming years through expansion of the cyber industry, more affordable homes and infrastructure. This presents a once in-a-generation chance to ensure all of our communities can benefit from sustainable growth in jobs, skills and housing.

	• Upgrading some of the parks and town centre toilets to include changing rooms and much improved disabled facilities has capital of £750k earmarked in 2023/24. • Improvement of linkages to the High Street, signage and decoration plus playgrounds, pathways, and provision of grants for the provision of building work, equipment or modifying a dwelling to enable independent living has been earmarked for expenditure in 2024/25. • We have previously committed £600k of capital funding to support investments made by the Trust into their venues and infrastructure. The 2024/25 capital programme includes an additional £400k of funding to continue to support their financial sustainability. • Refurbishing of Clarence Fountain area has had £90k investment since 2022/23 • The acquisition of several shops and premises to help regenerate the High Street commenced in 2022 with an investment of over £3.3m.
Key Priority 5 - Being a more modern, efficient and financially-sustainable council	• We have continued to invest in Cheltenham for the benefit of Cheltenham throughout 2023/24. The focus of our investments and commercial strategy is the delivery of housing and economic development activities that will deliver value and financial benefit for both the Council and the wider town. • A significant part of the transformation of how services are delivered will be the roll out of a digital platform called Netcall which was brought into the base budget for the first time in 2023/24, ending the transition period. This will smooth the customer journey and ensure the Council can operate more efficiently to deliver value for money services. • We have implemented our asset management strategy throughout 2023/24, identifying assets for disposal and generating capital receipts for reinvestment in the capital programme and the repayment of borrowing where pressures are being particularly felt at the moment. This will continue into 2024/25 as we move closer to marketing the Municipal Offices for sale and reviewing the cost and operational use of many other of our assets.

Working with partners

The council puts a strong focus on working together with partners across the Cheltenham family to deliver on these and other joint outcomes for our residents, communities, staff and service users. Among these are:

- Ubico Limited – a company jointly owned by Cheltenham and seven other Local Authorities responsible for delivering environmental services across Gloucestershire;
- The Cheltenham Trust - an independent charitable trust, contracted to supply leisure and cultural related services to Cheltenham Borough Council via a management agreement;
- The Cheltenham Business Improvement District - delivers a range of projects that benefit businesses in the town centre, including the High Street, The Promenade, Montpellier and The Brewery Quarter;
- One Legal – the shared legal service between Cheltenham, Tewkesbury, Gloucester City and Stroud District Councils;
- Publica Group Limited – a company owned jointly by Cheltenham and three other District councils to provide shared services from a common platform; and
- South West Audit Partnership – a company operating across the South West region commissioned to provide our internal audit services.

Introduction to the financial statements

The purpose of this narrative report is to provide an explanation of the council's financial performance and position for 2023/24 and assist 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 2023/24 and the council's assets and liabilities at the year end.

The accounts for the year ending 31 March 2024 have been prepared and published in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This incorporates International Financial Reporting Standards (IFRSs), ensuring the accounts are compliant with these standards. The following main statements and notes are included:

Statement of Responsibilities for the Statement of Accounts	Sets out the respective responsibilities of the council and the Section 151 Officer for the accounts.
Statement of Accounting Policies (note 1 to the notes to the accounts)	This explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. It includes the basis of charges to revenue and the calculation of items in the Balance Sheet.
Comprehensive Income and Expenditure Statement supported by the Expenditure and Funding Analysis note	The Comprehensive Income and Expenditure Statement shows the cost in the year of providing services, in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis reconciles this to the amount chargeable to General Fund and Housing Revenue Account reserves in the year.
Balance Sheet	This summarises the overall financial position of the council at the year end, showing its assets, liabilities and reserves.
Movement in Reserves Statement	This details the movement in the council's reserves during the year.
Cash Flow Statement	This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
Group Accounts	These bring together the accounts of Cheltenham Borough Council, Cheltenham Borough Homes Limited and the council's share of the net assets of Gloucestershire Airport Limited.
Housing Revenue Account (HRA)	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 account showing transactions in relation to non-domestic (business) rates and council tax, indicating how the amounts collected are distributed to the Government, Gloucestershire County Council, Gloucestershire Police and Crime Commissioner and Cheltenham Borough Council.
Annual Governance Statement	This sets out how the council is meeting its obligations and the improvements it intends to make to its systems of internal control and corporate governance arrangements.

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

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

General Fund Revenue Budget

The Council has experienced unprecedented financial challenges over the last three years in providing the resources and support to manage the response to the Covid-19 pandemic and then rising costs and challenges faced by the cost of living crisis. This is in addition to over ten years of austerity and year on year cuts to the Council's Government funding.

The 2023/24 budget approved by Council on 20 February 2022 included a challenging savings target of £1.300m. This reflected action taken by Officers and Members to implement a realistic savings strategy in the 2023/24 Medium Term Financial Strategy to offset inflationary pressures in service expenditure and the impact of rising interest rates on our borrowing costs.

REVENUE OUTTURN 2023/24		Current Budget 2023/24 £	Actual 2023/24 £	(Under)/Overspend 2023/24 £
DIRECTORATES:				
Chief Executive	(i)	3,331,259	3,230,198	(101,061)
Finance, Assets and Regeneration Directorate	(ii)	8,453,010	8,498,302	107,594
Communities and Place Directorate	(ii)	12,111,758	12,219,352	45,292
Net Expenditure on Services		**23,896,027**	**23,947,852**	**51,825**
Capital Charges		(3,269,131)	(3,269,257)	(126)
Interest payable and receivable		(1,224,161)	(1,134,990)	89,171
Use of balances and reserves		(1,208,776)	(1,208,776)	-
Total net expenditure		**18,193,959**	**18,334,829**	**140,870**
Total Funding		**(17,825,428)**	**(17,966,616)**	**(141,188)**
Outturn		**368,531**	**368,123**	**(318)**

(i) Includes Corporate Management, Democratic Services, ICT and Support Services

(ii) Includes Finance & Assets, Pensions backfunding, Housing Benefits, Revenues (council tax and business rates collection), Building and Major Developments, Car parking, Elections, Bereavement services and Homelessness

(iii) Includes Community Engagement, Planning, Climate Change, Economic Development and Marketing Cheltenham, Parks & Gardens, Public Protection

Significant progress has been made in a number of areas and over £1m of savings were achieved in year. To support the medium term financial strategy the Executive have taken a number of key decisions in 2023/24 which will continue to generate efficiencies and allow capital resources to be available for future investment. The decision to wind up Cheltenham Borough Homes and transition housing services back in-house, the marketing of the Municipal Office building for sale and the preparation to divest from the investment in Gloucestershire Airport all continue the momentum of implementing strategic change and taking bold decisions in order to continue the delivery of core services.

Housing Revenue Account (HRA)

The HRA generated a surplus in the year of £4.571m but there was a decrease of £568k in the HRA balance. Although this reduction is less than the £820k reduction in 2022/23, the balance has now fallen below the target of £1.5m. One of the key drivers in bringing Cheltenham Borough Homes back in house is to deliver financial efficiencies to protect both the general fund and house revenue account in future years with the objective of restoring the balance to £1.5m by 31 March 2027. Full details of the Housing Revenue Account activity for the year are provided on pages 93 to 98.

Capital Expenditure

In 2023/24 the council spent £27.783 million on capital projects, grants and loans, across the general fund and the Housing Revenue Account capital programmes. Key expenditure on capital schemes include:-

	£ '000
Residential property acquisitions	7,689
External Residential Property improvements	2,120
Residential Property Void Work	1,625
Affordable Housing Development	2,406
Delivery of the Minster Innovation Exchange	3,498

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

Cash Management

Throughout 2023/24 the Council has continued to manage its cash flows, investments and borrowings to ensure sufficient resources were available to meet our commitments. The Council's strategy was to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

As such, short term investments and borrowing are used to ensure strong returns whilst also balancing the availability of cash, particularly during the pandemic when there was greater uncertainty about potential commitments.

Significant Liabilities

The Council's pension liability decreased during 2023/24 by £15.592m from a liability of £11.136m to an asset of £4.456m. This is in part due to the Council's strategy implemented in 2020/21 and continued again in 2023/24 to make an upfront payment of secondary employer pension contributions, providing greater value from our treasury management activity but also the impact of favourable investment decisions during 2023/24.

This is the first time that a pension asset has been created. In the preparation of the Statement of Accounts, an asset ceiling report has been commissioned to allow management to assess how the balance should be recognised and disclosed in the accounts. At the date of the publication of the draft accounts the report had not been received and the asset is presented on the balance sheet. Alternative treatment will be considered by management in discussion with our external auditors.

Reserves and Balances

In assessing the adequacy of reserves and balances as part of the 2024/25 budget, the Section 151 Officer used a risk based approach to assess the appropriate level of general balances which calculated the optimum level to be £1.662m. At the year end, the General Fund Balance stands at £1.030m and therefore is below the optimum level recommended by the Section 151 Officer. This is partly a result of the pressures experienced through 2022/23 and the cost of living emergency directly following the re-emergence of the country from the national restrictions of the pandemic.

Accepting that continuing pressures from inflation and interest rates could leave the Council exposed without clear decision-making in delivering a balanced budget, action has been taken in the 2024/25 budget to increase the robustness of the reserves through a transfer of £630k to general balances. This brings the expected general balance reserve to the adequately assessed level.

Members will need to be mindful that there may be an expectation to further strengthen these reserves in order that the Council is robustly covered against further financial pressures which may emerge through recovery or future changes to local government financial support. With uncertainty continuing over central government support in the form of direct grant, a general election and uncertainty over the long term impact of the cost of living crisis it may be the case that that some difficult choices need to be made in respect of service provision.

Changes in accounting policies and estimates

The council has reviewed its accounting policies during the year and revised them as necessary in accordance with the 2023/24 Code of Practice in Local Authority Accounting. The policies are detailed in note 1 to the accounts (pages 19 to 37) and any changes in accounting policies are detailed in note 2 on page 38.

FURTHER INFORMATION

Further information about the accounts is available from the Deputy Chief Executive, Cheltenham Borough Council, Municipal Offices, Promenade, Cheltenham GL50 9SA. This is part of the council's policy of providing full information about the council's affairs.

In addition interested members of the public have a statutory right to inspect the accounts during a 'period for the exercise of public rights' before the audit is completed. The accounts are available for inspection by appointment between 3 June 2024 and 5 July 2024 at the Municipal Offices, and local government electors for the area could exercise their rights to question the auditor about, or make objections to the accounts for the year ended 31 March 2024, in writing, during this period.

PAUL JONES FCPFA
DEPUTY CHIEF EXECUTIVE

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE COUNCIL'S RESPONSIBILITIES:

The council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Deputy Chief Executive who also undertakes the role of the Section 151 Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

THE SECTION 151 OFFICER'S RESPONSIBILITIES:

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

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

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

The Section 151 Officer has also:

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

CERTIFICATE OF SECTION 151 OFFICER

I certify that the Statement of Accounts on pages 15 to 98 gives a true and fair view of the financial position of the council at the reporting date and its income and expenditure for the year ended 31 March 2024.

PAUL JONES FCPFA
31 MAY 2024
DEPUTY CHIEF EXECUTIVE (SECTION 151 OFFICER)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2022/23 Gross expenditure £'000	2022/23 Gross income £'000	2022/23 Net expenditure £'000		2023/24 Gross expenditure £'000	2023/24 Gross income £'000	2023/24 Net expenditure £'000
4,000	(108)	3,892	Chief Executive	3,533	(357)	3,176
43,955	(38,717)	5,238	Finance, Assets & Regeneration (Formerly Finance and Assets Directo	38,709	(31,862)	6,846
19,527	(7,406)	12,121	Communities & Place (Formerly People and Change Directorate)	21,628	(8,179)	13,449
19,264	(21,872)	(2,608)	Housing Revenue Account (HRA)	22,115	(23,731)	(1,616)
86,746	**(68,103)**	**18,643**	**Cost of Services**	**85,985**	**(64,129)**	**21,855**
394	(1,213)	(819)	Other operating expenditure *(note 7)*	427	(2,063)	(1,636)
11,623	(5,450)	6,173	Financing and Investment (income) and expenditure *(note 8)*	8,519	(5,270)	3,249
19,407	(37,705)	(18,298)	Taxation and non-specific grant (income) and expenditure *(note 9)*	22,481	(44,749)	(22,268)
118,170	**(112,471)**	**5,699**	**(Surplus) or Deficit on the provision of services**	**117,412**	**(116,211)**	**1,200**
			Items that will not be reclassified to the (Surplus) or Deficit on the provision of services			
		(4,151)	(Surplus) or Deficit on revaluation of non-current assets			(1,257)
		(38,681)	Remeasurement of the net defined benefit liability / (asset) *(note 32)*			22,904
		-	(Surplus) or deficit on revaluation of equity instruments carried at Fair Value though Other Comprehensive Income			-
		(42,832)	**Other Comprehensive (Income) and Expenditure**			**21,647**
		(37,133)	**Total Comprehensive (Income) and Expenditure**			**22,847**

The notes are shown on pages 19 to 87.

BALANCE SHEET

This statement shows the value as at the balance sheet date of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category is usable reserves i.e. those reserves that the council may use to provide services, these being subject to the need to maintain a prudent level and constrained by statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).
The second category of reserves comprises those that the council is not able to use to provide services. This includes those that hold unrealised gains and losses (for example the revaluation reserve), where amounts only become available to provide services if the assets are sold, and those that hold timing differences which are shown in the Movements in Reserves Statement Line ‘Adjustments between accounting basis and funding basis under the regulations.’

31 March 2023 £'000		Note	31 March 2024 £'000
465,920	Property, Plant & Equipment	18	479,492
41,932	Heritage Assets	19	41,932
65,268	Investment Property	22	63,936
213	Intangible Assets		189
7,878	Long Term Investments	24	8,397
15,550	Long Term Debtors	24	15,671
596,762	**Long Term Assets**		**609,617**
62	Short term Investments		67
2,163	Assets held for sale	20	1,588
154	Inventories		139
11,990	Short term Debtors	25	12,445
4,926	Cash and cash equivalents	26	5,661
19,295	**Current assets**		**19,900**
(992)	Bank overdraft	26	-
(65,196)	Short term borrowing	24	(70,224)
(18,748)	Short term creditors	27	(15,365)
(1,260)	Grants receipts in advance - capital	15	(700)
(1,789)	Grants receipts in advance - revenue	15	(1,534)
(690)	Provisions	28	(591)
(88,675)	**Current Liabilities**		**(88,414)**
(293)	Provisions	28	(505)
(114,931)	Long term borrowing	24	(132,547)
(1,231)	Grants receipts in advance - capital	15	(3,111)
(275)	Grants receipts in advance - revenue	15	(175)
(7,920)	Other long term liabilities	24	(24,869)
(124,650)	**Long term liabilities**		**(161,207)**
402,733	**Net Assets**		**379,896**
(13,003)	Usable Reserves	30	(11,963)
(389,730)	Unusable Reserves	31	(367,933)
(402,733)	**Total Reserves**		**(379,896)**

The notes are shown on pages 19 to 87.

Signed ……………..…………
Paul Jones, FCPFA; Executive Director – Finance, Assets & Regeneration

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year of the different reserves held by the council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves.

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

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Total General Fund £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2022	**1,621**	**10,505**	**12,126**	**2,323**	**3,068**	**-**	**3,440**	**20,957**	**344,643**	**365,600**
Movement in Reserves during 2022/23										
Total Comprehensive Income and (Expenditure)	(8,663)		**(8,663)**	2,965				**(5,698)**	42,832	**37,134**
Adjustments between accounting basis and funding basis under regulations (Note 5)	1,998		**1,998**	(3,786)	(456)	-	(11)	**(2,255)**	2,255	**-**
Transfers to/from earmarked reserves (Note 30)	6,443	(6,443)	**-**	-	-	-	-	**-**	-	**-**
Increase / (decrease) in 2022/23	**(222)**	**(6,443)**	**(6,665)**	**(821)**	**(456)**	**-**	**(11)**	**(7,953)**	**45,087**	**37,134**
Balance at 31 March 2023	**1,399**	**4,062**	**5,461**	**1,502**	**2,612**	**-**	**3,429**	**13,004**	**389,730**	**402,734**
Movement in Reserves during 2023/24										
Total Comprehensive Income and (Expenditure)	(5,772)		**(5,772)**	4,572				**(1,200)**	(21,637)	**(22,837)**
Adjustments between accounting basis and funding basis under regulations (Note 5)	4,480		**4,480**	(5,140)	698	-	121	**159**	(159)	**-**
Transfers to/from earmarked reserves (Note 30)	842	(842)	**-**	-	-	-	-	**-**	-	**-**
Increase / (decrease) in 2023/24	**(450)**	**(842)**	**(1,292)**	**(568)**	**698**	**-**	**121**	**(1,041)**	**(21,796)**	**(22,837)**
Balance at 31 March 2024	**950**	**3,220**	**4,170**	**934**	**3,310**	**-**	**3,548**	**11,963**	**367,933**	**379,896**

The notes are shown on pages 19 to 87.

CASH FLOW STATEMENT

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

2022/23 £'000		2023/24 £'000
5,699	Net (surplus) or deficit on the provision of services	1,200
(1,299)	Adjust net surplus or deficit on the provision of services for non-cash movements (note 35)	(5,082)
3,898	Adjust for items in the net surplus or deficit on the provision of services that are investing or financing activities (note 33)	4,148
8,298	**Cash (inflows) / outflows generated from operating activities**	**266**
17,797	Investing activities (note 34)	20,484
(20,266)	Financing activities (note 35)	(22,477)
5,829	**Net (increase) / decrease in cash and cash equivalents**	**(1,727)**
9,763	Cash and cash equivalents at beginning of the year	3,934
3,934	Cash and cash equivalents at end of the year (note 26)	5,661
(5,829)	**Net increase / (decrease) in cash and cash equivalents**	**1,727**

The notes are shown on pages 19 to 87.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises the council's transactions for the financial year and its position at the end of the financial year. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 (as amended), which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Government Accounting in the United Kingdom 2021/22 (The Code) supported by International Financial Reporting Standards (IFRS's), International Accounting Standards (IAS's) and statutory guidance.

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

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

1.2 ACCOUNTING CONCEPTS

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

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

- Relevance
- Reliability
- Comparability
- Materiality

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

Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services, in accordance with the performance obligations in the contract and IFRS15 Revenue Contracts with Customers. These are fees and charges such as car parking fees, bereavement services fees, planning applications and building control fees.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

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

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

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

Going Concern

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

Primacy of legislative requirements

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

1.3 EMPLOYEE BENEFITS

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within twelve months of the year-end. They include such benefits as and salaries and wages, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the accounting year in which they were accrued. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the council can no longer withdraw the offer of any benefits.

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

Post-Employment Benefits

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

- The liabilities of the Gloucestershire pension scheme attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

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

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

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

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

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

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

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

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

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

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

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

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

1.4 GRANTS AND CONTRIBUTIONS

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

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

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income and expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

Community infrastructure levy

The authority has elected to charge a community infrastructure levy (CIL). The levy is charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area. The CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure.

1.5 OVERHEADS AND SUPPORT SERVICES

The authority operates and manages its overheads (including telephones and printing costs) and corporate and support services separately and expenditure relating to these activities is reported to key decision makers as separate activities. These overheads are not therefore apportioned to services within the general fund. Overhead charges between the General fund and Housing Revenue services, however, continue to apply.

1.6 COUNCIL TAX AND NON-DOMESTIC RATES RECOGNITION

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

Accounting for council tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.7 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.

1.8 NON-CURRENT ASSETS - RECOGNITION OF CAPITAL EXPENDITURE

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

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

The initial cost of an asset is recognised to be:

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

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

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

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

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

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

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

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

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

Measurement

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the authority.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV–SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

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

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

Impairment

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

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

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

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

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain community assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 40 years.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

1.10 NON-CURRENT ASSETS - HERITAGE ASSETS

Assets with historical, artistic, scientific or technological qualities held principally for their contribution to knowledge or culture.
The council's collections of heritage assets are accounted for as follows:

Ceramics, Art, Regalia and Silverware, Furniture, Textiles, Ephemera, other collectables

These are reported in the Balance Sheet at their current insurance valuation, which is based on market values.

Statues and Monuments

These are reported in the Balance Sheet at their current insurance valuation, which is based on historic or replacement cost.

Archaeology

The council cannot obtain reliable cost or valuation information for its archaeological collection. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently the council does not recognise these assets on its balance sheet.

The insurance valuations are updated for inflation on an annual basis, with gains credited to the Revaluation Reserve. The council has deemed that all the heritage assets have indeterminate lives, hence it does not consider it appropriate to charge depreciation.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment. Any impairment is recognised and measured in accordance with the council's policy on impairment for Property, Plant and Equipment. Occasionally the council will dispose of heritage assets. These are accounted for in accordance with the council's policy on disposals and assets held for sale.

1.11 NON-CURRENT ASSETS - INVESTMENT PROPERTY

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

1.12 NON-CURRENT ASSETS - INTANGIBLE ASSETS

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

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

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

1.13 NON-CURRENT ASSETS – DISPOSALS AND ASSETS HELD FOR SALE

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. Assets are classified as held for sale where the asset is available for immediate sale in its present condition and where the sale is highly probable i.e. the asset has been advertised for sale and a buyer sought and the completion of the sale is expected within twelve months of the balance sheet date. Dwellings sold under Right to Buy are deemed to become surplus on the day that the transfer to the tenant takes place (completion of the sale), and are therefore considered operational until they are sold.

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

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified as non-current assets (Property, Plant and Equipment, Investment or Heritage assets) and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale), and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of, or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment, Heritage or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are written off to the Capital Adjustment Account.

Amounts received from a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to Housing Revenue Account (HRA) disposals, as specified by statutory regulations, 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 General Fund Balance in the Movement of Reserves Statement.

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

1.14 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

1.15 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

1.16 LEASES

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

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

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

The authority as lessee

Finance leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

<u>Operating leases</u>

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

The authority as lessor

<u>Finance leases</u>

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

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

1.17 FINANCIAL INSTRUMENTS

Financial liabilities

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

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund balance is managed by a transfer to or from the financial instrument adjustment account in the Movement in Reserves Statement.

Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The authority holds financial assets measured at:

- amortised cost, and
- fair value through profit or loss (FVPL)
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial assets at amortised cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the CIES 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 financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest), and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the authority has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the financing and investment income and expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund balance is managed by a transfer to or from the financial instrument adjustment account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of a financial asset are credited or debited to the financing and investment income and expenditure line in the CIES.

Expected credit loss model

The authority recognises expected credit losses on all of its financial assets held at amortised cost or where relevant FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Fair value through OCI

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

Fair value through P&L

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

1.18 FAIR VALUE MEASUREMENT

The authority measures certain non-financial assets (Surplus Assets, Investment Property and Assets Held for Sale) and its Fair value through OCI and Fair value through P&L financial assets at fair value at the balance sheet date, unless there is no material difference between carrying value and fair value.

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

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

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

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

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

1.19 INVENTORIES

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

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1.20 CASH AND CASH EQUIVALENTS

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

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

1.21 PROVISIONS

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

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

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

1.22 CONTINGENT LIABILITIES

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

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

1.23 RESERVES

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

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

1.24 CONTINGENT ASSETS

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

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

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

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

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

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

1.26 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

1.27 ESTIMATION TECHNIQUES

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

1.28 JOINTLY CONTROLLED OPERATIONS

Jointly controlled operations are activities undertaken by the council, together with other organisations, involving the shared use of the assets and resources of the organisations, rather than the establishment of a separate entity. The council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and charges or credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

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

1.29 INTERESTS IN COMPANIES AND OTHER ENTITIES – GROUP ACCOUNTS

The council has material interests in companies 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 financial assets at cost (if any), less any provision for losses.

Basis of Consolidation

The group accounts bring together the council's own accounts with those of Gloucestershire Airport Limited (GAL), in which the council has a 50% shareholding, and Cheltenham Borough Homes Limited (CBH), a company limited by guarantee in which the council is the sole member. The accounts of CBH include those of Cheltenham Borough Homes Services Limited (CBHSL), a wholly owned subsidiary of Cheltenham Borough Homes Limited.

GAL has been treated as a Joint Venture since it is jointly owned and controlled with Gloucester City Council. GAL has therefore been consolidated with the council's accounts on an equity accounting basis, in which the council's share of the company's operating results and net assets or liabilities (based on its proportionate shareholding) are shown as separate lines in the main group statements. There is no requirement to adjust for inter-organisation transactions and balances.

CBH has been treated as a Subsidiary (since it is wholly controlled by the council), so its accounts have been consolidated in the main group statements on a line-by-line basis, eliminating inter-organisation transactions and balances.

At 31 March 2024 the council also had a 14.29% shareholding in Ubico Limited, a local authority owned company which has seven members, providing environmental services to the shareholder councils. Since the council does not have control or significant influence over the company, its accounts are not consolidated into the group accounts, however full disclosure notes are provided.

The council also has an interest in Publica Group (Support) Limited, a Joint Venture company limited by guarantee, in which the council is one of four members. The council's share of the company's profit for the year and net assets at the balance sheet date have not been consolidated into the Group Accounts on the basis of immateriality.

The council also has an interest in the South West Audit Partnership Limited (SWAP), a company limited by guarantee. As the council does not have any controlling or significant influence in the company it is classed as an investment, and is not included in the Group Accounts.

Accounting Policies

The financial statements in the group accounts are prepared in accordance with the policies set out above, with the following additions and exceptions:

Cheltenham Borough Homes Limited (CBH)
The financial statements for CBH have been prepared under the historical cost convention in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including Financial Reporting Standard 102 (FRS102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing providers.

Consequently dwellings owned by CBH are initially valued at historic cost. For the purposes of the group accounts they have been re-valued at Current value to bring them into line with the council's accounting policies, using the existing use value for social housing (EUV-SH) appropriate to the dwellings' tenure as affordable homes. Any revaluation gains or losses are treated as described in paragraph 1.10 (Measurement).

In the company accounts capital grants are written off to the Income and Expenditure account over the estimated life of the asset in line with depreciation. However in the group accounts such grants are treated in accordance with paragraph 1.4, whereby they are credited to the Income and Expenditure account when any conditions attaching to the grant are met.

Gloucestershire Airport Limited

The financial statements of the Airport have been prepared under the historic cost convention (except for certain items that are shown at fair value) in accordance with Financial Reporting Standard 102 (FRS102).

Since Investment Property and Property, Plant and Equipment (PPE) assets held by the airport have been valued at fair value no adjustments are required to the value of non-current assets on consolidation with the council's accounts. Unlike in the airport accounts, however, where any gains in value over historic cost are credited to the Profit & Loss Account, such gains are credited in the group accounts to the Revaluation Reserve (for PPE assets) and the Capital Adjustment Account via the Group Income and Expenditure Statement (for Investment Property), in line with the council's accounting policies.

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

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

The following standards and amendments are not expected to be introduced until the 1 April 2024:

- IFRS 16 Leases

IFRS 16 is not anticipated to have a material effect on the financial statements or balances of the council since the changes mainly affect the recognition of leases by lessees and the authority does not have any material finance or operating lease liabilities as lessee. The Council also have not opted to adopt the standard early.

3. CRITICAL JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out on pages 19 to 37, the council has had to make certain judgements about complex transactions or those which may be uncertain depending on future events.

Leases

Leases have been classified in accordance with the IFRS criteria. In making these assessments the council has deemed all existing lessor leases (with the exception of the leases of vehicles and plant to Ubico Limited) as being operating leases.

The leases of vehicles and plant to Ubico have been classified as finance leases. Ubico pay a market-rate for the use of the vehicles and are responsible for insuring and maintaining the vehicles/plant and determining their deployment (including use across other Ubico contracts where necessary). The company pays for new vehicles/plant over periods of 3 - 8 years, according to the estimated useful economic life of the assets. The leases have been treated as finance leases since i) the sum of the lease payments is equal the cost of purchasing the assets; ii) the length of the term represents 'substantially all' of the useful life of the assets; and iii) the rights and responsibilities of ownership of the assets (maintenance, insurance, deployment) sit with the company.

Business Rate Appeals Provision

The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 1 April 2013. From this date district councils such as Cheltenham assume a share of the liability for refunding ratepayers as a result of successful appeals and other reductions made by the Valuation Office in the rateable values on the rating list. A successful appeal or other reduction may mean the council having to refund rates paid in previous years. The council has therefore set aside a provision to cover its share of the repayments it estimates will be made and made a judgement as to the timescale over which they are likely to be repaid.

The provision is based on the expected success rate of appeals lodged at the year end, together with an estimated reduction in the rating list, based on historical experience.

Pension Liability

Based on the IAS 19 report received from the Council's actuary, the pension liability decreased during 2023/24 by £15.979m from a liability of £7.893m to an asset of £8.088m. This is in part due to the Council's strategy implemented in 2020/21 and continued again in 2023/24 to make an upfront payment of secondary employer pension contributions, providing greater value from our treasury management activity but also the impact of favourable investment decisions during 2023/24.

This is the first time that a pension asset has been created. In the preparation of the Statement of Accounts, an asset ceiling report was commissioned to allow management to assess how the balance should be recognised and disclosed in the accounts. Based on the information in this report, the pension asset has been adjusted by the expected net asset once agreed past service contributions have been paid. This is because in line with IAS 19 a surplus or asset should represent the present value of the defined benefit obligation less the fair value of plan assets.

Group Accounts

In assessing the need for group accounts the council has had to make judgements to establish the boundaries of the group (deciding which organisations over which it has or does not have a controlling or significant interest), and judgements as to the classification of group entities (as subsidiaries, associates or joint ventures). Further details are given in the Group Accounts section on page 92.

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

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

The items on the council's Balance Sheet at 31st March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Valuation of non-current assets (£469.854m)	In the period post pandemic recovery, the pressures of rising inflation and interest rates have had a significant impact on the valuation of	There is more information available than in the previous years to understand the impact of the

Item	Uncertainties	Effect if actual results differ from assumptions
	non-current assets and the property market as a whole. For those assets valued on a Depreciated Replacement Cost (DRC) basis, the rising building costs create uncertainty when determining the re-build cost of assets. For those assets valued on an Existing Use Value, the impact of both the pandemic and rising rental costs have also increased uncertainty about potential rental yields.	pandemic on the carrying value of these assets. The carrying value of assets valued on a DRC basis is £84.430m. A 2% change in the build cost of these assets would mean the carrying value would increase or decrease by £1.689m. The carrying value of assets valued on an Existing Use basis is £58.293m. A change in the market rent estimate for these assets would result in a change in carrying value of the assets as the rental yield figures changed. However, although any change in carrying values would reduce the council's 'net worth', in themselves they would have no impact on the authority's revenue account and ability to deliver services, since they are chargeable to unusable reserves and not the surplus or deficit on the provision of services.
Property, Plant and Equipment (£469.854m)	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of assets falls. It is estimated that the annual depreciation charge for buildings (including council dwellings), vehicles, plant and equipment, Infrastructure and surplus assets would increase by £0.109 million for *every year* that useful lives had to be reduced.
Fair Value measurements (£102.261m)	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs) their fair value is measures using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.	The unobservable inputs used in the fair value measurement of our assets and liabilities include management assumptions made in relation to rents, growth, vacancy levels and discount rates. Of £63.936m of investment property, £10.729m of the carrying value is based on assumptions relating to income and yields. A 2% change in yield would result in the investment property balance changing by £215k. Likewise, fair value measurement has been applied to value the surplus assets portfolio with a carrying value of £39.612m. A 2% change in the key assumptions would result in the balance changing

Item	Uncertainties	Effect if actual results differ from assumptions
		by £792k. The Council has used a discounted cash flow model to measure the fair value its investment in an unlisted company. The carrying value of this investment is Nil and a significant change in the basis of the assumptions for cash inflows, outflows and discount rate would be required for this to have a material impact on the disclosure in the statement of accounts. Separate sensitivity analysis is disclosed below for the fair value measurement of the pension liability.
Pensions Liability (£24.832m)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the council with expert advice about the assumptions to be applied.	The effects on the net pensions' asset or liability of changes in individual assumptions can be measured. For example, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of approximately 2% (£2.081m).A sensitivity analysis is included in Note 32. The impact of the continuing economic uncertainties on the value of the pension liability is somewhat offset by its current status as an asset and our strategy to make lump sum overpayments, minimising the financial risk to the Council.
Non-domestic rates (NDR) appeals provision (£1.083m)	This provision has been set up to meet losses arising from the successful appeal of businesses against the rateable value of their properties and other rateable value reductions. The provision is based on an expected success rate of appeals submitted at 31 March and on an estimated reduction in rateable value. Although based on past experience, both the actual success rate and actual reduction may differ from the estimate.	For appeals and other rateable value reductions relating to charges from 1st April 2017, a 1% increase in the estimated rateable value reduction would result in an increase in the estimated provision required of £740,723, of which the council's share would be £296,289 (based on 2023/24 shares). The provision required is therefore sensitive to small changes in the reductions awarded and any under-provision could have significant impact on the council's income.

5. ADJUSTMENTS BETWEEN ACCOUNTING AND FUNDING BASIS UNDER THE REGULATIONS

This note details the adjustments that have been made to Total Comprehensive Income and Expenditure so that it equals the resources which, under statutory provisions, are available to meet future capital and revenue expenditure. The following describes the major reserves and the adjustments made to each reserve:

General Fund Balance

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

Housing Revenue Account (HRA) Balance

The HRA Balance reflects the council's statutory obligation to maintain a separate revenue account for local authority council housing in accordance with Part VI of the Local Government and Housing Act 1989.

It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the council's landlord function.

Capital Receipts Reserve

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

Major Repairs Reserve

The council is required to maintain a Major Repairs Reserve, which is used to finance capital expenditure incurred by the HRA.

Capital Grants Unapplied Reserve

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

2022/23 Usable Reserves						2023/24 Usable Reserves				
General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000		General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
					Adjustments to Revenue Resources					
					Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements					
					Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (charged or credited to the Capital Adjustment Account)					
(4,378)	5,432	-	-	-	Charges for depreciation, amortisation and impairment of non-current assets	(4,355)	5,727	-	-	-
-	-	-	-	-	Revaluation losses on, and derecognitions of, Property, Plant and Equipment	(919)	(383)	-	-	-
(4,509)	-	-	-	-	Movements in the fair value of Investment properties	(1,332)	-	-	-	-
1,601	1,195	-	-	(1,601)	Capital grants and contributions	1,567	3,802	-	-	(1,536)
(877)	-	-	-	-	Revenue Expenditure Funded from Capital Under Statute	(1,160)	-	-	-	-
(1,009)	(1,689)	-	-	-	Amounts of non-current assets written off on sale as part of the gain/loss on disposal	(970)	(1,115)	-	-	-
17	-	(17)	-	-	Capital grants repaid		-	(30)	-	-
(786)	-	-	-	-	Pension costs transferred from the Pensions Reserve	2,070	-	-	-	-
146	-	-	-	-	Financial instruments transferred from the Financial Instruments Adjustment Account	146	-	-	-	-
(804)	-	-	-	-	Fair value gains and losses of Pooled Investment Funds	(6)	-	-	-	-
6,427	-	-	-	-	Council tax and NNDR net deficit transferred to the Collection Fund Adjustment Account	(1,659)	-	-	-	-
9	-	-	-	-	Holiday Pay transferred to the Accumulated Absences Account	21	-	-	-	-
(4,163)	**4,938**	**(17)**	**-**	**(1,601)**	**Total adjustments to Revenue Resources**	**(6,597)**	**8,031**	**(30)**	**-**	**(1,536)**
					Adjustments between Revenue and Capital resources					
1,075	2,845	(3,345)	-	-	Transfer of non-current asset sale proceeds from revenue to capital receipts	1,212	2,989	(3,922)	-	-
(20)	(22)	42	-	-	Administrative costs of non-current asset disposals funded by capital receipts	(91)	(54)	144	-	-
	-	-	-	-	Payments to the government housing receipts pool funded by a transfer from capital receipts	-	-	-	-	-
	-	-	(5,589)	-	Transfer of HRA resources from revenue to the Major Repairs Reserve	-	-	-	(5,826)	-
842	-	1,244	-	-	Statutory and voluntary provision for the repayment of debt transferred to the Capital Adjustment Account	877	-	1,049	-	-
268	1,614	-	-	-	Capital expenditure financed from revenue balances transferred to the Capital Adjustment Account	119	-	-	-	-
2,165	**4,437**	**(2,059)**	**(5,589)**	**-**	**Total adjustments between Revenue and Capital Resources**	**2,117**	**2,935**	**(2,729)**	**(5,826)**	**-**
					Adjustments to Capital resources					
-	-	3,734	-	-	Use of capital receipts to finance capital expenditure	-	-	3,185	-	-
-	(5,589)	-	5,589	-	Use of the Major Repairs Reserve to finance capital expenditure	-	(5,826)	-	5,826	-
-	-	-	-	1,612	Application of capital grants and contributions to fund capital expenditure	-	-	-	-	1,415
-	-	(897)	-	-	Transfer from Deferred Capital Receipts upon receipt of cash	-	-	(942)	-	-
-	-	(305)	-	-	Capital loans repaid	-	-	(182)	-	-
-	**(5,589)**	**2,532**	**5,589**	**1,612**	**Total adjustments to Capital Resources**	**-**	**(5,826)**	**2,061**	**5,826**	**1,415**
(1,998)	**3,786**	**456**	**-**	**11**	**Total adjustments between Accounting and Funding basis under the regulations**	**(4,480)**	**5,140**	**(698)**	**-**	**(121)**

6. EVENTS AFTER THE REPORTING PERIOD

This Statement of Accounts was authorised for issue by the Section 151 Officer on 31 May 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Accounting for infrastructure assets

Following a query raised by a local government auditor and subsequent audit network discussions convened by the National Audit Office, a national issue has arisen around infrastructure asset accounting. The issue raised relates to how historical costs for parts of local authority infrastructure assets are accounted for when they are replaced, and specifically whether local authorities should be assessing if there is any undepreciated cost remaining in the balance sheet for the replaced components that needs to be derecognised when subsequent expenditure is added.

The latest position is that a draft CIPFA Bulletin has been released accompanied by a short consultation which is now closed, but no longer-term guidance has been published to date. The Council will reassess its accounting policies once further guidance or any Code amendments have been issued.

Cheltenham Borough Homes

On 17 October 2023 the Council’s Cabinet approved a review of options for the future delivery of the Council’s housing service and approved the Leader of the Council to take the decision to wind up Cheltenham Borough Homes and move the housing service back in house to the Council.

On 1 July 2024 all the employees of Cheltenham Borough Homes, with the exception of the Board Members, were transferred to the Council under the TUPE regulations. Certain contracts were also transferred/novated to the Council on the same date.

The housing properties, other than the social housing which are already owned by the Council, remain within Cheltenham Borough Homes for the present time and will be subject to further review.

7. OTHER OPERATING EXPENDITURE

	2023/24 £000	2022/23 £000
Parish Precepts	427	380
Net (Gains) / losses on disposal of non-current assets	(2,063)	(1,200)
Total Other Operating Expenditure	**(1,636)**	**(820)**

8. FINANCING AND INVESTMENT (INCOME) AND EXPENDITURE

	2023/24 £000	2022/23 £000
Interest payable and similar charges	6,682	4,549
Net interest on the net defined benefit liability/(asset)	230	1,197
Interest and investment income	(1,219)	(1,035)
Fair value changes in financial assets (Pooled Funds)	6	804
Income and expenditure on investment properties and changes in their fair value	(2,450)	658

Net Financing and Investment (Income) and Expenditure	**3,249**	**6,173**

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

	2023/24 £000	2022/23 £000
Council Tax	(10,522)	(10,146)
Non -Domestic Rates (income) and expenditure		
- Billing authority share	(23,769)	(20,220)
- Collection Fund deficit	903	(151)
- Tariff payable to central government	20,922	19,245
- Levy payable to central government less Pool surplus	586	313
	(1,358)	(813)
General government grants	(5,057)	(4,403)
Capital grants and contributions	(5,400)	(2,936)
Net Taxation and Non Specific Grant Income	**(22,337)**	**(18,298)**

10. MEMBERS' ALLOWANCES

In 2023/24 the council paid £428,009 (2022/23 £403,189) in allowances to its 40 members. The expenditure reflects members' allowances approved by council for 2023/24. Full details of the Members' Allowances scheme for the year can be found on the council's website.

11. OFFICERS' REMUNERATION

Senior Officers whose salary is equal to or more than £50,000 per annum:

2023/24

Post Title	Salary £	Expenses/Allowances £	Compensation for the Loss of Office £	Other Payments £	Total remuneration excluding pensions contributions £	Pension contributions £	Total Remuneration including pension contributions £
Chief Executive Officer	131,140	390	-	70	131,600	26,359	**157,959**
Deputy Chief Executive Officer	105,143	247	-	1,487	106,876	21,210	**128,087**
Executive Director - People & Change	49,035	771	-	-	49,806	9,856	**59,662**
Total	**285,318**	**1,408**	**-**	**1,557**	**288,282**	**57,426**	**345,708**

2022/23

Post Title	Salary £	Expenses/Allowances £	Compensation for the Loss of Office £	Other Payments £	Total remuneration excluding pensions contributions £	Pension contributions £	Total Remuneration including pension contributions £
Chief Executive Officer	126,705	610	-	235	127,550	25,277	**152,827**
Executive Director , Communities & Place	93,355	609	-	-	93,964	18,671	**112,635**
Managing Director , Place & Economic Development (Left 31/08/2022)	45,701	861	36,143	180	82,884	237,658	**320,543**
Executive Director , Finance, Assets & Regeneration	101,470	93	-	5,320	106,882	20,703	**127,586**
Total	**367,230**	**2,172**	**36,143**	**5,735**	**411,280**	**302,309**	**713,589**

Notes:

For the purposes of this disclosure 'Senior Officer' means Chief Executive, their direct reports and statutory chief officers whose salary is between £50,000 and £150,000. The Executive Director for People & Change left the position in September 2023.

In 2023/24, the position of statutory role of Monitoring Officer for the council was carried out by Claire Hughes under a shared arrangement with Stroud District Council. The Council pays a contribution of 50% of her costs, being £60,934 in 2023/24. The council paid £96,145 in relation to the provision of this service in 2022/23 (split between 2 officers).

The Deputy Chief Executive also performs the role of Returning Officer and receives an additional payment for carrying out these duties.

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

Remuneration Band	No of Employees 2023/24	No of Employees 2022/23
£50,000 - £54,999	10	6
£55.000 - £59,999	8	10
£60,000 - £64,999	3	2
£65,000 - £69,999	2	0
£70,000 - £74,999	1	2
£75,000 - £79,999	0	0
£80,000 - £84,999	2	0
£85,000 - £89,999	0	0
£90,000 - £94,999	0	1
Total	**26**	**21**

12. TERMINATION BENEFITS

The council terminated the contract of ten employees in 2023/24 (six in 2022/23). Total costs incurred were £223,734 (£331,866 in 2022/23). These costs have been charged to the relevant service lines within the Comprehensive Income and Expenditure Statement.

These termination benefits are summarised in the table below:

2023/24			2022/23	
No. of staff	£	Bands	No. of staff	£
8	72,215	£0 - £40,000	5	67,204
1	52,519	£40,001 - £80,000		
1	99,000	£80,001 - £120,000		
0	0	£120,001 - £160,000		
0	0	£160,001 - £200,000		
0	0	£200,001 - £240,000		
0	0	£240,001 - £280,000	1	264,662
10	**223,734**		**6**	**331,866**

13. RELATED PARTY TRANSACTIONS

Transactions do not in themselves create a related party relationship: there has to be some element of control or influence by one party over another, or by a third party over the two parties. The most common form of influence is having representation on the board or governing body, but it can also be gained from an ownership interest, from statutory provisions or by agreement. This note summarises the transactions undertaken with parties which meet this definition for the Council, its Senior Officers and its Members in 2023/24.

Central Government

The UK Government has effective control over the general operations of the council - it is responsible for providing the statutory framework and legislation within which the council operates, provides a large proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are shown in note 15 on page 49.

Council Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2023/24 is shown in note 11 on page 43. Members complete an annual declaration to report any business interests on an annual basis. Only one Member has declared an interest where control and influence may be exercised within an outside commercial organisation in which the Council has transacted in 2023/24.

A grant payment of £195,050 (2022/23 £195,050) was made to the Everyman Theatre in 2023/24. This is an annual payment where there is a grant agreement in place. The Council Member in place does not vote or, nor is involved in the discussions around the grant payment.

A grant payment of £60,000 was made to the Playhouse Theatre in 2023/24. This is an annual payment where there is a grant agreement in place. The Council Member in place does not vote or, nor is involved in the discussions around the grant payment.

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

The council collects precepts on behalf of Gloucestershire County Council, the Gloucestershire Police and Crime Commissioner and the Parish Councils within the borough. Precepts for the County and Police and Crime Commissioner are shown in the Collection Fund on page 86.

Companies

Gloucestershire Airport Limited

The council has a 50% shareholding in Gloucestershire Airport Limited. The airport's accounts will be consolidated into the Group Accounts.

The airport paid a profit share of rental income to the Council in the year of £33,106 (2022/23 £29,811). The temporary overdraft facility that was provided has increased during 2023/24 by £525,000 taking the overdraft as at 31 March 2024 to £1,750,000. Two further small capital loans totalling £165,000 were loaned to them in October 2020, with £12,117 paid in 2023/24 reducing the outstanding amount to £124,396 . A new capital loan facility was added in 2021/22 for the runway project which amounted to £2.3 million. A further loan was added in 2022/23 for £3.11 million. Another loan was added in 2023/24 for £0.55million taking the combined total to £5.961 million. The loans were provided on an arm's length basis and are disclosed in Note 26 of the accounts

Cheltenham Borough Homes Limited (CBH)

The council wholly owns an Arm's Length Management Organisation (Cheltenham Borough Homes Limited), which is limited by guarantee. The accounts for this company will be consolidated into the Group Accounts.

The council procured supplies and services totalling £15,828,768 from CBH during 2023/24 (£13,749,527 in 2022/23). CBH procured supplies and services from the council totalling £451,290 during 2023/24 (£545,477 in 2022/23). Overall, at year end the council owed CBH £1,236,217 as a creditor on the balance sheet. A Management Agreement is in place between the two parties for the provision of services to the Council. Services were provided to CBH in line with our financial regulations.

Balances outstanding at the year-end were as follows:

	2024 £'000	2023 £'000
The Council owed CBH	(1,884)	(1,074)
CBH owed the Council	8,649	8,218
	6,765	7,144

Ubico Limited

Ubico Limited delivers environmental services for eight County Councils. Cheltenham County Council holds an equal 1/8th shareholding in the company. The Deputy Chief Executive is also a Board Member for Ubico Limited.

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

The council procured supplies and services totalling £11,154,449 from Ubico Limited in the year (£9,516,634 in 2022/23), £292,776(£403,187 in 2022/23) of which is included in the council's balance sheet as a short term creditor at the year end. The company procured supplies and services from the council totalling £1,252,775 in the year (£450,829 in 2022/23), £520,075(£164,338 in 2022/23) of which is included in the council's balance sheet within the short term debtor at the year end. A Management Agreement is in place between the two parties for the provision of services to the Council. Services were provided to Ubico Limited in line with our financial regulations.

Vehicles and plant used by Ubico to provide environmental services in the borough are initially purchased by the council and then leased to the company in the year of purchase under a finance lease arrangement. At 31st March 2024 the amount owing to the council under these leases totalled £2.65 million (£2.62 million at 31st March 2023). The leases are disclosed in Note 23 on page 60.

Publica Group (Support) Limited

Publica Group (Support) Limited is a not-for-profit company limited by guarantee, with no share capital. The company has Mutual Trading Status to deliver services on behalf of the council and services to other member councils under contract.

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

In the year the council purchased services from Publica Group (Support) Limited to the value of £805,749 (£939,337 in 2022/23).

South West Audit Partnership Limited (SWAP)

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

In the year the council purchased services from SWAP totalling £117,605 (£114,180 in 2022/23). The services are provided under a Service Level Agreement.

Cheltenham Business Improvement District

Cheltenham Business Improvement District (BID) is an elected organisation set up to deliver a range of projects that benefit businesses in the district of Cheltenham covering the town centre, including the Promenade, Montpellier and The Brewery Quarter. Cheltenham Borough Council's Managing Director of Communities and places was a Director of the BID until September 2023 which the Council do undertake transactions with. Following the departure of the Managing Director of Communities and Place the position was taken up by the Head of Construction in September 2023.

In the year the council purchased services from BID totalling £11,431 (£32,541 in 2022/23). The council also provided services in the year totalling £89,835 (£89,648 in 2022/23).

Officers

Monitoring Officer (MO)
Cheltenham Borough Council shares its Monitoring Officer with Stroud District Council. The MO is an employee of, and paid by, Stroud District Council. Whilst the officer is shared and has influence in both councils, she is required to act separately for each council.

14. EXTERNAL AUDIT COSTS

	2023/24 £	2022/23 £
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor	153,220	71,394
Fees paid to the External Auditor for the certification of grant claims and returns	22,200	25,000
Other work provided by the appointed auditor:		
Audit of Pooled Capital Housing receipts	-	6,000
	175,420	**102,394**

15. GRANT INCOME

The council credited the following grants and contributions to the Comprehensive Income and Expenditure

Statement:

	2023/24 £'000	2022/23 £'000
Credited to Other Income and Expenditure		
New Homes Bonus	(32)	(638)
Section 31 Business Rates compensation grants	(3,884)	(3,412)
Capital Grants and Contributions	(6,943)	(2,578)
Other grants and contributions	(1,143)	(353)
	(12,001)	**(6,981)**
Credited to Services		
Housing Benefits subsidy & administration grants	(20,224)	(19,449)
Council Tax Benefit administration grants	(203)	(121)
Other Grants and contributions	(3,168)	(2,117)
Covid-19 Expenditure grants	(106)	(15)
Energy rebate payment scheme	(0)	(6,511)
Partnership funding and contributions	(531)	(694)
	(24,232)	**(28,907)**

The council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them which have yet to be met. The balances at the year-end are as follows:

	2023/24 Current £'000	2023/24 Long Term £'000	2022/23 Current £'000	2022/23 Long Term £'000
Receipts in Advance – Revenue				
Commuted Grounds Maintenance contributions	-	(95)	-	(95)
Flood Relief	(140)	-	(145)	-
Community Alarms	(122)	-	-	-
Homelessness	(63)	-	(219)	-
Community Welfare Grants	(764)	-	(825)	-
Covid-19 Enforcement Grants	(156)	-	(277)	-
Garden Communities Grant	(65)	-	(69)	-
UK Shared Prosperity Fund	(101)	-	(108)	-
Other grants and contributions	(124)	(80)	(146)	(180)
	(1,534)	**(175)**	**(1,789)**	**(275)**
Receipts in Advance – Capital				
Affordable housing contributions	-	(3,111)	-	(1,231)
Government grants	(113)	-	(136)	-
Partnership funding	(173)	-	(12)	-
Other grants and contributions	(414)	-	(1,112)	-
	(700)	**(3,111)**	**(1,260)**	**(1,231)**

16. SEGMENTAL REPORTING

EXPENDITURE & FUNDING ANALYSIS

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

2022/23				2023/24		
Net expenditure chargeable to the General Fund and HRA balances £'000	Adjustments between the funding and accounting basis (note below) £'000	Net expenditure in the Comprehensive Income and Expenditure statement £'000		Net expenditure chargeable to the General Fund and HRA balances £'000	Adjustments between the funding and accounting basis (note below) £'000	Net expenditure in the Comprehensive Income and Expenditure statement £'000
3,691	201	3,892	Chief Executive	3,173	3	3,176
6,329	(1,114)	5,215	Finance, Assets and Regeneration	8,261	(1,415)	6,846
10,648	1,489	12,137	Communities and Place	12,285	1,162	13,445
(2,761)	157	(2,604)	Local Authority housing (HRA)	(1,714)	99	(1,615)
17,907	**733**	**18,640**	**Net Cost of Services**	**22,005**	**(150)**	**21,853**
(10,422)	(2,521)	(12,943)	Other income and expenditure	(20,147)	(509)	(20,655)
7,485	**(1,788)**	**5,697**	**(Surplus) or Deficit**	**1,858**	**(659)**	**1,197**
(14,448)			Opening General Fund and HRA balance including earmarked reserves at 1 April	(6,963)		
7,485			Add (Surplus) / deficit in year	1,858		
(6,963)			**Closing General Fund and HRA balance including earmarked reserves at 31 March****	**(5,105)**		

** for a split of the balance between the General Fund, HRA and earmarked reserves see the Movement in Reserves Statement

NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2022/23					2023/24			
Adjustments for capital purposes (note 1 below) £'000	**Net changes for the Pension Adjustments (note 2 below) £'000**	**Other Differences (note 3 below) £'000**	**Total Adjustments £'000**	**Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts**	**Adjustments for capital purposes (note 1 below) £'000**	**Net changes for the Pension Adjustments (note 2 below) £'000**	**Other Differences (note 3 below) £'000**	**Total Adjustments £'000**
-	204	(3)	201	Chief Executive		5	(2)	3
125	(1,243)	4	(1,114)	Finance, Assets and Regeneration	910	(2,322)	(3)	(1,415)
873	627	(10)	1,490	Communities and Place	1,160	17	(15)	1,162
157	0	-	157	Local Authority housing (HRA)	99			99
1,155	**(412)**	**(9)**	**734**	**Net Cost of Services**	**2,169**	**(2,300)**	**(20)**	**(150)**
2,050	1,197	(5,768)	(2,521)	Other Income and Expenditure from the Funding Analysis	(2,258)	230	1,519	(509)
3,205	**785**	**(5,777)**	**(1,787)**	**Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit**	**(89)**	**(2,070)**	**1,499**	**(659)**

Notes

(1) **Adjustments for capital purposes** – this column adds in revaluation gains/losses on Property, Plant and Equipment, capital grants repaid and Revenue Expenditure Funded from Capital under Statute (REFCUS) in the service lines and for:

- Other Operating Expenditure – adds gains/losses on disposals of Property, Plant and Equipment and capital receipts paid to the housing pool
- Financing and Investment Income and Expenditure – the statutory charges for capital financing (Minimum and Voluntary Revenue Provision) and revenue financing of capital expenditure are deducted as these are not chargeable under generally accepted practices, and changes in the fair value of Investment properties are added
- Taxation and Non-specific Grant Income and Expenditure – this line is credited with capital grants and donations receivable in the year which have no conditions or for which conditions were satisfied in the year.

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

(2) Net change for the Pensions Adjustments

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

(3) Other Differences

- for Financing and Investment Income and Expenditure – adjustments to the general fund for timing differences in premiums and discounts on financial instruments and for changes in the fair value of pooled investment funds
- for Taxation and Non-specific Grant income and Expenditure – timing differences between the income for council tax and non-domestic rates (NDR) credited under statutory regulations and that recognised under generally accepted accounting practice.
- for services – accruals for holiday pay.

SEGMENTAL INCOME AND EXPENDITURE

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

	2023/24		2022/23	
	Depreciation, amortisation and impairment £'000	Revenues from external customers* £'000	Depreciation, amortisation and impairment £'000	Revenues from external customers* £'000
Chief Executive	205	(356)	233	(71)
Finance, Assets and Regeneration (formally Finance and Assets Directorate)	3,556	(9,747)	3,545	(11,004)
Communities and Place (formally People and Change Directorate)	603	(6,064)	601	(5,878)
Place and Growth Directorate	-	-	-	-
Housing Revenue Account (HRA)	5,748	(23,731)	5,748	(21,872)
Total analysed on a segmental basis	**10,112**	**(39,897)**	**10,126**	**(38,825)**

*Revenues from external customers are included in "Fees, charges & other service income" in note 17 below.

17. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2023/24 £'000	2022/23 £'000
Expenditure		
Employee benefit expenses	12,010	13,418
Other service expenses	62,667	63,577
Depreciation, amortisation, impairment	10,291	10,126
Losses on revaluation of Property, Plant & Equipment, Investment property and financial assets	2,623	5,501
Interest payments	6,913	5,746
Precepts and levies	1,916	542
Business Rates Tariff	20,992	19,245
Payments to Housing Capital Receipts Pool	-	-
Total Expenditure	**117,412**	**118,115**
Income		
Fees, charges and other service income	(44,537)	(43,613)
Interest and investment income	(892)	(1,003)
Income from council tax and non-domestic rates	(34,290)	(30,366)
Government grants and contributions	(34,428)	(36,275)
Net gains on disposal of non-current assets	(2,063)	(1,199)
Total Income	**(116,211)**	**(112,456)**
(Surplus) or Deficit on the Provision of Services	**1,200**	**5,699**

18. PROPERTY, PLANT & EQUIPMENT

Property, Plant & Equipment

2022/23								2023/24						
Council dwellings £'000	Other Land and buildings £'000	Vehicles, Plant and equipment £'000	Community assets £'000	Surplus assets £'000	Assets under construction £'000	Total £'000		Council dwellings £'000	Other Land and buildings £'000	Vehicles, Plant and equipment £'000	Community assets £'000	Surplus assets £'000	Assets under construction £'000	Total £'000
							Cost or valuation							
251,637	140,594	6,117	148	45,336	10,781	454,613	At 1 April	256,672	144,718	6,758	151	41,528	13,962	463,789
							Adjustment to Balance b/fwd	-	(4)	-		10	-	6
13,073	1,028	1,217	3	-	3,200	18,521	Additions	17,445	299	1,296	101		6,189	25,330
					-		Revaluation increases / (decreases)							
(6,368)	1,205	-	-	(4)	-	(5,167)	recognised in the Revaluation Reserve	(10,889)	3,546			(338)	-	(7,681)
							Revaluation increases / (decreases)					(1,302)	-	(1,302)
-	-	-	-	-	-		recognised in the surplus / deficit on	-	9					9
	-						the provision of services							
(1,689)	-	(576)	-	(130)		(2,395)	Derecognition - disposals	(1,092)	(117)	(970)		(23)	-	(2,202)
							Derecognition - other							
							Assets reclassified (to)/from held for resale							
19	1,891			(3,674)	(19)	(1,783)	Other Reclassifications	3,203	-	-		(66)	(3,210)	(73)
256,672	**144,718**	**6,758**	**151**	**41,528**	**13,962**	**463,789**	**At 31 March**	**265,339**	**148,451**	**7,084**	**1**	**39,809**	**16,941**	**477,876**
							Accumulated Depreciation and Impairment							
(70)	(3,200)	(3,458)	(1)	(10)	(150)	(6,889)	At 1 April	(7)	(3,118)	(3,847)	(1)	(133)	(308)	(7,414)
							Adjustment to Balance b/fwd	-	4	-		133		137
(5,338)	(3,425)	(388)		(157)	-	(9,308)	Depreciation charge	(5,549)	(3,454)	(432)		(225)		(9,660)
							Depreciation written out to the							
5,401	3,507	-	-	31	-	8,939	Revaluation Reserve	5,549	3,435			14		8,998
							Depreciation written out to the surplus /							
	-	-	-	3	-	3	deficit on the provision of services					10		10
-	-	-	-	-	(158)	(158)	Impairments		6				(99)	(93)
(7)	**(3,118)**	**(3,846)**	**(1)**	**(133)**	**(308)**	**(7,413)**	**At 31 March**	**(7)**	**(3,127)**	**(4,279)**	**(1)**	**(201)**	**(407)**	**(8,022)**
256,665	**141,600**	**2,912**	**150**	**41,395**	**13,654**	**456,376**	**Net Book Value at 31 March**	**265,332**	**145,324**	**2,805**	**251**	**39,608**	**16,534**	**469,854**

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has determined in accordance with Regulation 30M of the Local Authorities Capital Finance and Accounting England (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Infrastructure Assets	2022/23	2023/24
	£'000	£'000
Opening Net Book Value	9,657	9,544
Additions	356	585
Depreciation charged in the year	(469)	(491)
Closing Net Book Value	**9,544**	**9,638**

Total Property, Plant & Equipment reported on Balance Sheet	2022/23	2023/24
	£'000	£'000
Council dwellings; Other Land & Buildings; vehicles plant and equipment; community, s	456,376	469,854
Infrastructure Assets	9,544	9,638
Non-current assets Net Book Value	**465,920**	**479,492**

Depreciation

The following estimated useful lives have been used in the calculation of depreciation:

- Council dwellings – between 10 - 75 years depending on the component, for example 20 years for kitchens, 30 years for bathrooms and windows, 60 years for roofs
- Other Buildings – between 15 - 60 years, depending on the individual building
- Vehicles, Plant, Furniture and Equipment - between 5 - 15 years, depending on the type of asset
- Infrastructure - 40 years for General Fund assets, 25 years for HRA assets.

The individual remaining useful lives of each asset are reviewed annually or on revaluation and amended as necessary.

Revaluations

The council formally re-values its land and buildings on a rolling programme to ensure they are revalued at least every five years, however in accordance with the Code all land and building values are reviewed annually for material changes and re-valued at 31 March if necessary. Valuations have been carried out both internally by the council's property section and externally. Valuations of land and buildings were carried out using the methodologies and bases of estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The table below summarises the valuation basis and date of valuation (if applicable):

	Council Dwellings £'000	Other land and buildings £'000	Vehicles, plant, furniture & equipment £'000	Infrastructure assets £'000	Community assets £'000	Surplus assets £'000	Assets under construction £'000	Total £'000
Carried at (depreciated) historical cost	-	-	2,805	9,638	251	-	11,194	**23,888**
Valued at current value as at 31st March:								
2021	231,838	134,914	-	-	-	43,464	-	**410,216**
2022	18,993	2,480	-	-	-	1,862	(565)	**22,770**
2023	5,834	4,206	-	-	-	(3,931)	3,024	**9,133**
2024	8,667	3,724	-	-	-	(1,787)	2,880	**13,484**
Total cost or valuation	**265,332**	**145,324**	**2,805**	**9,638**	**251**	**39,608**	**16,533**	**479,491**

Componentisation

Under the Code the council is required to account separately for significant building components as defined in the council's Componentisation policy. This is to ensure material components are depreciated over their respective useful lives. Components separately identified relate only to council dwellings, where the main ones are roofs, walls, kitchens, bathrooms, electrics, heating, windows/doors, solar panels, and communal lifts and services.

Fair value measurement of Surplus assets

The fair values of surplus assets valued at 31 March 2024 have been based on a market approach using current market conditions, recent sale prices and other relevant information for similar assets in the local area. The level of observable inputs is therefore significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

19. HERITAGE ASSETS

The council's buildings house most of the authority's heritage assets, held to support the provision of arts and culture in Cheltenham. In addition the council owns a number of statues and monuments located within the town.

The heritage assets housed in the council's buildings comprise the collections either exhibited or stored at the Cheltenham Art Gallery and Museum (The Wilson), the Pittville Pump Room, the Holst Birthplace Museum, the Municipal Offices and the Town Hall. These assets include many items donated by local people.

The four principal collections are:

- Fine Art
- Decorative Arts
- Social History and Ethnography
- Archaeology.

The council does not recognise the archaeological collection on its balance sheet, as obtaining valuations for these would involve a disproportionate cost. This exemption is permitted by the Code and is due to the diverse nature of the assets held, and lack of comparable market values.

The museum holds significant collections in the following areas:

- Fine art: British and foreign paintings, drawing and prints from the 16th century onwards, including English water colours from the 18th century onwards

- Decorative art: British and European ceramics, British furniture, clocks, glass, metalwork and treen from the 16th century onwards

- Oriental art: Chinese ceramics, costume, armour and artefacts from the 9th century to the present day

- Costumes and textiles: garments, underwear and accessories from the 17th century onwards

- The Arts and Crafts Movement: books, ceramics, furniture, metalwork, paintings, textiles, archives, designs and drawings relating to the English Arts and Crafts Movement from the 1860's to the present day, recognised nationally by the government as a Dedicated Collection
.
- Archaeology: Prehistoric, Romano-British and medieval archaeology

- Local history: printed ephemera, photographs, postcards, topographical prints and objects relating to the history of Cheltenham

- Numismatics: British and foreign coins from the Roman empire to the 21st century

- Firearms and edged weapons: British and European examples
- Natural sciences: geology, herbaria, eggs
- Social history: objects relating to English domestic, personal and working life from the 17th century to the present day.

The museum maintains all its present collections, and where appropriate enhances those collections by building on present strengths and filling gaps by purchase, gift or bequest. The museum does not undertake disposals motivated by financial reasons. Disposals are only undertaken by the governing body after full consideration of the reasons for disposal. External expert advice is sought, along with the views of stakeholders. Any proceeds are accounted for in accordance with statutory accounting requirements relating to capital receipts.

The collections are managed by curators employed by the Cheltenham Trust, who manage the collections on behalf of the council in accordance with council policy and guidance.

A detailed breakdown of the carrying values of the council's heritage assets are shown below:

	Ceramics £'000	Art Collection £'000	Furniture £'000	Civic Regalia & Silver £'000	Textiles, Ephemera and other collectables £'000	Statues and Monuments £'000	Total £'000
Valuation							
1 April 2022	**2,543**	**27,336**	**4,605**	**221**	**5,579**	**1,648**	**41,932**
Revaluations*	-	-	-	-	-	-	-
31 March 2023	**2,543**	**27,336**	**4,605**	**221**	**5,579**	**1,648**	**41,932**
Revaluations	-	-	-	-	-	-	-
31 March 2024	**2,543**	**27,336**	**4,605**	**221**	**5,579**	**1,648**	**41,932**

* Except for two items professionally revalued during 2016/17 in preparation for their forthcoming loan, all the major works of art were last revalued at 1st April 2010. However, the insurance valuations are reviewed annually for inflationary increases. Unlike a building, art does not attract standard inflationary increases.

20. CURRENT ASSETS HELD FOR SALE

	2023/24 £'000	2022/23 £'000
Assets held for sale at 1 April	**2,163**	**307**
Property, plant and equipment newly classified as held for sale	73	1,784
Revaluation gains	(70)	379
Assets sold	(579)	(307)
Assets held for sale at 31 March	**1,587**	**2,163**

21. CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure incurred (investment made) in the year is shown in the table below, together with the resources used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure financed by borrowing. The CFR is analysed in the second part of the note.

	2023/24 £'000	2022/23 £000
Opening Capital Financing Requirement	**192,140**	**182,002**
Capital Investment		
Property, Plant and Equipment	25,333	18,522
Investment Property	0	3,362
Infrastructure assets	585	357
Intangible assets	149	51
Surplus assets	-	-
Revenue Expenditure Funded from Capital under Statute	1,160	877
Long Term Capital Loans	556	3,110
	27,783	**26,279**
Sources of Finance		
Capital Receipts	(3,185)	(3,734)
Government Grants	(4,666)	(707)
Capital Contributions	(257)	(1,294)
Partnership Funding	(294)	(844)
Minimum Revenue Provision (MRP)	(680)	(654)
Voluntary Revenue Provision (VRP)	(197)	(188)
Major Repairs Reserve	(5,806)	(5,593)
Capital receipts applied to repay debt	(1,073)	(1,244)
Revenue	(118)	(1,882)
	(16,277)	**(16,140)**
Closing Capital Financing Requirement	**203,646**	**192,140**
Explanation of movement in year		
Increase in underlying need to borrowing (unsupported by Government financial assistance)	13,456	12,225
Minimum and Voluntary Revenue Provision (MRP/VRP)	(877)	(842)
Capital receipts applied to repay the principal of debt	(1,073)	(1,244)
Increase (Decrease) in Capital Financing Requirement	**11,506**	**10,138**

21b. CAPITAL COMMITMENTS

At 31 March 2024 the Council was committed to completing the Montpellier Gardens toilet refurbishment and Changing Places installation which was approved as part of the capital programme and had completed the procurement and contract award process. A total of £590k had not been spent but was committed at 31 March 2024 (£857k at 31 March 2023).

22. INVESTMENT PROPERTIES

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

	2023/24 £'000	2022/23 £'000
Rental income from Investment Property	(3,990)	(4,187)
Direct operating expenses	300	328

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

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

	2023/24 £'000	2022/23 £'000
Balance at 1st April	**65,268**	**66,415**
Additions – construction	0	3,362
Reclassifications (to) / from Property, Plant and Equipment	-	-
Net gains / (losses) for the period included in the surplus or deficit on the provision of services resulting from changes in fair value	(1,332)	(4,509)
Balance at 31st March	**63,936**	**65,268**

The fair value of the investment property is reviewed and re-measured annually at the balance sheet date. All properties were revalued in 2023/24 by both internal and an external valuer, in accordance with the methodologies and bases of estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The valuations have been based where possible on a market approach using current market conditions, recent sale prices and other relevant information for similar assets in the local area. In these cases, where existing rents have been capitalised, the yield has been obtained by using market knowledge and evidence.

The level of observable inputs is therefore significant, leading to £50.528 million of the value of the properties at 31 March 2024 being categorised at Level 2 in the fair value hierarchy.

The remaining valuation of £13.408 million has been based on an income approach using a discount rate, which are significant unobservable inputs, so have been categorised at level 3 in the fair value hierarchy. Such valuations are therefore sensitive to significant changes in rental income and in the discount rate used.

In estimating the fair values of the investment properties, the highest and best use of the properties is their current use.

23. ASSETS HELD UNDER LEASES

The council as Lessor

Finance Leases

The council's policy is to purchase the vehicles and plant required by Ubico Limited to provide environmental services within Cheltenham and then lease them to the company. The vehicles and plant used on these services at 1st April 2012 were transferred under a finance lease to the company when it commenced operations on that date. The present value of the lease at the date of transfer was £1.364 million. Subsequent purchases of £7.764 million (including £0.97 million in 2023/24) have been subject to further finance leases.

The repayments due under the leases are based on recovering the cost of each vehicle or item of plant over its remaining estimated useful life, together with a finance charge on the amounts outstanding. The council does not anticipate residual values for the items at the end of the leases as they are not considered material, consequently the gross investment in the leases is deemed equal to the present value of the lease payments due. These are due as follows:

	31st March 2024 £'000	**31st March 2023 £'000**
Not later than 1 year	815	905
2 – 5 years	1,441	1,511
More than 5 years	390	203
	2,646	**2,619**

A loss provision for uncollectable amounts has not been provided on the basis the lessee is a wholly owned local authority company.

Operating Leases

The council seeks to obtain income from property it owns but does not need for its own occupation by granting operating leases. Where the council grants leases it does so at best consideration unless it wishes to support the tenant financially, for example where tenants provide a service to the community.

Where the council wishes to support a tenant financially it needs to be satisfied that the use of the property supports the authority's Corporate Plan objectives and is not otherwise commercially viable. The council uses 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 from the council in lieu of some or all of the rent, depending on the service provided from the property.

The council received £5,226,212 in rental income in 2023/24 from its granted leases £5,266,004 in (2022/23).

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

	31st March 2024 £'000	31st March 2023 £'000
Not later than 1 year	4,492	4,754
2 – 5 years	16,475	18,189
More than 5 years	109,320	111,503
	130,287	**134,445**

24. FINANCIAL INSTRUMENTS

Categories of financial instrument

The following categories are carried on the Balance Sheet:

	Current		Long term	
	31st March 2024 £'000	31st March 2023 £'000	31st March 2024 £'000	31st March 2023 £'000
Investments				
Financial assets at amortised cost (note i below)	181	116	2,285	1,760
Fair value through other comprehensive income				
- shares in unlisted companies (note ii)		-		-
Fair value through P&L - Pooled Funds (note iii)	67	62	6,112	6,118
Total Investments	**248**	**178**	**8,397**	**7,878**
Debtors				
Financial assets at amortised cost	5,430	6,487	15,674	15,551
Total included in debtors (note iv)	**5,430**	**6,487**	**15,674**	**15,551**
Cash and Cash equivalents				
Financial assets at amortised cost	-	-		
Fair value through P&L (note v)	5,001	4,925		
Financial Assets at amortised cost	660	(991)		
Total cash and cash equivalents	**5,661**	**3,994**		
TOTAL FINANCIAL ASSETS	**11,339**	**10,659**	**24,071**	**23,429**
Borrowings				
Financial liabilities at amortised cost				
- Public Works Loan Board (PWLB) loans	3,041	1,273	118,647	101,031
- Bank and other loans	67,155	63,900	13,900	13,900
- Internal borrowing	28	22	-	-
Total borrowings	**70,224**	**65,195**	**132,547**	**114,931**
Creditors				
Financial liabilities at amortised cost	8,049	7,402	-	-
Total included in creditors (Note vi)	**8,049**	**7,402**	**-**	**-**
TOTAL FINANCIAL LIABILITIES	**78,273**	**72,597**	**0**	**114,931**

Notes

(i) These comprise deposits with counterparties associated with the Council or are held in Money Market Funds or Bank Instant Accounts.

(ii) These comprise shares held in Gloucestershire Airport Limited. The fair value has been assessed by the council's treasury management advisors, based on projected company cash flows using the airport's business plans (Level 3 inputs in the fair value hierarchy). The valuation is therefore sensitive to small changes in rental, interest and operating income and cost inflation, including aviation fuel and pension costs.

The shares are not held for trading and there are no plans to dispose of them.

In addition, the council holds shares costing £1 in Ubico Limited. The fair value of the council's interests in the company at 31st March 2024 is considered to be nil, since it is a wholly local authority owned not-for-profit 'Teckal' company. As a Teckal' company it is treated as if it was an in house department and the shareholder councils for now are able to enter into service contracts with the company without undertaking an EU compliant procurement process.

(iii) These comprise units in the CCLA Pooled Property Fund, the Schroders Income Maximiser Fund and CCLA Better World Cautious Fund (previously known as the CCLA Diversified Income Fund), the carrying (fair) value of which has been assessed using Level 1 inputs in the fair value hierarchy (quoted prices for identical units) at 31st March 2024.

(iv) Further details of current debtors are given in note 27, page 71. The figures shown above exclude payments in advance and non-exchange transactions, such as taxes and grants due, which are not classified as financial instruments.

Long term debtors at 31st March 2024 mainly comprise:

- an outstanding loan of £0.286 million (£0.302 million at 31st March 2023) to the Cheltenham Everyman Theatre (made in 2011/12 for 25 years towards the redevelopment of the theatre)

- loans totalling £7.467million (£7.615 million at 31st March 2023) made to Cheltenham Borough Homes Limited for between 30 and 50 years for housing redevelopment

- finance lease repayments of £2.684 million (£1.714 million at 31st March 2023) due from Ubico Limited (relating to leases of vehicles and plant)

- loan balance of £1.750 million (£1.225 million at 31st March 2023) to Gloucestershire Airport Limited towards the revolving credit facility has increased by £0.525 million. A further £0.124 million is outstanding for loans provided as a loan to fund the sub-station and radar project in 2020/21. A further £5.961 million was loaned to the airport for the runway major repairs in 2021/22, 2022/23 and 2023/24.

The remainder comprises mortgages for house purchase and other loans.

(v) These comprise money market funds that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

(vi) Further details of current creditors are given in note 29, page 71. The figures shown above exclude receipts advance, which are not classified as financial instruments.

Income, Expense, gains and losses
Fair Value of financial assets and liabilities

	2023/24				2022/23			
	Financial Liabilities at amortised cost £'000	**Financial Assets at amortised cost £'000**	**Financial Assets: Fair value through P&L £'000**	**Total £'000**	**Financial Liabilities at amortised cost £'000**	**Financial Assets at amortised cost £'000**	**Financial Assets: Fair value though P&L £'000**	**Total £'000**
Interest expense	6,684	-	-	6,684	4,549	-	-	4,549
Fee expense	55	-	-	55	51	-	-	51
Changes in fair value							804	804
Impairment losses			6	6				
Total expenses in Surplus or Deficit on the Provision of Services	**6,739**	**-**	**6**	**6,745**	**4,600**	**-**	**804**	**5,404**
Interest Income	-	(905)	(314)	**(1,219)**	-	(701)	(289)	**(990)**
Interest Income accrued on impaired financial assets	-	-	-	**-**	-	-	**-**	**-**
Changes in fair value	-	-	-	**-**	-	-	**-**	**-**
Total income in Surplus or Deficit on the Provision of Services	-	**(905)**	**(314)**	**(1,219)**	-	**(701)**	**(289)**	**(990)**
(Net gain)/loss for the year	**6,739**	**(905)**	**(308)**	**5,526**	**4,600**	**(701)**	**(515)**	**4,414**

The fair values of the authority's financial assets and liabilities are shown below, where different to their carrying amounts. The fair values have been assessed as equal to the present value of the expected cash flows over the remaining term of the instruments, using the following assumptions:

- for financial liabilities, the new maturity rates from the Public Works Loan Board (PWLB) at 31st March 2024 have been used. The valuation basis therefore uses Level 2 inputs (i.e. observable inputs other than quoted prices) in the fair value hierarchy.
- no early repayment or impairment is recognised
- where an instrument will mature in the next twelve months, fair value is assumed to approximate to amortised cost
- the fair value of trade and other short term payables and receivables is taken to be the invoiced or billed amount
- the fair value can be reliably estimated.

	2023/24		2022/23	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Financial Assets				
Investments at amortised cost	2,285	2,285	1,760	1,760
Long term debtors at amortised cost	15,674	15,098	15,551	14,513
Total	**17,959**	**17,383**	**17,311**	**16,273**

The fair value of long term debtors is lower than the carrying amount because the debtors include fixed rate loans where the interest rate receivable from borrowers is lower than the rates available for similar loans at the Balance Sheet date.

	2023/24		2022/23	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Financial Liabilities				
Borrowing – PWLB loans*	121,688	100,276	101,031	80,210
- long term bank loans	13,900	13,423	13,900	15,534
Total borrowing	**135,588**	**113,699**	**114,931**	**95,744**

*includes current borrowing

The fair value is lower than the carrying amount because the council's borrowing includes fixed rate loans where the interest rate payable is lower 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 council would have to pay if it requested early repayment of the loans.

In the case of long term bank loans £5 million is subject to 'Lenders Option, Borrowers Option' (LOBO loans) the borrower's options to accept the increased rate or repay the loan have been valued at nil, on the assumption that lenders will only exercise their options when market rates have risen above the contractual rate.

Nature and extent of risks arising from financial instruments

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

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

The council's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the council to comply with the CIPFA Prudential Code for Capital Finance and the CIPFA Code of Practice on Treasury Management in Local Authorities (both revised in December 2021) and government investment guidance issued under the Act (revised in February 2018). Overall, these procedures require the council to manage risk in the following ways:

- by the adoption of a Treasury Policy Statement and treasury management practices within its financial regulations
- by approving annually in advance prudential and treasury indicators for the following three years
- by approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties in compliance with government guidance.

These are required to be reported and approved at or before the council's annual Council Tax setting or before the start of the financial year to which they relate. The items are reported with the annual treasury management strategy, which outlines the detailed approach to managing risk in relation to the council's financial instrument exposure. Actual performance is reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 20th March 2023. The two key controls were:

- The Authorised Limit for 2023/24 was set at £272 million. This is the maximum limit of external borrowings or other long term liabilities
- The Operational Boundary for 2023/24 was set at £262 million. This is the expected level of debt and other long term liabilities during the year.

These policies are implemented by a central treasury team. The council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices or TMPs) covering specific areas such as interest rate risk, credit risk and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit Risk

Credit risk arises from investments mainly with banks and other financial institutions, as well as credit exposure to the council's customers. This risk is minimised through the Annual Investment Strategy, which requires that investments are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual

Investment Strategy also sets the maximum amounts and time limits in respect of each counterparty. Investments are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria.

The council used the creditworthiness services of Arlingclose Limited during 2023/24. The maximum investment that could be made with an approved UK counterparty was £6 million in 2023/24. No breaches of the council's counterparty criteria occurred during the reporting period and the council does not expect any losses from non-performance by any of its counter-parties.

The council's maximum exposure to credit risk in relation to its investments cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to that individual organisation. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of default applies to all of the council's investments, but there was no evidence at 31st March 2024 that this is likely to materialise. The following analysis summarises the council's potential maximum exposure to credit risk for investments outstanding at 31st March 2024 (excluding Group equities), based on experience of default assessed by the ratings agencies and adjusted to reflect current market conditions.

	Amount at 31 March 2024 £000 (a)	Historical experience of default % (b)	Adjustment for market conditions at 31 March 2024 % (c)	Estimated maximum exposure to Default £000 (a*c)
Investments with banks and other financial institutions				
A+ rated counterparties	-	0.1	-	-
Unrated pooled funds/MMF's	5,017	-	-	-
	5,017			**0**

The historical experience of default has been taken from average one year default rates published by the three main rating agencies at May 2024, relating to 2023 figures. Whilst current economic conditions have raised the overall possibility of default, the council maintains strict credit criteria for investment counterparties.

Due to the estimated maximum exposure to default amount being immaterial, no loss provision for 12 month expected credit losses under IFRS 9 has been charged to the Comprehensive Income and Expenditure Statement.

The council does not generally allow credit for its trade debtors as payment is due immediately. This means that all of the £2,327k trade debtor balance is technically past its due date for payment. The past due amount can be analysed by age as follows:

	2023/24 £000	2022/23 £000
Less than 3 months	2,244	3,241
3 to 6 months	37	133
6 months to 1 year	26	37
Over 1 year	20	4
	2,327	**3,415**

A loss provision of 254,200 as at 31st March 2024 (£218,100 31s March 2023) has been provided to cover the expected lifetime credit losses on these debts under IFRS 9.

Liquidity risk

The council has ready access to borrowings from the money markets to cover any day to day cash flow needs, and the Public Works Loan Board and money markets for access to longer term funds, ensuring 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 council could be required 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.

The maturity analysis of borrowings (excluding interest payable) is as follows:

	31st March 2024 £'000	**31st March 2023 £'000**
Less than 1 year	3,366	816
2-5 years	12,700	5,838
6-10 years	30,134	19,632
Uncertain date maturing in more than 10 years*	88,726	88,645
Total	**134,926**	**114,931**

*The council has £5 million (£5 million at 31st March 2023) of 'Lender's option, Borrower's option' (LOBO) loans where the lenders have the option to propose an increase in the rates payable; if this occurs the council will have the option to accept the new rate or repay the loans without penalty. Due to current high interest rates, in the unlikely event the lenders exercise their options; the council is likely to repay the loan(s) and seek borrowing from the PWLB. The repayment dates of these loans are therefore uncertain, although they are due to mature in 43 years.

Market risk

The council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. By way of illustration, if interest rates were 1% higher in 2023/24, this would have had the following effect on the interest charged or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement:

	Amount outstanding (weighted average) in year £'000	**Average actual interest rate %**	**Actual Interest payable / (receivable) £'000**	**Projected interest rate %**	**Projected interest payable / (receivable) £'000**	**Variation £'000**
Borrowing Variable rate	**59,638**	**4.69**	**2,807**	**5.69**	**3,393**	**1,306**
Lending Fixed rate (up to1 year) Variable rate	**18,124**	**4.99**	**949**	**5.99**	**1,086**	**(137)**
Net loss / (gain) on surplus / deficit for year						**1,169**

Due to the large proportion of borrowing held at variable rates the impact on interest payable is heavily impacted. Conversely, the proportion of lending at variable rates and fixed rate allows the council to benefit from any increase in interest rates in the future. A large proportion of fixed rates is short term so any rate increases will benefit future investment returns.

Changes in interest rates will also affect the fair values of financial liabilities and financial assets classed as

Loans and Receivables, however because these are carried at amortised cost rather than fair value, do not impact on the surplus or deficit on the provision of services or reserves. A rise in interest rates for example will reduce the fair value of borrowings and long term investments.

The council has a number of strategies for managing interest risk. 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.

The authority is also exposed to risk in terms of its exposure to market prices. With the exception of ‘pooled’ funds, nominal gains and losses on borrowings and investments do not impact on the Comprehensive Income and Expenditure Statement or the Movement in Reserves Statement.

The council’s investment in a pooled property fund is subject to the risk of falling commercial property prices. For example a 5% fall would result in a £130k charge to Other Comprehensive Income and Expenditure, although it would not affect the surplus or deficit on the provision of services unless the fund units were sold.

The risk is limited by the council setting a maximum exposure to financial assets invested in property of £3 million and its intention to hold the units in the fund for a minimum period of 5 years.

The risk of rental income affecting future revenue from the fund would occur if commercial properties were to become vacant for long periods of time and would reduce the returns due to be received.

25. SHORT TERM DEBTORS

	31st March 2024 £'000	31st March 2023 £'000
Central Government Bodies	1,305	2,202
Other Local Authorities	3,618	2,130
Other entities and individuals-		
- Council Taxpayers	543	537
- Business Ratepayers	303	297
- Cheltenham Borough Homes Limited	802	643
- Ubico Limited	1,331	1,069
- Housing Rents	937	329
- Sundry Debtors	3,606	4,783
Total	**12,445**	**11,990**

Each line is shown net of any allowance for impairments (provision for bad debts). The breakdown of the allowance for impairment for 2023/24 is broken down below:

	Gross £'000	Impairment £'000	Net £'000
Central Government Bodies	1,305	-	1,305
Other Local Authorities	3,857	(239)	3,618
Other entities and individuals-			
- Council Taxpayers	731	(188)	543
- Business Ratepayers	451	(148)	303
- Cheltenham Borough Homes Limited	802	-	802
- Ubico Limited	1,331	-	1,331
- Housing Rents	1,410	(473)	937
- Sundry Debtors	4,115	(510)	3,606
Total	**14,003**	**(1,557)**	**12,445**

25.1 FINANCIAL INSTRUMENTS – SHORT TERM DEBTORS

	31st March 2024 £'000	31st March 2023 £'000
Debtors per table in Note 24	12,445	11,990
Less – Payments in advance	(804)	(589)
Central Government debtors	(1,305)	(2,202)
Local Government debtors	(3,618)	(2,130)
Benefit overpayments - invoiced	(362)	(330)
Benefit overpayments - ongoing	(80)	(78)
Council Taxpayers	(543)	(537)
Business ratepayers	(303)	(297)
Total	**5,430**	**5,827**

26. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	31st March 2024 £'000	31st March 2023 £'000
Cash held by the Authority	2	1
Bank current accounts	659	0
Short term deposits and money market funds	5,000	4,924
Cash and cash equivalent assets	**5,661**	**4,925**
Cash and cash equivalent liabilities - bank overdraft	-	(991)
Net Cash and cash equivalents per Cash flow Statement	**5,661**	**3,934**

27. SHORT TERM CREDITORS

	31st March 2024 £'000	31st March 2023 £'000
Central Government Bodies	3,343	7,528
Other Local Authorities	1,709	1,663
Public corporations and trading funds	6	-
Other entities and individuals-		
- Council Taxpayers	132	155
- Business Ratepayers	2,293	2,080
- Cheltenham Borough Homes Limited	1,884	1,067
- Ubico Limited	293	403
- Housing Rents	546	525
- Sundry Creditors	5,159	5,326
Total	**15,365**	**18,748**

There is a significant decrease in the Central Government Bodies creditor balance at 31 March 2024 when compared to the prior year. This is because at 31 March 2023 there was business grant income balance owing from the Council to Central Government. Business grant income which was not distributed by the Council is required to be repaid to Central Government so is recognised as a creditor at the year end. At 31 March 2024, there is significantly less of this balance owing as the Government backed schemes have reduced through 2023/24 as national restrictions have been lifted.

27.2 FINANCIAL INSTRUMENTS- SHORT TERM CREDITORS

	31st March 2024 £'000	31st March 2023 £'000
Creditors per Note 26.1	15,365	18,748
Less non-contractual items at 31 March		
Receipts in advance – Local Government	(189)	(83)
Receipts in advance – other entities	(1,359)	(1,500)
Central Government creditors	(3,343)	(7,528)
County Council Pension contributions	-	-
Council taxpayers	(132)	(155)
Business Ratepayers	(2,293)	(2,080)
Total	**8,049**	**7,402**

28. PROVISIONS

	Balance at 1st April £'000	Additional provisions made in Year £'000	Amounts used/reallocated in Year £'000	Balance at 31st March £'000
Short term				
Insurance	11	9	(7)	13
Business rates retention – RV reductions	679	388	(488)	578
	690	**397**	**(495)**	**591**
Long term				
Business rates retention – RV reductions	293	212	(0)	505
Total	**982**	**609**	**(495)**	**1,096**

Insurance

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

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

Business Rates Retention – RV reductions including Appeals

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

From this date local authorities acquired a share of the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties and other reductions resulting from changes in the rating list. This includes amounts paid over to central government in respect of 2012/13 and prior years. Consequently the council considers it necessary to make a provision to cover its share of the repayments likely to be made. The provision is based on the expected success rate of appeals recorded by the Valuation Office at 31st March 2024 relating to appeals raised against charges up to 31st March 2017 and, for charges after this date, on an estimated reduction on the rating list based on historical experience, together with other known likely reductions. It has been split into short and long term elements to reflect the estimated time until settlement.

29. CONTINGENT LIABILITIES

Municipal Mutual Insurance Limited

The council's former insurers, Municipal Mutual Insurance Limited, ceased trading in 1992; the council became a party to the scheme of administration for liabilities outstanding at that time. Whilst there is a very low risk that the assets of the company will not meet the liabilities from insurance claims, the scheme guarantees that the council will reimburse the total of payments made in respect of claims less £50,000. At 31st March 2023 this potential total liability equated to £318,014, made up as follows:

	£
Gross claim payments to date	474,019
15% levy paid 2013/14	(63,603)
10% levy paid 2016/17	(42,402)
Net Payments	**368,014**
Levy retention	(50,000)
Potential liability 31st March 2024	**318,014**

This position has not changed since 2016/17, but is kept under review annually to ensure that a solvent run-off of the company's business is still anticipated. The likelihood and timing of any additional liabilities is unknown at this stage.

Development Agreement with Henry Boot Development and Factory

On 25 April 2022, Full Council agreed to underwrite all proper costs incurred by FB SHELFCO 2022 Limited between the signing of the Conditional Development Agreement between Henry Boot Developments Limited and Cheltenham Borough Council for the development of council owned land to the west of Cheltenham within the Golden Valley Development, up until the primary conditions of that agreement are satisfied. The total value of that underwrite approved was up to £8m.

On 24 July 2023, Full Council agreed to extend the underwrite up to £8.5m. This was to ensure that FB SHELFCO 2022 Limited are able to continue with designs for the Mobility Hub which will now be a critical part of the overall development proposal and planning application.

Any costs incurred in relation to site wider infrastructure would enhance the value of the council owned land. If at any point the Council became liable for the costs and the contingent liability was transferred to an obligation, they would be reclassified as an asset on the Council's Balance Sheet. This would only occur if the Development Agreement was terminated, the risk of which is low.

30. USABLE RESERVES AND TRANSFERS TO / FROM EARMARKED RESERVES

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement. Movements in the *earmarked* reserves shown on the statement are detailed below:

	Balance at 31 March 2022 £'000	Transfers out 2022/23 £'000	Transfers in 2022/23 £'000	Balance at 31 March 2023 £'000	Transfers out 2023/24 £'000	Transfers in 2023/24 £'000	Balance at 31 March 2024 £'000
Earmarked Reserves							
Capital Reserve	**293**	(414)	200	**79**	(279)	200	**-**
Equalisation Reserves	**6,792**	(6,260)	-	**532**	(206)	626	**952**
Repairs & Renewals Reserve	**1,333**	(477)	150	**1,006**	(419)	80	**667**
Reserves for Commitments	**705**	(705)	931	**931**	(931)	508	**508**
Other earmarked reserves	**1,382**	(364)	496	**1,514**	(758)	337	**1,093**
Total	**10,505**	**(8,220)**	**1,777**	**4,062**	**(2,593)**	**1,751**	**3,220**

<u>*Purpose of reserves*</u>

- **Capital Reserve** – to help finance the general fund capital programme.

- **Equalisation Reserves** – to smooth out fluctuations in expenditure or income resulting from cyclical events, for example bi-annual local elections, and to cushion the impact of fluctuating activity levels (for example in housing benefit payments or business rates).

  The significant values in the Equalisation Reserves in 2021/22 results from additional Section 31 NDR compensation grant received from the government during the year being transferred to the Business Rates Retention Reserve. This money was required to help meet the increased NDR deficit for 2021/22 resulting from the additional business rate retail reliefs awarded during the year due to Covid-19. The increased deficit was charged to the General Fund in 2022/23.

- **Repairs and Renewals Reserve –** to meet the cost of planned and reactive repairs to buildings and infrastructure.

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

- **Other earmarked reserves** – sums built up to cover future planned expenditure, for example support for the revenue budget, risk management, and Public Realm improvements.

31. UNUSABLE RESERVES

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

Reserve	31st March 2024 £'000	31st March 2023 £'000	Purpose of Reserve
Revaluation Reserve	192,761	193,717	Store of gains on revaluation of non-current assets not yet realised through sales
Financial Instruments - Revaluation Reserve	(602)	(602)	Store of gains and losses arising from changes in the value of financial instruments (excluding on pooled funds from 1st April 2018) carried at fair value through other comprehensive income and not yet realised through sales
Pooled Investment Funds - Adjustment Account	(721)	(715)	Store of gains and losses arising from changes in the fair value of pooled investment funds since 1st April 2018
Capital Adjustment Account	204,783	203,318	Store of capital resources set aside to meet past expenditure
Financial Instruments - Adjustment Account	(1,019)	(1,165)	Balancing account to allow for differences in statutory requirements and proper accounting practices relating to borrowing and investments
Pensions Reserve	(28,725)	(7,891)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet.
Collection Fund - Adjustment Account	(1,067)	592	Balancing account to allow for differences in statutory requirements and proper accounting practices for council tax and NNDR (business rates) surpluses/deficits
Accumulating Compensated Absenses - Adjustment Account	(124)	(144)	Balancing account to allow for differences in statutory requirements and proper accounting practices for staff leave and additional hours not taken at the year end
Deferred Capital Receipts - Reserve	2,647	2,619	Capital receipts to be received in future years e.g. from finance lease or mortgage repayments
Total Unusable Reserves	**367,933**	**389,729**	

Revaluation Reserve

	2023/24 £'000	2022/23 £'000
Balance at 1st April	**193,727**	**189,752**
Revaluation gains on non-current assets	7,744	17,409
Downward revaluation of assets and impairments	(6,487)	(13,259)
Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**194,984**	**193,902**
Accumulated gain on assets sold, derecognised or reclassified	-	-
Difference between fair value and historical cost depreciation	(2,223)	(185)
Amount written off to the Capital Adjustment Account	**(2,223)**	**(185)**
Balance at 31st March	**192,761**	**193,717**

The Revaluation Reserve contains gains arising from increases in the value of Property, Plant and Equipment, Heritage Assets and Assets Held for Sale arising since 1st April 2007. Accumulated gains arising before that date are consolidated into the Capital Adjustment Account. The balance is reduced when assets with accumulated gains are re-valued downwards or impaired, depreciated or disposed of.
The balance on the reserve therefore represents the amount by which the current values of non-current assets carried on the Balance Sheet are greater because they are carried at re-valued amounts rather than at depreciated historical cost.

Financial Instruments Revaluation Reserve

This reserve (formerly the Available-for-Sale Financial Investments Reserve) contains gains arising from increases in the value of investments that have quoted market prices or otherwise do not have fixed or determinable payments, with the exception of gains and losses on pooled investment funds since 1st April 2018, which are contained in a separate reserve (see below). The balance is reduced when investments with accumulated gains are revalued downwards and the gains are lost, or when the investments are disposed of and the gains realised.

	2023/24 £'000	2022/23 £'000
Balance at 1st April	**(602)**	**(602)**
Revaluation of investments not charged to the surplus or deficit on the provision of services:		
Downward revaluations	-	-
Balance at 31st March	**(602)**	**(602)**

Pooled Investment Funds Adjustment Account

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

Capital Adjustment Account

	2023/24 £'000	2022/23 £'000
Balance at 1st April	**203,318**	**205,549**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
· Charges for depreciation and impairment of non-current assets	(10,108)	(9,935)
· Revaluation gains/(losses) on Property, Plant and Equipment	(1,302)	-
· Amortisation of intangible assets	(172)	(189)
· Revenue expenditure funded from capital under statute	(1,160)	(877)
· Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,775)	(2,699)
	187,801	**191,849**
Capital receipts received on repayment of long term loans	(182)	(305)
Adjusting amounts written out of the Revaluation Reserve	2,223	185
Net amount written out for the cost of non-current assets consumed in the year	**189,842**	**191,729**
Capital Financing applied in the year:		
· Use of Capital Receipts Reserve to finance new capital expenditure	3,185	3,734
· Use of Capital Receipts Reserve to repay debt	1,049	1,244
· Use of the Major Repairs Reserve to finance new capital expenditure	5,826	5,589
· Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing and application of grants to capital financing from the Capital Grants Unapplied Account	5,217	2,807
· Statutory and voluntary provision for the financing of capital investment charged against the General Fund Balance	877	842
· Statutory provision for the financing of capital investment charged against usable capital receipts	-	-
· Capital expenditure charged against the general fund and HRA balances	**119**	1,882
	206,115	**207,827**
Movements in the market value of Investment properties (charged) or credited to the Comprehensive Income and Expenditure Statement	(1,332)	(4,509)
Balance at 31st March	**204,783**	**203,318**

The Capital Adjustment Account accumulates the resources that have been set aside to finance capital expenditure, which are then reduced by the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments, or written off on disposal.

The balance thus represents the timing differences between the historical cost of non-current assets that have been consumed, and the cost financed in accordance with statutory requirements.

The Account also contains accumulated gains and losses on Investment properties that have yet to be consumed by the council and revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Financial Instruments Adjustment Account

	2023/24 £'000	2022/23 £'000
Balance at 1st April	**(1,165)**	**(1,310)**
Net Premiums incurred in previous years charged against the General Fund Balance	146	145
Balance at 31st March	**(1,019)**	**(1,165)**

This account absorbs the timing differences between the accounting treatment of income and expenses relating to certain financial instruments, and their statutory provisions.

Where premiums and discounts arising on the early repayment of loans are required to be charged to the Comprehensive Income and Expenditure Statement, 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 or loss over the period that was remaining on the loan when it was repaid. The reconciliation of amounts required to be charged to the Comprehensive Income and Expenditure Statement to the net charge made against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movements in Reserves Statement.

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 Comprehensive Income and Expenditure Statement 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 therefore represents the surplus available to be released to the general fund balance in the future.

	2023/24 £'000	2022/23 £'000
Balance at 1st April	**592**	**(5,835)**
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from that calculated for the year in accordance with statutory requirements	(1,659)	6,427
Balance at 31st March	**(1,067)**	**592**

Pensions Reserve

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

However statutory arrangements require benefits earned to be financed when the council makes employer's contributions, or eventually pays any pensions for which it is directly responsible. The debit balance on the

Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2023/24 £'000	2022/23 £'000
Balance at 1st April	**(7,891)**	**(45,786)**
Re-measurement of the net defined benefit liability	(22,904)	38,681
Reversal of items relating to retirement benefits charged or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,090)	(5,023)
Employer's Pension contributions and direct payments to pensioners payable in the year	4,160	4,237
Balance at 31st March	**(28,725)**	**(7,891)**

Deferred Capital Receipts Reserve

This comprises capital receipts receivable in future years, for example from finance leases and mortgage repayments, which are not usable until they are received. The amount at 31st March 2024 includes £2.647 million (£2.619 million at 31st March 2023) for vehicles and plant leased to Ubico Limited under finance leases.

	2023/24 £'000	2022/23 £'000
Balance at 1st April	**2,619**	**2,940**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	970	576
Tranfer to the Capital Receipts Reserve upon receipt of cash	(942)	(897)
Balance at 31st March	**2,647**	**2,619**

32. DEFINED BENEFIT PENSION SCHEME

Participation in the pension scheme

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

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

The principal risks to the authority of the pension scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute.

Transactions relating to post-employment benefits

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

	2023/24 £'000	2022/23 £'000
Comprehensive Income and Expenditure Statement (CIES):		
Service cost comprising:		
Current service cost	(1,792)	(3,526)
Past service cost	(25)	(353)
Financing and Investment Income and Expenditure:		
Net Interest Expense	(230)	(1,197)
Total post-employment benefits charged to Surplus or Deficit on Provision of Services	(2,047)	(5,076)
Other post-employment benefits charged to the CIES:		
Re-measurement of the net defined benefit liability comprising:		
Return on assets (excluding the amount included in the net interest expense)	8,069	(5,907)
Changes in demographic assumptions	785	1,158
Changes in financial assumptions	5,367	53,503
Other experience	(4,204)	(10,073)
Total post-employment benefit charged to CIES	**10,017**	**38,681**
Movement in Reserves Statement:		
Reversal of net charges made to Surplus or Deficit on Provision of Services for post-employment benefits in accordance with the Code	(2,047)	(5,076)
Actual amount charged against General Fund Balance for pensions in the year		
Employer's pension contributions and direct payments to pensioners	4,116	4,287

Up-front Payment of Secondary Pension Contributions

On 1 April 2023, the Council made an up-front payment of £6.258m for secondary employer pension contributions for the three years 2023/24 to 2025/26. This payment covers the discounted cost of the future employer contribution which will be required for these three periods.

The actuary calculated the Equivalent Discounted annual Lump Sums Certified across the three years as follows:

- £2.365 million relating to 2023/24;
- £2.080 million relating to 2024/25; and
- £1.813 million relating to 2025/26.

The savings generated by the payment in advance were judged to be greater value than could have been achieved by investing the balance as part of the Council's treasury management strategy and represented good value for money.

Pension Assets and Liabilities recognised in the Balance Sheet

The amount included in the balance sheet arising from the council's obligation in respect of its defined benefit plan is as follows:

	2023/24 £'000	2022/23 £'000
Present value of the defined benefit obligation	(130,661)	(130,838)
Fair value of plan assets	138,747	122,945
Net asset/(liability) arising from defined benefit obligation	**8,086**	**(7,893)**
Expected net asset once agreed part service contributions are paid	**(32,918)**	**-**
Net asset/(liability) arising from defined benefit obligation disclosed on the Balance Sheet	**(24,832)**	**(7,893)**

The Council's pension liability decreased during 2023/24 by £15.979m from a liability of £7.893m to an asset of £8.086m. This is in part due to the Council's strategy implemented in 2020/21 and continued again in 2023/24 to make an upfront payment of secondary employer pension contributions, providing greater value from our treasury management activity but also the impact of favourable investment decisions during 2023/24.

This is the first time that a pension asset has been created. In the preparation of the Statement of Accounts, an asset ceiling report was commissioned to allow management to assess how the balance should be recognised and disclosed in the accounts. Based on the information in the asset ceiling report, an adjustment has been applied to recognised an additional liability. This is because the economic benefit available as a reduction in future contributions is lower there is an additional liability to account for the effect of the asset ceiling.

Reconciliation of the present value of the scheme liabilities (Defined Benefit Obligation)

	Funded Liabilities Local Government Pension Scheme 2023/24 £'000	Funded Liabilities Local Government Pension Scheme 2022/23 £'000
Opening Balance at 1st April	**(130,838)**	**(172,186)**
Current service cost	(1,792)	(3,526)
Past service cost (including curtailments)	(25)	(353)
Interest cost	(6,113)	(4,627)
Contributions from scheme participants	(562)	(513)
Remeasurement gain/(loss):		
Arising from changes in demographic assumptions	785	1,158
Arising from changes in financial assumptions	5,367	53,503
Other experience	(4,204)	(10,073)
Benefits paid	6,618	5,679
Unfunded benefits paid	103	100
Closing balance at 31st March	**(130,661)**	**(130,838)**

	2023/24	2022/23
Present value of Funded liabilities	**(129,577)**	**(129,672)**
Present value of Unfunded liabilities	**(1,084)**	**(1,166)**
Closing balance 31st March	**(130,661)**	**(130,838)**

The Local Government Pension scheme assets comprised:

-	Fair Value of Scheme Assets 2023/24 £'000			Fair Value of Scheme Assets 2022/23 £'000		
Asset Category	**Quoted prices in active markets**	**Quoted prices not in active markets**	**Total**	**Quoted prices in active markets**	**Quoted prices not in active markets**	**Total**
Debt Securities:						
Corporate Bonds - investment grade				-	-	-
Corporate Bonds - non investment grade				-	-	-
UK Government				-	-	-
Other				-	-	-
Private equity:						
All		3,319.5	3,319.5	-	2,340	2,340
Real Estate:						

UK Property	5,013.8	3,532.7	8,546.5	4,311	3,903	8,214
Overseas property	-	2,713.5	2,713.5	-	2,148	2,148
Investment Funds and Unit Trusts:						
Equities	-	83,696.7	83,696.7	-	78,673	78,673
Infrastructure	-	5,799.9	5,799.9	-	4,390	4,390
Bonds	10,161.9	14,923.3	25,085.2	7,861	13,255	21,116
Other		6,029.1	6,029.1	-	4,889	4,889
Derivatives:						
Foreign Exchange	135.7		135.7	-	-	0
Other				-	-	0
Cash & Cash equivalents:						
All	3,420.9		3,420.9	1,177	-	1,177
Totals	**18,732**	**120,015**	**138,747**	**13,348**	**109,597**	**122,945**

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

	2023/24 %	2022/23 %
Equity investments	64	65
Bonds	18	17
Property	8	9
Other	4	4
Infrastructure	4	4
Cash	2	1
Total	**100**	**100**

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

	Funded Assets Local Government Pension Scheme	
	2023/24 £'000	**2022/23 £'000**
Opening fair value of scheme assets 1st April	**122,945**	**128,819**
Interest income	5,883	3,430
Re-measurement gain/(loss):		
Return on plan assets (excluding the amount included in the net interest expense)	8,069	(5,907)
Contributions from employees into the scheme	562	513
Contributions from employer	7,906	1,769
Contributions from employer in respect of unfunded benefits	103	100
Unfunded benefits paid	(103)	(100)

Benefits paid	(6,618)	(5,679)
Closing fair value of scheme assets 31st March	**138,747**	**122,945**

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 upon assumptions about mortality rates, salary levels, etc.

It is expected that a standard roll-forward process to produce the asset and liability values which have a potential inaccuracy of up to 2-3% per year since the last triannual valuation date of 31 March 2022. Hence at 2024, there are two years uncertainty for our fund, resulting in around 4-6% maximum potential inaccuracy in the accounting results. It is not necessarily expected that the uncertainty would work in the same direction each year and the impact could be lower than 2% per year in many cases.

The Gloucestershire County Council pension fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 1 April 2022. The significant assumptions made in their calculations have been:

	Local Government Pension Scheme	
	2023/24	**2022/23**
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	21.6 years	21.7 years
Women	24.1 years	24.3 years
Longevity at 65 for future pensioners *		
Men	22.5 years	22.7 years
Women	25.7 years	25.9 years
Rate of pension increase / inflation (CPI)	2.80%	3.00%
Rate of increase in salaries	3.30%	3.50%
Rate for discounting scheme liabilities	4.80%	4.75%

* Future pensioners' numbers assume members aged 45 as at the last formal valuation date.

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

Sensitivity analysis
The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the 31 March 2024 and assumes for each change that the assumption analysed changes whilst all other assumptions remain constant. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous financial year.

Change in assumptions at year ended 31 March 2024	Approximate % increase to Employer	Approximate cost to Employer £000
0.1% decrease in Real Discount Rate	2.00%	2,081
1 year increase in member life expectancy	4.00%	5,226
0.1% increase in the Salary Increase Rate	0.00%	74
0.1% increase in the Pension Increase Rate	2.00%	2,043

The above figures have been derived based on the membership profile of the scheme as at the most recent actuarial valuation, being 31 March 2024.

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employer's contributions at as constant a rate as possible. Funding levels are monitored on an annual basis, with the most recent triennial valuation on 31 March 2022.

33. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2023/24 £'000	2022/23 £'000
Interest received	(858)	(775)
Interest paid	9,024	5,918

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

	2023/24 £'000	2022/23 £'000
Depreciation	(10,152)	(9,778)
Impairment and downward valuations	(1,399)	(157)
Amortisation	(174)	(191)
Increase (-) / decrease in creditors	1,989	26,641
Increase / decrease (-) in debtors	2,311	(7,179)
Increase / decrease (-) in inventories	(15)	12
Movement in pension liability	5,955	(3,233)
Carrying amount of non-current assets sold or derecognised	(2,085)	(2,699)
Other non cash items charged to the net surplus or deficit on the provision of services	(1,512)	(4,715)
	(5,082)	**(1,299)**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

	2023/24 £'000	2022/23 £'000
Proceeds from the sale of PPE, investment property and intangible assets	4,148	3,898

34. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2023/24 £'000	2022/23 £'000
Purchase of property, plant and equipment, investment property and intangible assets	24,891	22,001
Purchase of Investments	525	31,400
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,750)	(4,199)
Proceeds from the sale of short and long term investments	-	(31,100)
Other receipts from investing activites	(182)	(305)
Net cash (inflows) / outflows from investing activites	**20,484**	**17,797**

35. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2023/24 £'000	2022/23 £'000
Cash receipts of short and long term borrowing	(377,104)	(120,001)
Other receipts/payments for financing activities	(257)	(16,841)
Repayments of short and long term borrowing	354,884	116,576
Net cash flows from financing activites	**(22,477)**	**(20,266)**

THE COLLECTION FUND - INCOME AND EXPENDITURE ACCOUNT

The Collection Fund is an agent’s statement that reflects the statutory obligation of billing authorities (such as Cheltenham) to maintain a separate fund to record the collection and distribution of non-domestic rates and council tax.

2022/23 £'000		Note	2023/24 £'000
	INCOME		
85,798	**Council Tax**	(i)	90,117
51,990	**Non-Domestic Rates**	(iii)	59,060
	Contribution towards previous year's deficit		
15,747	Non-domestic rates		-
-	Council Tax		-
153,536	**Total Income**		**149,177**
	EXPENDITURE		
85,296	**Precepts & Demands from major preceptors and the Authority - Council Tax**	(ii)	89,894
	Non-Domestic Rates	(iii)	
25,275	Shares paid to county council and the billing authority		29,711
25,275	Payment of central share to government		29,711
-18	Transitional protection payments		-
	Interest on repayments		27
166	Charge payable to General Fund for Costs of Collection		168
	Impairment of debts for Council Tax		
196	Allowance for Impairment		50
	Impairment of debts/appeals for non-domestic rates		
915	Allowance for Impairment		1,699
	Contribution towards previous year's surplus		
493	Council Tax		287
	Non-domestic rates		1,858
137,597	**Total Expenditure**		**153,406**
15,939	**Surplus / (Deficit) for the Year**		(4,229)
(14,355)	Balance of fund at 1st April		1,583
1,583	**Balance of fund at 31st March**	(iv)	**(2,646)**

NOTES TO THE COLLECTION FUND

(i). COUNCIL TAX

Council Tax is a property based tax with various reductions being made for differing circumstances e.g. single occupancy (25% discount). The Valuation Office has valued all domestic property in the area as at 1st April 1991 prices and has placed them into one of eight bands. A factor is then applied to each band of that the tax base can be expressed as a "Band D" equivalent (see below). A Band D council tax for the council and each preceptor is then calculated by dividing their requirements (their demands and precepts). by the Tax Base. Council taxes for other bands are then calculated by multiplying the Band D tax by the relevant proportion shown below.

Band	Estimated Number of Properties in each Band (adjusted for discounts)	Ratio	Band "D" Equivalents
A Disabled	5.0	5/9	2.8
A	8,082.15	6/9	5,388.1
B	11,673.5	7/9	9,079.4
C	12,545.75	8/9	11,151.8
D	8,590.5	1	8,590.5
E	4,859.0	11/9	5,938.8
F	2,564.0	13/9	3,703.6
G	1,996.0	15/9	3,326.7
H	110.0	2	220.0
	50,425.90		47,401.7
Less Council Tax support (Band D equivalents)			-3,310.8
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 and 2nd homes (this amounts to 1% of the tax base)			-440.9
Council Tax Base for 2023/24			**43,650.0**

(ii). PRECEPTS & DEMANDS

	2023/24 £'000	2022/23 £'000
Gloucestershire County Council	66,512	63,024
Cheltenham Borough Council	10,074	9,730
Gloucestershire Police & Crime Commissioner	12,880	12,163
Charlton Kings Parish Council	213	177
Leckhampton with Warden Hill Parish Council	65	64
Prestbury Parish Council	107	97
Swindon Parish Council	12	12
Up Hatherley Parish Council	31	29
	89,894	**85,296**

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

(iii). NON-DOMESTIC RATES

The council collects non-domestic rates for its area based on business rateable values (as assessed by the Valuation Office) multiplied by a uniform rate set by the government. Certain reliefs are available and the figure shown is net of these reliefs.

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

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

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

The total non-domestic rateable value at 31st March 2024 was 148.335 million (£135.141 million at 31st March 2023) and the national non-domestic multipliers for 2023/24 were 54.6p (51.2 in 2022/23) (standard rate) and 49.9p (49.9p in 2022/23) (small business rate).

(iv). FUND BALANCE

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

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

	Borough Council share £'000	County Council share £'000	Police share £'000	Central Government share £'000	Total £'000
Council Tax					
Balance at 1st April 2023	**16**	**106**	**21**	**-**	**143**
Increase/decrease (-) in the year	(13)	(84)	(17)	-	(114)
Balance at 31st March 2024	**3**	**22**	**4**	**-**	**29**
Business Rates					
Balance at 1st April 2023	**576**	**144**	**-**	**720**	**1,440**
Increase/decrease (-) in the year	(1,646)	(412)	-	(2,057)	(4,115)
Balance at 31st March 2024	**(1,070)**	**(268)**	**-**	**(1,337)**	**(2,675)**
Fund Balance at 31st March 2024	**(1,067)**	**(246)**	**4**	**(1,337)**	**(2,646)**

GROUP ACCOUNTS

The Group Accounts bring together the council's accounts with its share of those of:

- Cheltenham Borough Homes Limited (CBH), a company limited by guarantee, in which the council is the sole member, and
- Gloucestershire Airport Limited, 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 show the full value of the council's investments in companies within the financial statements, since the council's shareholdings may not fully reflect its actual 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 IAS 27 and IFRS10, which require income and expenditure, assets and liabilities to be consolidated with the council's accounts on a line-by-line basis, eliminating inter-organisational transactions and balances. The operating income and expenditure of the company has been included within the local authority housing line in the Group Comprehensive Income and Expenditure Statement, before the net cost of services.

Gloucestershire Airport Limited has been categorised as a Joint Venture as any decisions regarding its operating and financial policies require the consent of another party in addition to the council (the company is 'jointly controlled'). The company's assets and liabilities have therefore been consolidated with the council's in accordance with IAS 28 and IFRS11, which require the Equity Method to be used. Under this method, the council's share of the operating results of the company before tax is reported as a separate line, after the net surplus or deficit on the provision of services, within the Group Comprehensive Income and Expenditure Statement. Any taxation payable is also disclosed as a separate line.

In the Group Balance Sheet the council's share of the joint venture's net assets are included as a long-term investment, matched by the council's share of the company's reserves, eliminating the share capital. There is no requirement to adjust for transactions incurred and balances held between the council and any joint venture companies.

STATEMENT OF ACCOUNTING POLICIES FOR THE GROUP ACCOUNTS

These are set out in note 1.29 on page 34.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2022/23				2023/24	
Gross expenditure	**Gross income**	**Net expenditure**		**Gross expenditure**	**Gross income**	**Net expenditure**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
			Continuing Operations			
4,003	(108)	3,895	Chief Executive	3,388	(357)	3,031
43,955	(38,717)	5,238	Finance and Assets Directorate	38,709	(31,862)	6,847
19,526	(7,406)	12,120	People and Change Directorate	21,628	(8,179)	13,449
21,068	(22,442)	(1,374)	Local Authority housing	22,959	(24,348)	(1,389)
88,552	**(68,673)**	**19,879**	**Cost of Services**	**86,684**	**(64,746)**	**21,938**
469	(1,325)	(856)	Other operating expenditure	507	(2,183)	(1,676)
11,909	(5,169)	6,740	Financing and Investment (income) and expenditure	8,521	(4,994)	3,527
19,439	(37,641)	(18,202)	Taxation and non-specific grant (income) and expenditure	21,767	(44,006)	(22,239)
120,369	**(112,808)**	**7,561**	**(Surplus) or Deficit on the provision of services**	**117,479**	**(115,929)**	**1,550**
		61	Share of (Surplus) or deficit of Joint Ventures			1,085
		71	Share of Tax expenses of Joint Ventures			(293)
		7,653	**Group (Surplus) or Deficit**			**2,342**
			Items that will not be reclassified to the (Surplus) or Deficit on the provision of services			
		(4,151)	(Surplus) or Deficit on revaluation of non-current assets (*note 33)*			(1,257)
		(50,231)	Remeasurement of the net defined benefit liability /(asset)			22,791
		-	Share of other comprehensive income and expenditure of Joint Ventures			-
		(54,382)	**Other Comprehensive (Income) and Expenditure**			**21,534**
		(46,689)	**Total Comprehensive (Income) and Expenditure**			**23,876**

The notes are shown on pages 17 – 88 and 98-104

GROUP BALANCE SHEET

This statement shows the value as at the balance sheet date of the assets and liabilities recognised by the group. The net assets of the group (assets less liabilities) are matched by reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves comprises those that the group is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences.

31 March 2023		Note	31 March 2024
£'000			£'000
475,685	Property, Plant & Equipment	43	489,259
41,932	Heritage Assets	19	41,932
65,268	Investment Property	21	63,936
776	Intangible Assets		670
7,343	Long Term Investments	45	7,862
10,544	Investments in Joint Ventures	39	9,754
8,084	Long Term Debtors	45	8,358
609,632	**Long Term Assets**		**621,771**
62	Short term Investments	26	67
2,163	Assets held for sale		1,588
154	Inventories		139
11,549	Short term Debtors	40	11,181
5,702	Cash and cash equivalents	41	6,399
19,630	**Current assets**		**19,373**
(992)	Bank overdraft	41	-
(65,195)	Short term borrowing	26	(70,224)
(18,713)	Short term creditors	42	(14,793)
(1,260)	Grants receipts in advance - capital	16	(700)
(1,789)	Grants receipts in advance - revenue	16	(1,534)
(690)	Provisions	30	(591)
(88,639)	**Current Liabilities**		**(87,842)**
(293)	Provisions	30	(505)
(114,931)	Long term borrowing	26	(132,547)
(1,230)	Grants receipts in advance - capital	16	(3,111)
(275)	Grants receipts in advance - revenue	16	(175)
(7,920)	Other long term liabilities	44	(24,832)
(124,649)	**Long term liabilities**		**(161,170)**
415,974	**Net Assets**		**392,132**
(14,663)	Usable Reserves	46	(12,388)
(401,311)	Unusable Reserves	48	(379,707)
(415,974)	**Total Reserves**		**(392,095)**

The notes are shown on pages 17 – 88 and 98-104

GROUP STATEMENT OF MOVEMENT IN RESERVES

This statement shows the movement in the year in the different reserves held by the group, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. A breakdown of the Total Comprehensive Income & Expenditure line is shown in the Group Comprehensive Income and Expenditure Statement, where the group surplus or deficit line shows the true economic cost of providing the group’s services.

	Total Authority Usable Reserves	Authority's share of Usable Reserves of subsidiaries and Joint Ventures	Total Group Usable Reserves	Total Authority Unusable Reserves	Authority's share of Unusable Reserves of subsidiaries and Joint Ventures	Total Group Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022	**20,956**	**1,783**	**22,739**	**344,643**	**1,897**	**346,540**	**369,279**
Movement in Reserves during 2022/23							
Total comprehensive Income & (Expenditure)	(5,698)	(1,994)	(7,692)	42,832	11,555	54,387	46,695
Adjustments between company reserves (Note 48)	-	1,874	1,874	-	(1,874)	(1,874)	-
Adjustments between accounting basis and funding basis under regulations (Note 5)	(2,255)	-	(2,255)	2,255	-	2,255	-
Increase / (decrease) in 2022/23	**(7,953)**	**(120)**	**(8,073)**	**45,087**	**9,681**	**54,768**	**46,695**
Balance at 31 March 2023	**13,003**	**1,663**	**14,666**	**389,730**	**11,578**	**401,308**	**415,974**
Movement in Reserves during 2023/24							
-							
Total comprehensive Income & (Expenditure)	(1,200)	(1,145)	(2,345)	(21,647)	113	(21,534)	(23,879)
Adjustments between company reserves (Note 48)		(92)	(92)		92	92	-
Adjustments between accounting basis and funding basis under regulations (Note 5)	159	-	159	(159)		(159)	-
Increase / (decrease) in 2023/24	**(1,041)**	**(1,237)**	**(2,278)**	**(21,806)**	**205**	**(21,601)**	**(23,879)**
Balance at 31 March 2024	**11,962**	**426**	**12,388**	**367,924**	**11,783**	**379,707**	**392,095**

The notes are shown on pages 17 – 88 and 98-104

GROUP CASH FLOW STATEMENT

The cash flow statement shows the changes in cash and cash equivalents of the group (excluding those of the joint venture Gloucestershire Airport Limited) during the reporting period. The statement shows how the group generates and uses cash by classifying cash flows as operating, investing and financing activities. Cash flows between the council/CBH Limited and the airport are included; cash flows between the council and CBH Limited are excluded.

	2023/24	
	£'000	**£'000**
Net (surplus) or deficit on the provision of services	1,695	
Adjust net surplus or deficit on the provision of services for non-cash movements and that are investing or financing activities (see below)	(1,664)	
Cash inflows generated from operating activities		31
Investing activities (see below)		20,758
Financing activities (see below)		(22,477)
Net (increase) / decrease in cash and cash equivalents		**(1,688)**
Cash and cash equivalents at beginning of the year		4,711
Cash and cash equivalents at end of the year (note 49)		6,399
Net increase / (decrease) in cash and cash equivalents		**1,688**

The notes are shown on pages 17 – 88 and 98 - 104

NOTES TO THE GROUP ACCOUNTS

These notes follow on from those of the council's single entity accounts above, since many of these are also applicable to the group accounts. Notes that are unique to the group accounts are shown below.

36. Cheltenham Borough Homes Limited

Cheltenham Borough Homes Limited (CBH) 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 operations on 1st April 2003, with a seven year contract to manage and maintain the council's social housing stock. The contract was renewed on 1st April 2010 for a further ten years. This was replaced by a new 30 year contract from 1st April 2015. The registered name of the company is Cheltenham Borough Homes Limited (Registration No. 04587658).

During 2010/11 the company commenced the construction of new rented housing stock to be owned and managed by the company. To facilitate this process the company set up a wholly owned subsidiary during 2009/10, the registered name of which is Cheltenham Borough Homes Services Limited (CBHS Limited) (Registration No. 07118944). The principal activity of CBHS is the supply of construction services to CBH.

The audited group accounts for CBH Limited (including CBHS Limited) show net liabilities at 31 March 2024 of £2.044 million (£2.426 million at 31 March 2023) and an after tax deficit of £0.495 million in the year to 31 March 2024 (£1.905 million in the year to 31 March 2023).

Since CBH's accounts show non-current assets at historic cost, the company's dwellings were re-valued at 31 March 2020 at Current value to bring them into line with the council's accounting policies. The Current value was assessed by internal and external valuers using the existing use value for social housing (EUV-SH) appropriate to the dwellings' tenure as affordable homes.

In October 2023, the Cabinet took the decision to wind up Cheltenham Borough Homes. The decision was taken by the Leader of the Council as shareholder representative. In July 2024, all the Cheltenham Borough Homes employees were TUPE transferred to the Council. The assets owned by Cheltenham Borough Homes remain within the company together with the associated income and expenditure. At January 2025, no timescale has been set for the winding up of the company and it continues as a going concern.

The full accounts of Cheltenham Borough Homes Limited and Cheltenham Borough Homes Services Limited for the year ending 31 March 2024 can be obtained from the Company Secretary at the company's registered office – Oakley Community Resource Centre, 113a Clyde Crescent, Cheltenham, GL52 5QJ.

39. Gloucestershire Airport Limited

Gloucestershire Airport Limited is a wholly owned local authority airport company which was voluntarily established during 1992/93 by Cheltenham Borough Council and Gloucester City Council, using powers available to them under the Airports Act 1986. This replaced the previous joint committee arrangements. The shares allotted were divided equally between the two councils. The market value of the shares is unknown as they are not listed, however their current fair value has been estimated and is included in the council's single entity accounts under long term investments: financial assets at fair value through other comprehensive income.

The registered name of the airport company is Gloucestershire Airport Limited (Registration No. 02774189). The audited accounts of the company show net assets at 31 March 2024 of £19.508 million (£21.090 million at 31 March 2023), and an after tax loss of £1.582 million for the year to 31 March 2024 (£0.265 million loss to 31 March 2023). The council's commitment to meet losses is limited to the shares that it holds.

The following table discloses the council's share of the airport's results and net assets.

	Gloucester-shire Airport Limited 2023/24 £'000	**Council's share 2023/24 £'000**	**Gloucester-shire Airport Limited 2022/23 £'000**	**Council's share 2022/23 £'000**
Turnover	5,074	2,537	5,195	2,598
Profit/(Loss) on ordinary activities before taxation	(2,169)	(1,085)	(123)	(62)
Less tax on profit on ordinary activities	586	293	(142)	(71)
Profit/(Loss) for the financial year after taxation	(1,582)	(791)	(265)	(133)

	Gloucester-shire Airport Limited 31 March 2024 £'000	**Council's share 31 March 2024 £'000**	**Gloucester-shire Airport Limited 31 March 2023 £'000**	**Council's share 31 March 2023 £'000**
Non-current Assets	42,046	21,023	42,271	21.135
Current Assets	3,026	1,513	2,377	1,189
Liabilities due within one year	(19,332)	(9,666)	(16,467)	(8,233)
Liabilities due after one year (excluding pensions)	(774)	(387)	(1,046)	(523)
Deferred tax liabilities	(5,458)	(2,729)	(6,045)	(3,023)

The airport did not pay any dividends in the year to 31 March 2024 (nil to 31 March 2023).

In 2024, both Cheltenham Borough Council and Gloucester City Council as joint shareholders of Gloucestershire Airport took the decision to sell their holdings in the business. The Airport is currently being marketed and a sale is expected to complete in the 2025/26 financial year.

The Airport's accounts for the year ended 31 March 2024 can be obtained from the Managing Director at the company's registered office - The Terminal Building, Staverton, Cheltenham, Gloucestershire, GL51 6SR.

40. Short term debtors

These are as stated in note 27 to the single entity statements, with the addition of CBH debtors (excluding those with the council), which are sundry debtors.

41. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

	31st March 2024 £'000	31st March 2023 £'000
Cash held by the council and subsidiaries	2	1
Bank current accounts of the council and subsidiaries	1,397	777
Short term deposits and money market funds	5,000	4,924
Cash and cash equivalent assets	**6,399**	**5,702**
Cash and cash equivalent liabilities - bank overdraft	-	(992)
Net Cash and cash equivalents per Cash flow Statement	**6,399**	**4,710**

42. Short term creditors

	31st March 2024 £'000	31st March 2023 £'000
Central Government Bodies	3,987	7,529
Other Local Authorities	1,083	1,663
Public corporations and trading funds	155	
Other entities and individuals-		
- Council Taxpayers	132	155
- Business Ratepayers	2293	2080
- Ubico Limited	293	403
- Housing Rents	569	1557
- Sundry Creditors	6,281	5,326

44. Group Property, Plant & Equipment

2022/23								2023/24						
Dwellings £'000	Other Land and buildings £'000	Vehicles, Plant and equipment £'000	Community assets £'000	Surplus assets £'000	Assets under construction £'000	Total £'000		Dwellings £'000	Other Land and buildings £'000	Vehicles, Plant and equipment £'000	Community assets £'000	Surplus assets £'000	Assets under construction £'000	Total £'000
							Cost or valuation							
261,300	141,181	7,142	148	45,335	10,780	465,886	At 1 April	266,335	144,991	7,042	151	41,527	13,961	474,007
							Adjustments to Balance Sheet b/fwd		(4)			10		
13,073	1,028	1,365	3		3,200	18,669	Additions	17,445	299	1,373	101		6,189	25,407
							Revaluation increases / (decreases)							
(6,368)	1,205	-	-	(4)	-	(5,167)	recognised in the Revaluation Reserve	(10,889)	3,546	-	-	(338)	-	(7,681)
							Revaluation increases / (decreases)					(1,302)		
							recognised in the surplus / deficit on							
		-	-		-	-	the provision of services		9	-	-		-	[illegible]
(1,689)	(314)	(1,465)	-	(130)	-	(3,598)	Derecognition - disposals	(1,092)	(117)	(1,031)	-	(23)	-	[illegible]
-	-		-		-	-	Derecognition - other	-	-		-		-	-
-	-	-	-		-	-	Assets reclassified to/from held for resale	-	-	-	-		-	-
19	1,891	-	-	(3,674)	(19)	(1,783)	Other Reclassifications	3,203	-	-	-	(66)	(3,210)	(73)
266,335	**144,991**	**7,042**	**151**	**41,527**	**13,961**	**474,007**	**At 31 March**	**275,002**	**148,724**	**7,384**	**252**	**39,808**	**16,940**	**489,406**
							Accumulated Depreciation and Impairment							
(70)	(3,740)	(4,423)	(1)	(10)	(150)	(8,394)	At 1 April	(111)	(3,345)	(3,970)	(1)	(133)	(308)	(7,868)
							Adjustments to Balance Sheet b/fwd		4			133		
(5,338)	(3,426)	(436)	-	(157)	-	(9,357)	Depreciation charge	(5,549)	(3,456)	(505)	-	(225)	-	(9,735)
							Depreciation written out to the							
5,401	3,507	889	-	31	-	9,828	Revaluation Reserve	5,549	3,435	61	-	14	-	9,059
		-					Depreciation written out to the surplus/			-				
	314	-	-	3	-	317	deficit on the provision of services			-	-	10	-	10
(104)			-	-	(158)	(262)	Impairments	-	6		-	-	(99)	(93)
(111)	**(3,345)**	**(3,970)**	**(1)**	**(133)**	**(308)**	**(7,868)**	**At 31 March**	**(111)**	**(3,356)**	**(4,414)**	**(1)**	**(201)**	**(407)**	**(8,627)**
266,224	**141,646**	**3,072**	**150**	**41,394**	**13,653**	**466,139**	**Net Book Value at 31 March**	**274,891**	**145,368**	**2,970**	**251**	**39,607**	**16,533**	**479,620**

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In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has determined in accordance with Regulation 30M of the Local Authorities Capital Finance and Accounting England (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Infrastructure Assets	2022/23	2023/24
	£'000	£'000
Opening Net Book Value	9,657	9,544
Additions	356	585
Depreciation charged in the year	(469)	(491)
Closing Net Book Value	**9,544**	**9,638**

Total Property, Plant & Equipment reported on Balance Sheet	2022/23	2023/24
	£'000	£'000
Council dwellings; Other Land & Buildings; vehicles plant and equipment; community, surplus and assets under construction	466,139	479,620
Infrastructure Assets	9,544	9,638
Non-current assets Net Book Value	**475,683**	**489,258**

44. Other Long term liabilities

These comprise the group pension fund liabilities of Cheltenham Borough Council and Cheltenham Borough Homes Limited (CBH). Further details of the council's liabilities are included in note 32 on pages 82 - 87 and for CBH in their accounts.

45. Long term investments and Long term debtors

Long term investments differ from note 26 in the single entity accounts by the fair value of the shares in Gloucestershire Airport Limited, which is replaced in the group accounts by a long term investment in the Airport equivalent to a 50% share of the company's net assets, shown immediately below long term investments.

Long term debtors differ from note 26 in the single entity accounts by the elimination on consolidation of the loans and investments to CBH Limited of £7.848 million.

46. Usable Reserves

These are detailed in the Group Movement in Reserves Statement.

47. Group Movements in the Movement in Reserves Statement

Adjustments are required between group usable and unusable reserves:

- for the receipt by CBH of social housing capital grants, which in the company accounts remain in the Income and Expenditure Reserve but in the group accounts are reversed out to the Capital Adjustment Account, as they have been used to finance newly constructed properties
- for the value of land donated to CBH by the council, which in the company accounts has been credited to Income and Expenditure Reserve but in the group accounts are eliminated as inter-organisational transactions within the Capital Adjustment Account
- for revaluation gains or losses arising from the difference between the cost of CBH properties shown in the company accounts and their existing use for social housing value (EU-SH) included in the Group Balance Sheet.

48. Unusable Reserves

	31st March 2024 £'000	31st March 2023 £'000
Revaluation Reserve	(195,452)	(196,408)
Capital Adjustment Account	(213,431)	(211,773)
Financial Instruments Adjustment Account	1,019	1,165
Financial Instruments Revaluation Reserve	167	167
Pooled Funds Adjustment Account	721	715

Collection Fund Adjustment Account	1,067	(592)
Pensions Reserve	28,725	7,891
Deferred Capital Receipts Reserve	(2,647)	(2,620)
Accumulating Compensated Absences Adjustment Account	124	144
Total Unusable Reserves	**(392,095)**	**(401,311)**

49. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2023/24 £'000	2022/23 £'000
Interest received	(582)	(495)
Interest paid	9,024	5,918

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

	2023/24 £'000	2022/23 £'000
Depreciation	(10,455)	(10,051)
Impairment and downward valuations	(1,399)	(157)
Amortisations	(206)	(216)
Increase (-) / decrease in creditors	906	26,881
Increase / decrease (-) in debtors	3,121	(7,396)
Increase / decrease (-) in inventories (stock)	(15)	12
Movement in pensions	5,844	(4,928)
Carrying amount of non-current assets sold or derecognised	(2,085)	(2,699)
on the provision of services	(1,523)	(5,001)
	(5,812)	**(3,555)**

50. Cash Flow Statement – Investing Activities

	2023/24 £'000	2022/23 £'000
Purchase of property, plant and equipment, investment property and intangible assets	25,017	22,186
Purchase of Investments	525	31,400
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,750)	(4,199)
Proceeds form the sale of short and long term investments	-	(31,100)
Other receipts from investing activities	(34)	(161)
	20,758	**18,126**

51. Cash Flow Statement – Financing activities

	2023/24 £'000	2022/23 £'000
Cash receipts of short and long term borrowing	(377,104)	(120,001)
Other receipts for financing activities	(257)	(16,841)
Repayments of short and long term borrowing	354,884	116,576
	(22,477)	**(20,266)**

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

The Housing Revenue Account (HRA) reflects a statutory obligation to keep a separate revenue account for the provision and maintenance of council owned houses and flats. The HRA Income and Expenditure Statement shows the cost in the year of providing these housing services.

	2023/24	2022/23
	£'000	**£'000**
Expenditure		
Repairs and Maintenance	5,764	4,861
Supervision and Management	9,264	8,203
Rents, Rates, Taxes and Other Charges	158	116
Depreciation and Impairment of Non-current Assets	6,310	5,748
Debt Management Costs	104	95
Movement in Bad Debts	198	53
Total Expenditure	**21,798**	**19,076**
Income		
Dwelling Rents	(21,895)	(20,390)
Non-dwelling Rents	(248)	(241)
Charges for services and facilities	(921)	(636)
Contributions towards expenditure	(658)	(594)
Total Income	**(23,722)**	**(21,861)**
Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement	**(1,924)**	**(2,785)**
HRA share of Corporate and Democratic core	308	176
Net cost of HRA Services	**(1,616)**	**(2,609)**
HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
Gain on sale of HRA Non-current Assets	(1,821)	(1,133)
Interest Payable and Similar Charges	2,760	2,017
Interest and Investment Income	(62)	(45)
Revenue Grants Receivable	(32)	-
Capital Grants and Contributions Receivable	(3,801)	(1,195)
Surplus for the Year on HRA Services	**(4,572)**	**(2,965)**

MOVEMENT ON THE HRA STATEMENT

This statement shows how the surplus or deficit on the HRA Income and Expenditure Statement reconciles to the movement in the Housing Revenue Account Balance, which is governed by statute.

	2023/24 £'000	2022/23 £'000
Balance on the HRA at the end of the previous year	**1,504**	**2,324**
Surplus for the year on the HRA Income and Expenditure Statement	4,572	2,965
Adjustments between accounting basis and funding basis under statute (note 1)	(5,140)	(3,785)
Increase / (decrease) on the HRA	**(568)**	**(820)**
Balance on the HRA at the end of the current year	**936**	**1,504**

NOTES TO THE HRA STATEMENTS

1. Adjustments between accounting and funding basis under the legislative framework

	2023/24 £'000	2022/23 £'000
Items included in the HRA Income and Expenditure Account but excluded from the Movement in the HRA Balance		
Capital contributions applied	(3,801)	(1,195)
(Gain)/loss on sale of HRA non-current assets	(1,821)	(1,133)
Movements in the fair value of assets	482	157
	(5,140)	**(2,171)**
Items not included in the HRA Income and Expenditure Account but included in the Movement in the HRA Balance		
Capital expenditure funded by the HRA	-	(1,614)
Net adjustments between accounting basis and funding basis under the regulations	**(5,140)**	**(3,785)**

2. Housing Stock

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

Type	Total at 1st April 2023	Additions	Sales	Total at 31st March 2024
Houses and Bungalows	2,085	32	11	2,106
Flats	2,431	14	6	2,439
Shared Ownership (flats)*	15	1	1	15
Shared Ownership (houses)*	2	3	-	5
Total Stock	**4,533**	**50**	**18**	**4,565**

*Council share of shared ownership properties.

3. HRA Non-Current Assets

The non-current assets included in the Balance Sheet that relate to the HRA are shown below:

	1st April 2023 £'000	Revaluations/ Impairments £'000	Additions £'000	Reclass-ifications £'000	Disposals £'000	Depreci-ation £'000	31st March 2024 £'000
Dwellings	256,672	(5,341)	17,445	3,203	(1,092)	(5,548)	265,339
Assets under construction	5,726	(106)	2,690	(3,203)	-	-	5,107
Garages*	2,344	-	-	-	-	(36)	2,308
Other land and buildings	1,344	-	2	-	-	(11)	1,335
Infrastructure	5,266	-	417	-	-	(211)	5,472
Surplus assets	13,712	(482)	-		(23)	(20)	13,187
Equipment	11	-	-	-	-	-	11
Intangible Assets	6	(1)	-	-	-	-	5
Total non-current assets	**285,081**	**(5,930)**	**20,554**	**-**	**(1,115)**	**(5,826)**	**292,764**

*Garages are included in Other Land & Buildings on the Balance Sheet.

4. Impairment and Revaluation of Non-Current Assets

HRA dwellings are revalued every five years (the last revaluation was undertaken as at 31st March 2020). In interim years the dwelling valuation is updated by the movement in the house price index for Cheltenham published by the Land Registry. The valuation is at Existing Use Value for Social Housing (EUV-SH) or market value (MV) adjusted by a factor to reflect the fact that the properties are socially rented. The adjustment factor is published by the Department for Communities and Local Government and is set regionally. The south-west adjustment factor is currently 35% of Market Value.

5. Dwellings Valuation

The vacant possession value of dwellings within the HRA (i.e. their value without secure tenants) at 1st April 2024 was £758,111,409.

The difference between the vacant possession value and the lower Balance Sheet valuation (existing use value for social housing (EUH-SH)) measures the economic cost of providing council housing at less than open market rents.

6. Major Repairs Reserve

An analysis of the movements on the reserve during the year is shown below:

	£'000
Balance 1st April 2023	-
Transfer to reserve	5,826
Financing of HRA capital expenditure	(5,826)
Balance 31st March 2024	**-**

7. HRA Capital Expenditure

A summary of HRA capital expenditure and sources of finance for 2023/24 is shown below:

Category	Total Expenditure £'000	Major Repairs Reserve £'000	Capital Receipts £'000	Capital Conts £'000	Grants £'000	Loans £'000	Commuted Sums £'000
New Build	2,690	-	3	-	-	2,687	-
Acquisitions	7,689	-	1,074	-	2,328	4,251	36
Major repairs & improvements	9,756	5,824	534	257	1,181	1,960	-
Garages	2	2					
Infrastructure	417	-	-	-	-	417	-
Total	**20,554**	**5,826**	**1,611**	**257**	**3,509**	**9,315**	**36**

8. HRA Capital Receipts

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

	2023/24 £000	2022/23 £000
Sales of Dwellings	2,072	2,456
Sale of Shared Ownership Flats/Houses	49	357
Sales of Land	868	32
Total	**2,989**	**2,845**

9. Rent Arrears

Rent arrears at 31st March 2024 amounted to £764,505 (£725,325 as at 31st March 2023) and the Balance Sheet includes a bad debt provision of £473,000 relating to those arrears (£420,000 as at 31st March 2023).

10. Interest and Investment Income

This includes £62,355 interest from notional cash balances (£45,150 in 2022/23)

GLOSSARY OF FINANCIAL TERMS

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

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

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

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

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.

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

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

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

Billing Authority The authority that sets council tax and collects it from council tax payers.

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

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

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

Capital Financing 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 contributions from revenue accounts, the proceeds from the sale of capital assets, and capital grants and contributions from developers or others.

Capital Financing Requirement The capital financing requirement measures the council's underlying need to borrow for capital purposes.

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

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

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

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

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

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

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

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

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

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

Creditors	Amounts owed by the council for work done, goods received or services rendered within the accounting period, but for which payment was not made at the balance sheet date.
Current Assets	Assets which can be expected to be consumed or realised during the next accounting period.
Current Liabilities	Amounts which will become due or could be called upon during the next accounting period.
Debtors	An amount due to an organisation within the accounting period not received at the balance sheet date.
Depreciation	A charge made to the revenue account each year that reflects the reduction in value of assets used to deliver services. This is the loss in value of an asset, owing to age, wear and tear, deterioration, or obsolescence.
Employee Costs	These include salaries, wages and employers' national insurance and pension contributions, together with training expenses and charges relating to the index-linking of pensions of former employees.
Estimates	Original estimate: the estimate for the new year approved before the start of the financial year, usually at the previous November's price levels. Revised estimate: the original estimate for the year updated by price changes since it was prepared and by supplementary estimates and virements.
Final Accounts	Accounts prepared for an accounting period, usually in a summarised form. They include a statement showing the net surplus (profit) or deficit (loss) on the provision of services and a balance sheet. They are produced as a record of steward-ship for interested parties. Local authorities are required by the Accounts and Audit Regulations 1993 (as amended) to publish a Statement of Accounts at the end of each financial year.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee (the person or organisation leasing the asset).
Financial Year	The local authority financial year commences on 1st April and finishes on 31st March in the following year.
Government Grants	Grants made by the Government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some Government grants have restrictions on how they may be used, whilst others are general purpose.
Impairment	Impairment of an asset is caused by a consumption of economic benefits (e.g. physical damage such as an office fire) or a deterioration in the quality of service provided by the asset (e.g. an industrial unit closing and becoming a storage facility), or by a general fall in prices of that particular asset or class of assets.
Interest	An amount received or paid for the use of a sum of money when it is invested or borrowed.
International Financial Reporting Standards (IFRS)	Provide the required accounting treatment and disclosure of transactions so that an organisation's financial statements present fairly the financial position of the organisation.

Inventories
Items of raw materials and stores a council has purchased to use on a continuing basis but which have not yet been used.

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.

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

Minimum Revenue Provision (MRP)
The minimum amount which must be charged to a council's revenue account as a contribution towards the reduction in its overall borrowing requirement. The amount represents that which the council 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 rate (multiplier) is set annually by central government and is applied to the rateable value of a business to calculate the non-domestic rates collected by Billing Authorities. The rates collected are shared between central government, district and county councils in statutory proportions.

Non-Current Asset
Assets which can be expected to be of use or benefit to the council for more than one accounting period.

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

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

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

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

Revenue Expenditure funded from capital under statute (REFCUS)
Expenditure which can by law be financed from capital resources (e.g. capital receipts) but which does not result in a non-current asset for the authority e.g. renovation grants.

Revenue Support Grant
A general grant paid by central Government to local authorities to provide the services that it is responsible for delivering.

Subsidiary
An entity is a subsidiary of the reporting council if the council 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.

CHELTENHAM
BOROUGH COUNCIL

Annual Governance Statement

2023/24

1. Scope of Responsibility

Cheltenham Borough Authority ("the authority") is responsible for ensuring that:

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

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

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

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

In addition to this, CIPFA issued its "Statement on the Role of the Chief Finance Officer in Local Government (2015)*"*. The Annual Governance Statement (AGS) reflects compliance with that Statement for reporting purposes. The Executive Director Finance and Assets is the Statutory Section 151 Officer (S151 Officer) for Cheltenham Borough Council.

In February 2021 CIPFA published Bulletin 06, the Application of the Good Governance Framework 2020/21, which contains guidance concerning the impact of the continuing Covid-19 pandemic on governance in local government bodies and the requirements of the Delivering Good Governance in Local Government Framework 2016 CIPFA and Solace (the Framework). It also takes into account the introduction of the CIPFA Financial Management Code 2019 (FM Code) during 2020/21. This AGS has been prepared taking into account this latest guidance.

2. Purpose of Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled including activities through which it is held accountable by, engages with and leads its communities. 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 the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to:

- Identify and prioritise the risks to the achievement of the authority's policies, aims and objectives;
- Evaluate the likelihood of those risks occurring;

- Assess the impact should those risks occur; and
- Manage the risks efficiently, effectively and economically

The governance framework has been in place at the authority for the year ended 31 March 2024 and up to the date of approval of the Annual Statement of Accounts.

3. Governance Environment

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

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

4. Principles Framework

The main areas of the authority's governance framework and the assurance on compliance are set out over the next pages under the headings of the core principles and sub-principles from the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016).

Governance Principle	Sub-Principle	Assurance on Compliance
Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	**Behaving with integrity**	• The political and executive leadership sets the tone for CBC and ensures that the required policies are put into place and monitored. • The Council's Constitution sets out how decisions are made and the procedures that are followed to ensure these are efficient, transparent and accountable to local people. • Statutory Officers' responsibilities are defined in the Constitution and are employed in accordance with statutory guidance. • The Employee Code of Conduct forms part of the Constitution and sets out the behaviours expected of employees. • The Members' Code of Conduct forms part of the Constitution sets out the standards of conduct expected by Members of the Council. • The Planning Code of Conduct and Probity in Licensing, both of which were reviewed and updated December 2023, supplement the Members Code of Conduct and set out the standards of condu expected from members dealing with planning and licensing matters. • The Protocol for Member/Officer Relations is designed to guide Members and Officers of the Council their relations with one another to maintain the integrity of local government. • The standards committee is in place to promote and maintain high standards of conduct and to assist Members and Co-opted Members to observe the Code of Conduct.
	Demonstrating strong commitment to ethical values	• In accordance with the Localism Act 2011 we have adopted a Code of Conduct for our Councillors that is in keeping with the general principles of public life and based upon the Local Government Association Model. All Councillors and co-opted Members undertake that they will observe the Code of Conduct. • All members keep their register of interests up to date. The registers are available for public viewing either at the Council Offices or via the website. • Members are required to declare relevant interests at meetings and these are recorded in the minutes. • The Employee Code of Conduct provides guidance to our employees on the ethical framework within which we seek to conduct its activities; and on the processes that the Council uses to ensure compliance with the highest ethical standards. • A register of gifts and hospitality is maintained for both Officers and Members.

	Respecting the rule of law	• The roles and responsibilities of Members and all holders of an office are set out in the authority's Constitution. • Codes of Conduct set out the standards of behaviour that are expected of our Councillors and Officers. Should these standards be breached they will be dealt with, either through the standards Committee or, in relation to Officers, action taken under our capability and/or disciplinary procedures. • The Whistleblowing Policy adopted by the Council ensures its effectiveness from a safeguarding perspective and to make it easier for staff to raise concerns about malpractice or illegal activity. The Policy contains clear guidance about how to report a concern, who to contact and sources of internal and external support. • Internal audit reviews are designed to ensure services are complying with internal and external policies and procedures and statutory legislation. Where non-compliance is identified, this is reported to management and to Members via the Audit, Compliance and Governance Committee. • CBC work with a Gloucestershire wide Counter Fraud and Enforcement Unit to help prevent and detect fraud and corrupt practices, including abuse of position. The service reports to the Audit, Compliance and Governance Committee twice a year. • Throughout 2022/23 the Counter Fraud and Enforcement Unit has worked closely with our Revenues and Benefits team to ensure that all energy support grants put in place have sufficient pre and post payment checks and controls in place to give assurance that the COVID19 grants were paid in accordance with the eligibility criteria.

Governance Principle	Sub-Principle	Assurance on Compliance
Principle B - Ensuring openness and comprehensive stakeholder engagement	**Openness**	• The annual accounts are published in a timely manner and in accordance with specified timescales so that the financial position and performance of the authority is open to public scrutiny. • Committee meetings, agendas and minutes are published in accordance with the Forward Plan and publication of agendas is done in accordance with the Local Government Act 1972. • Council, Cabinet and Committee reports clearly outline their purpose, so the public can understand what the decision is aiming to achieve. • Council, Cabinet and Committee reports address financial, legal, equalities, risk and sustainability implications to allow public scrutiny and aid Members in their decisions making. • All public meetings that take place in the council chamber are webcast live to the council's YouTube channel. All recordings are available to view for a period of 4 years from the date of the meeting.

		• Members and the public are able to ask questions at Council, Cabinet and the Overview and Scrutiny Committee. Processes are in place which facilitate public participation at Audit, Licensing and Planning Committee meetings. All meetings are held in public unless exempt business is under discussion. • CBCs petition scheme makes provision for the submission of petitions • Overview and Scrutiny committee promotes open and transparent decision-making, democratic accountability and holds the Cabinet to account for its decisions. • Officer and individual Portfolio Holder decisions are published on our website • Transparency data is published on the website and includes supplier payments, senior management structure charts, annual pay policy statement, and our gender pay gap report for the previous financial year. Where data is not available in the published data sets, instructions are available on how to make a Freedom of Information Request and the procedure that will be followed to answer the request.
	Engaging comprehensively with institutional stakeholders	• We engage with large numbers of stakeholders through forums such as Leadership Gloucestershire, Southwest Councils and the Local Government Association. • We have a comprehensive engagement system with statutory stakeholders such as the NHS, Gloucestershire County Council and the Gloucestershire Police. • We are members of the District Councils' Network (DCN) a cross-party member led network of councils. • We engage with further subject based stakeholders particularly around economic development such as the Cheltenham BID, The Cheltenham Economic Advisory Board, The Cheltenham Culture Board and our partners in the Golden Valley Project. We hold a statutory responsibility around the duties of the Community Safety Partnership, made up of both statutory agencies and co-operating bodies within the borough and the county (known as the 'responsible authorities') • As part of the budget setting process consultation takes place through the authority's website and by attendance at meetings of the parish councils and business community by the Deputy Chief Executive and Cabinet Member Finance / Leader of the Council. • Engagement with staff happens in a number of ways; whole authority staff sessions, directorate team meetings, monthly managers meetings and one-to-one meetings • We have an active C5 group that regularly brings together the five parish councils of Cheltenham to discuss shared issues, opportunities and challenges.

	Engaging with individual citizens and service users effectively	• Local focus and community group engagement are undertaken by our communities and partnership team with wider engagement taking place across our service areas. • Our Solace Partnership comprising of Cheltenham Borough Council, Gloucester City Council and Gloucestershire Constabulary come together with communities to prevent, investigate and tackle anti-social behaviour (ASB) in Cheltenham and Gloucester. • The Communications team and our Marketing Cheltenham Team ensure that specific matters are placed in the media and engage with the media over enquiries on specific matters. • Engagement and consultation with the public is undertaken through public meetings, surveys and other mechanisms as required throughout the year or around specific topics, e.g. Cheltenham Plan. • A Statement on Community Involvement is approved which sets out the opportunities by which the public and organisations can engage with the planning system, including the procedures and methods used to consult on planning applications. • Our resident survey provides an opportunity for residents to feed back on the services we provide. • Planning has a particular focus on engagement with statutory consultation forming part of each planning proposal. • We have a customer feedback policy and process which enables residents to provide feedback, to rai complaints or provide us with a compliment.

Governance Principle	Sub-Principle	Assurance on Compliance
Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits	**Defining outcomes**	• Our Corporate Plan sets out CBC's purpose, principles and priorities for the future, developed to make the biggest difference to Cheltenham's communities, businesses and residents, in line with Cheltenham's place vision. • The Borough has a statutory development plan in place made up of the Gloucester, Cheltenham and Tewkesbury Joint Strategic Plan (adopted 2017) and The Cheltenham Plan (adopted 2020), together these plans make provision for the long term growth of our area delivering sustainable, social and environmental benefits across the Borough up to 2031. • The Council is updating its Local Development Scheme, which sets out the key milestones for the preparation of its statutory development plan, as required by the Planning and Compulsory Purchase Act 2004 (as amended).

	Sustainable economic, social and environmental benefits	• Our pathway to Net Zero sets out our aims to achieving our target of CBC and Cheltenham becoming carbon neutral by 2030. • We actively monitor our progress against this pathway and publish our key achievements. We also report our scope 1, 2 and 3 emissions. • CBC have developed an award winning environmental impact assessment tool which ensures that the environmental impacts of all new projects and policies are properly assessed. The result of the assessment are captured within decision making reports to facilitate informed decision making. • We are committed to social value and how we can drive this through our own procurement, decision-making and project delivery. A social value charter will be prepared over 2023 and best practice is being developed through the Golden Valley programme.

Governance Principle	Sub-Principle	Assurance on Compliance
Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes	**Determining interventions**	• A mixed economy approach to service delivery is in place to deliver the priority outcomes of Members. • To operate within a more constrained financial cost base CBC has over a number of years created a number of new organisations to deliver services once provided in house. • Each partner service is assigned a client officer who undertakes frequent and direct liaison with the service provider and monitors the contract performance and delivery. • A member of the Leadership Team holds accountability for these services and provides the strategic guidance and support to the client officers. • The Leadership Team and client officers keep relevant Cabinet members apprised of commissioned service performance as well as Cabinet Members being engaged directly in performance meetings with commissioned service providers. • Regular Peer Reviews are undertaken for quality assurance with the most recent being in July 2023 with a follow up in February 2024. • CBC have an Overview and Scrutiny Committee whose role it is to deliver measurable outcomes which benefit the effectiveness of the Authority and the community.
	Planning interventions	• Performance, audit, risk, finance information and contract management is used to identify areas of concern and plan required interventions. • Corporate risks are considered by the Leadership Team on a monthly basis. • Operational risks are monitored and managed at Manager level. • Any strategic risks scoring 16 or more are escalated to the corporate risk register discussed by the Leadership Team and considered by members of the Cabinet.

		• Our Leadership Team has strategic oversight of major issues affecting the Council with a well-developed forward plan. • Budget monitoring is designed to capture and incorporate internal & external factors and to enable the authority to respond appropriately.
	Optimising achievement of intended outcomes	• We continue to work on achieving the aims of our commercial strategy that sets out the authority's ambition to be an enterprising and commercially focused authority. • CBC's approach to drive down the Council's net costs and increase income via a commercial mind-set with the aim to hold down council tax as far as possible, now and in the longer term helps the Authority protect frontline services. • Following the refresh of the Corporate Plan for 2023-2027, the drive towards financial sustainability includes the review and re-alignment of our resources to ensure the key priorities are able to be delivered over this period. The Deputy Chief Executive oversees all commercial work to ensure it fits with our role as a council and within our financial framework. • CBC's Capital Strategy 2024 to 2025, Investment Strategy 2024 to 2025 and Treasury Management Strategy 2024 to 2025 were refreshed and approved by full council in February/March 2024. • The authority's budgets are prepared annually in accordance with objectives, strategies and the MTFS is finalised following consultation with Members, customers, stakeholders and officers. • Financial stewardship in respect of both capital and revenue proposals is reviewed and challenged by the Budget Scrutiny Working Group and considered regularly by the Leadership Team. • The MTFS is a live document and is updated as necessary, to respond to the changing environment and in such circumstances would be discussed by the Leadership Team to determine any necessary mitigating actions that would then be discussed with the Cabinet.

Governance Principle	Sub-Principle	Assurance on Compliance
Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it	**Developing the entity's capacity**	• The Chief Executive is responsible for the organisation of the staff. • Leadership and Management is delivered through the Leadership Team consisting of the Chief Executive, Deputy Chief Executive and Directors to ensure proper oversight of the whole business. The Leadership Team meet once a week and a have leadership / manager briefing on a monthly basis which sit alongside departmental management team meetings. Monthly all staff webinars are in place and are utilised not only for knowledge sharing but as a development opportunity on a wide range of topics e.g. change management. • 1:1 conversations are held with our people about performance and development. • During 2023/24 we continued to work on our organisational review to ensure our resources were structured to deliver our corporate plan

		• In October 2023 the Cabinet agreed that the Council should return its housing services in-house and wind up its ALMO, Cheltenham Borough Homes. Work on organisational capacity is of vital importance during this transition and moving into the future • In 2023 the Council returned to an in-house HR Service, moving away from its previous approach of commission the service via Publica. • We have procured and installed a new digital platform aimed at improve services to our residents and businesses.
	Developing the capability of the entity's leadership and other individuals	• We have a programme of training available for both Councillors and Officers at all levels. • All new employees take part in an induction programme and ongoing staff development needs are identified through our system of 1:1 meetings • There is mandatory compliance training for all staff and members on key items and policies via our Learning Management System and this includes training on Equality, Diversity and Inclusion. • Professional members of staff are required to undertake additional training requirements (continuing professional development) as set by their professional bodies. • We continue to run a range of leadership programmes for our people designed to give them behaviours and skills for the future. • All new Members undertake a comprehensive Members induction programme that is delivered after each borough election • New Members are matched with a senior officer under a "buddy" system to provide practical support as they develop into their roles. • Training is provided for Members on an ongoing basis as appropriate and necessary. Members on certain committees (e.g. Planning and Licensing) are required to undertake initial and ongoing "top up" training in order to take their place on the committee. • In 2023 the Council established a member development to provide oversight to member induction and development. • The authority is a member of the Local Government Association who provide individual mentoring and support to Members and officers as necessary or requested.

Governance Principle	Sub-Principle	Assurance on Compliance
	Managing risk	• Our Risk Management Policy are in place and subject to regular review. Our risk maturity assessment assed us at Level 3. Work continue to develop in this area with a view to working towards Level 4.

Principle F - Managing risks and performance through robust internal control and strong public financial management		• Officers are required to maintain the CBC Service / Operational Risk Registers and the Leadership Team and Informal Cabinet reviews the corporate risk register on a monthly basis. • Any strategic level risks that score 16 or above are incorporated in the corporate risk register. • The Audit, Compliance and Governance Committee reviews and approves the Risk Management Policy on a regular basis. Risks are identified when undertaking Internal Audit reviews and reported when necessary. • A risk-based Audit Plan is drafted annually following consultation with Officers, Members and the Deputy Chief Executive The Audit Plan is approved at Audit, Compliance and Governance Committee prior to the financial year.
	Managing performance	• Organisational performance against the authority's corporate plan objectives is reviewed by the Leadership Team to ensure key programmes of work remain on track to achieve CBC goals and objectives. • Principal performance KPI's and targets are being developed throughout the organisation and captured within our organisational performance management system, Clearview. • Individual programmes and projects have their own targets and performance expectations and are reported via the programme/project boards as required. • Programmes and Projects are tracked through our Clearview system and reported to the Leadership Team.
	Robust internal control	• CBC corporate governance group meets on a quarterly basis, chaired by the Chief Executive and its attendees are the other statutory officers, internal audit, counter fraud, risk management and Huma Resources. • Assurance is gained through regular internal audits and reporting. • External Audit recommendations are reported to Audit, Compliance and Governance Committee following the completion of their annual audit process with follow-ups of recommendations also reported. Any recommendations are incorporated into the planning for the next years Audit. • Internal Audit is delivered through SWAP Internal Audit Services (SWAP) and processes ensure compliance with Public Sector Internal Auditing Standards. • Internal Audit agreed actions are followed up and reported to Audit, Compliance and Governance Committee with further follow up being reported where agreed actions have not been implemented in full. • Copies of all Internal Audit reports are provided to the Deputy Chief Executive and / or Monitoring Officer who ensures that other relevant Directors and Officers are made aware of any significant issues or recommendations.

		• Audit reports, once completed are discussed with the service manager. Executive summaries, including findings, and progress on the Annual Plan are reported to Audit, Compliance and Governance Committee, on a quarterly basis. • Agreed Actions made in audit reports are followed up one month after the agreed target implementation date. High priority agreed actions are reported to Audit, Compliance and Governance Committee with quarterly updates on progress. • A Counter Fraud and Enforcement Unit supports all the Gloucestershire Local Authorities, West Oxfordshire District Council and other third parties. Where investigations identify possible improvements to the internal control framework, the Counter Fraud and Enforcement Unit will liaise with the Internal Audit Team to ensure the improvements are followed up and implemented by Management.
	Managing data	• Our Data Protection Policy provides a framework for all other Information security and Information Management Polices all of which are available to all data users on the Councils intranet. • These policies also provides the responsibilities and accountabilities for the roles of the Data Protection Officer, Senior Information Risk Officer (SIRO) and the Single Point of Contact (SPoC). • All officers and Councillors are required to undertake mandatory e-Learning training on information governance. • The importance of reporting breaches of Data Protection legislation is well publicised and individual officers are welcomed when they come forward to report incidents. • The authority is part of the Gloucestershire Information Sharing Partnership. This will enable data to be shared when necessary. • Audit reviews ensure data is held securely whether electronic or hard-copy.
	Strong public financial management	• The Finance Strategy sets the overall direction for how we will fund our activities and invest in the future. • We have a budget setting process with the Budget and Medium Term Financial Plan decided annually by Council. • We have in place a statutory Section 151 Officer with finance teams that support the budget holders. • The MTFS is reviewed and updated on a regular basis so that Members and the Leadership Team are aware of the financial standing of the authority in terms of delivering against cost reduction or revenue raising targets. • Performance against budget is reported to Cabinet and any significant variances explained. • Financial Procedure Rules and Contract Procedure Rules are in place. • The Statement of Accounts is produced and published annually in accordance with statutory legislation.

		• The Treasury Management Panel, Asset Management Working Group and Budget Support Working Group all provide valuable input into the development of the councils overall financial position. • Aligned with the accounts the production of this Annual Governance Statement that identifies how the authority has met its governance reporting obligations.

Governance Principle	Sub-Principle	Assurance on Compliance
Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability	**Implementing good practice in transparency**	• Agendas for all Council meetings are publicly available on website and meetings are accessible on YouTube and promoted via social media. • Performance monitoring reports considered by Overview and Scrutiny are published on the authority's website in accordance with publication standards and guidelines. • Data in respect of transparency is published on the authority's website. • We have a Whistleblowing Policy in place.
	Implementing good practices in reporting	• We have in place comprehensive procedures for the making of decisions, either by Full Council, Committee, Cabinet or individual decisions made by Directors and Cabinet Members. • All reports are taken through Democratic Services and require clearance by Legal, Finance, HR and Property/Assets and risk and environmental implications for every report are identified. • Reports for Council, Committees and Cabinet business and minutes of these meetings are available o our website, save for reports which contain information that is exempt from publication.
	Assurance and effective accountability	• The Constitution sets out the executive arrangements and the roles and responsibilities of the Leader of the Cabinet, the Cabinet and each of the Portfolio Holders individually and the roles and responsibilities of other Council Members. • The Constitution sets out the functions of Council, Cabinet and the various committees. • We have an effective Overview and Scrutiny function whose responsibilities are also set out in the Constitution. • The principal roles and responsibilities of the Chief Executive and senior officers, including the Chief Financial Officer (Section 151 Officer) and the Monitoring Officer, are also set out in the Constitution. • Internal Audit processes ensure compliance with Public Sector Internal Auditing Standards. Internal Audit agreed actions are followed-up and reported to Audit Committee, further follow-up is planned if agreed actions have not been implemented in full.

5. Review of Effectiveness

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

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

- Directors complete an Annual Assurance Statement at the end of each financial year. These governance declarations provide appropriate management assurance that key elements of the system of internal control are in place and are working effectively and help to identify areas for improvement.
- Annual Assurance Statements are also completed by Client Officers in respect of external service providers, The Cheltenham Trust, One Legal, Publica, Ubico, SWAP and CBH.
- Where the assurance review highlights elements that do not fully or partially meet the systems of internal control then the Directors and Client officers explain what action needs to be taken within an agreed timeframe.
- Leadership Team review the Corporate Risk Register on a monthly basis and service risk registers are managed by each manager.
- The SWAP Assistant Director (Head of Internal Audit) provides the Audit, Compliance and Governance Committee, as the Committee charged with governance, with an Annual Opinion on the control environment of the authority, which includes its governance arrangements.
- Investigation of, and decisions on, allegations of failure to comply with Members Code of Conduct are considered and determined through processes involving the Monitoring Officer/Independent Person(s)/Standards Committee/Sub-Committee as set out in the Constitution.
- The Deputy Chief Executive ensures training and awareness sessions are carried out for the Audit, Compliance and Governance Committee periodically.
- The External Auditors present progress reports to the Audit, Compliance and Governance Committee. The Chief Executive and Deputy Chief Executive attend audit liaison meetings with the external auditors on a regular basis.
- The External Auditor's Annual Audit Letter and follow-up of management responses to issues raised in the Letter or other reports are overseen by the Audit, Compliance and Governance Committee.
- Performance with regard to achievement of corporate priorities, budgets and risk are reported and monitored as outlined in this statement.
- The Audit, Compliance and Governance Committee review the Annual Governance Statement.
- The Audit, Compliance and Governance Committee review the Annual Statement of Accounts and reports from both Internal Audit (SWAP) and External Audit, including quarterly progress reports.
- Council approves the annual budget, reviews and approves the Treasury Management Strategy.
- Internal Audit monitors the quality and effectiveness of systems of internal control. Audit reports include an opinion that provides management with an independent judgement on the adequacy and effectiveness of

internal controls. Reports including agreed actions for improvement are detailed in an action plan agreed with the relevant Director/Service Manager.

Audit statement – 'On the balance of our 2023/24 audit work for Cheltenham Borough Council, enhanced by the work of external agencies, I am able to offer a XXXXXX Assurance opinion in respect of the areas reviewed during the year.'

6. Governance Issues During 2022/23

In preparing the 2022/23 statement and reviewing the effectiveness of the governance arrangements the governance issues listed below were identified. Updates as to the progress are included within the table:

No.	Key Area of Focus	Planned Actions	Lead Officer	Progress
1.	Update our HR and ICT Policies	Complete a review of our HR and ICT policies to ensure they are fit for purpose and reflect current statutory requirements and best practice	Head of Corporate Services	Policy review/gap analysis completed, work to update all policies is not anticipated to be completed until the end of September due to bringing HR in house and the CBH transfer. Policy review work will now include bringing together CBC & CBH policies into 1 policy.
		Ensure that where appropriate HR and ICT policies are interconnected to ensure that appropriate procedures are in place concerning matters such as employee access to systems and data during periods of long-term sickness absence or when the subject of disciplinary investigations	Head of Corporate Services	Policy review/gap analysis completed, work to update all policies is not anticipated to be completed until the end of September due to bringing HR in house and the CBH transfer. Policy review work will now include bringing together CBC & CBH policies into 1 policy as well as considering ICT policies from Publica and CBH.
		Update our guidance on the use of personal devices for council business	Head of Corporate Services	To be completed by the end of September ensuring both CBC and CBH devices are covered by the policy.
2.	Develop our approach to Member Development	Set up a cross party member development working group	Corporate Director and Monitoring Officer	Complete – working group established and meeting regularly
		Develop a member development Strategy	Corporate Director and Monitoring Officer	This work now forms part of the member development work plan
		Prepare a comprehensive induction programme for implementation following the local elections in May 2024	Corporate Director and Monitoring Officer	Complete

		Work towards achieving the Member Development Charter status	Corporate Director and Monitoring Officer	Ongoing work with member development group
3.	Information Governance policies	Adopt the refreshed suite of policies	Corporate Director and Monitoring Officer	Complete
		Ensure staff are fully trained on the revised policies so that they can become fully embedded them within the organisation	Corporate Director and Monitoring Officer	Complete
		Conduct ICO Self-Assessments	Corporate Director and Monitoring Officer	Complete
4.	Equity, Equality, Diversity and Inclusion	Develop our approach to equality impact assessments	Corporate Director and Monitoring Officer	Draft new approach shared with O&S in February and Services Managers in March. New process will go live in May 2024.
		Create an EEDI action plan to demonstrate our compliance with the Public Sector Equality Duty	Corporate Director and Monitoring Officer	Draft action plan developed and reviewed by O&S and equality, diversity and inclusion working group. Now moving to consult with communities.
5.	Continue to develop our approach to project and programme management	Establish a dedicated corporate programme office	Head of Corporate Services	Programme Office Manager has now been appointed and taken up post
		Establish a project overview group to provide corporate oversight of projects, resources, risk and benefits realisation	Head of Corporate Services	Draft TOR produced and it is anticipated the formal group will be established in July post CBH transfer to ensure all projects/programmes covered. In the interim Leadership Team is taking oversight of projects and programmes.

7. Governance Issues During 2023/24

In preparing the 2023/24 statement and reviewing the effectiveness of the governance arrangements the following areas have been identified as areas of focus for the next financial year:

No.	Key Area of Focus	Planned Actions
1.	Transition of Cheltenham Borough Homes	• Ensure workstreams remain on track for transition to take place on 1 July • Establish appropriate governance arrangements to facilitate the transition, including relevant updates to the Constitution • Conduct a TUPE compliant transfer • Ensure compliance with new Housing Regulations, reporting regularly to relevant committee/Cabinet
2.	Strategic Procurement	• Recruit a new strategic procurement manager with a view to undertaking a review of the Councils procurement activities to identify best practice, value for money and delivery of social value

8. Approval of Leader and Chief Executive

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

Signed on behalf of Cheltenham Borough Council:

Rowena Hay	**Gareth Edmundson**
Leader of the Council	**Chief Executive**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHELTENHAM BOROUGH COUNCIL

Report on the Audit of the Financial Statements

Disclaimer of opinion on the financial statements

We were appointed to audit the financial statements of Cheltenham Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2024, which comprise the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Movement in Reserves Statement, the Authority and Group Cash Flow Statement, the Collection Fund – Income and Expenditure Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023-24.

We do not express an opinion on the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 ('The Amendment Regulations') came into force. The Amendment Regulations require the Authority to publish its Accountability Statements, which include the financial statements and auditor's opinion for the year ended 31 March 2024, by 28 February 2025 ('the backstop date').
The Council's 2022/23 statement of accounts were disclaimed and therefore we have been unable to obtain sufficient appropriate audit evidence over the opening balances for 2023/24. In addition, the audit of the 2022/23 Statement of Accounts was not completed until December 2024. As a result of the delays to the previous year's audit, there has been insufficient time to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2023/24 financial statements before the 28 February 2025 backstop date.

Other information

We are also required by the Code of Audit Practice, to give an opinion on whether other information published together with the audited financial statements, is consistent with the financial statements. Because of the matter described in the Basis for Disclaimer of Opinion section, we do not express an opinion on the financial statements. We also do not express an opinion on whether other information published together with the audited financial statements is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority and the Deputy Chief Executive

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Deputy Chief Executive. The Deputy Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023-24, for being satisfied that they give a true and fair view, and for such internal control as the Deputy Chief Executive determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Deputy Chief Executive is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct and audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. In reaching this judgement we have complied with the requirements of the Code of Audit Practice and have had regard to the Local Audit Reset and Recovery Implementation Guidance published by the National Audit Office and endorsed by the Financial Reporting Council.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud Irregularities, including fraud, are instances of non-compliance with laws and regulations.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

The extent to which our planned procedures were considered capable of detecting irregularities, including fraud is detailed below:

- We considered the nature of the sector, control environment and financial performance;
- We considered the results of enquiries with management, internal audit and the Audit, Compliance and Governance Committee in relation to their own identification and assessment of the risk of irregularities within the entity, and whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud;
- We reviewed the documentation of key processes and controls and performed walkthroughs of transactions to confirm that the systems are operating in line with documentation;
- Any matters identified having obtained and reviewed the Authority's documentation of their policies and procedures relating to:
    - Identifying, evaluation and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - The internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- We considered the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

In common with all audits under ISAs (UK) we are required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group and Authority operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023-24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 (as amended by the Accounts and Audit (Amendment) Regulations 2024), the Local Government Act 2003, Local Government Finance Act

1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012)).

In addition, we considered the provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Authority's ability to operate or avoid a material penalty. These include data protection regulations, health and safety regulations, employment legislation, and money laundering legislation.

Our planned procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Reviewing Committee meeting minutes;
- Enquiring of management in relation to actual and potential claims or litigations;
- Challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of land and buildings, valuations of investment property and defined benefit pensions liability valuations; and
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgments made in accounting estimates are indicative of potential bias; and evaluating the business rationale of significant transactions that are unusual or outside the normal course of business.

We also communicated identified laws and regulations and potential fraud risks to all members of the engagement team and remained alert to possible indicators of fraud or non-compliance with laws and regulations throughout the audit.

Our planned audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from an error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures we have been able to perform and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

Report on other legal and regulatory matters

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

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

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024 and related statutory guidance. We considered whether the Authority has proper arrangements in place to ensure financial sustainability, proper governance and the use of information about costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual

Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Cheltenham Borough Council for the year ended 31 March 2024 in accordance with the requirements of Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have:

- confirmation from the NAO that no additional work (beyond submission of the Assurance Statement) will be required in respect of the Whole of Government Accounts exercise.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

Use of our report

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

Signature

Nathan Coughlin, Key Audit Partner
for and on behalf of Bishop Fleming LLP

Chartered Accountants and Statutory Auditors

Plymouth

Date

CHELTENHAM
BOROUGH COUNCIL

Bishop Fleming LLP
10 Temple Back
Redcliffe
Bristol
BS1 6FL

Dear Sirs

Cheltenham Borough Council

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the Cheltenham Borough Council (the Council) financial statements for the year ended 31 March 2024. These enquiries have included inspection of supporting documentation where appropriate, and are sufficient to satisfy ourselves that we can make each of the following representations. All representations are made to the best of our knowledge and belief.

1. General

We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) and applicable law and for being satisfied that they give a true and fair view and for making accurate representations to you.

All the transactions undertaken by the Council have been properly reflected and recorded in the accounting records.

All the accounting records have been made available to you for the purpose of your audit of the Council. We have provided you with unrestricted access to all appropriate persons within the Council, and with all other records and related information requested, including minutes of all Council and Committee meetings.

The financial statements are free of material misstatements, including omissions.

2. Internal control and fraud

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe that we have appropriately fulfilled these responsibilities. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.

We have disclosed to you all instances of known or suspected fraud affecting the Council involving management, employees who have a significant role in internal control or others where fraud could have a material effect on the financial statements.

We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the Council's financial statements communicated by current or former employees, analysts, regulators or others.

3. Assets and liabilities

The Council has satisfactory title to all assets and there are no liens or encumbrances on the Council's assets, except for those that are disclosed in the notes to the financial statements.
Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include PPE and investment property valuations, pension liability and NNDR provisions.

All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.

We have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.

4. Accounting estimates

The methods, data and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework.

5. Legal claims

We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for and disclosed in the financial statements.

6. Laws and regulations

We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

We confirm that all correspondence with our Regulators has been made available to you.

7. Related parties

Related party relationships and transactions comply with the Council's financial regulations, relevant requirements of the Code and have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and are not aware of any other matters which require disclosure in order to comply with regulatory, legislative and accounting standards requirements.

8. Subsequent events

All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

9. Going concern

We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that the financial reporting framework applicable to local government bodies means that the anticipated continued provision of entity's services in the public sector is normally sufficient evidence of going concern. We have not identified any material uncertainties related to going concern.

10. Annual Governance Statement

We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

11. Narrative Report

The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.
We have taken all the appropriate steps in order to make ourselves aware of any relevant audit/ other information and to establish that you are aware of that information.

Yours faithfully

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Signed and dated on behalf of the Audit, Compliance and Governance Committee of Cheltenham Borough Council

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