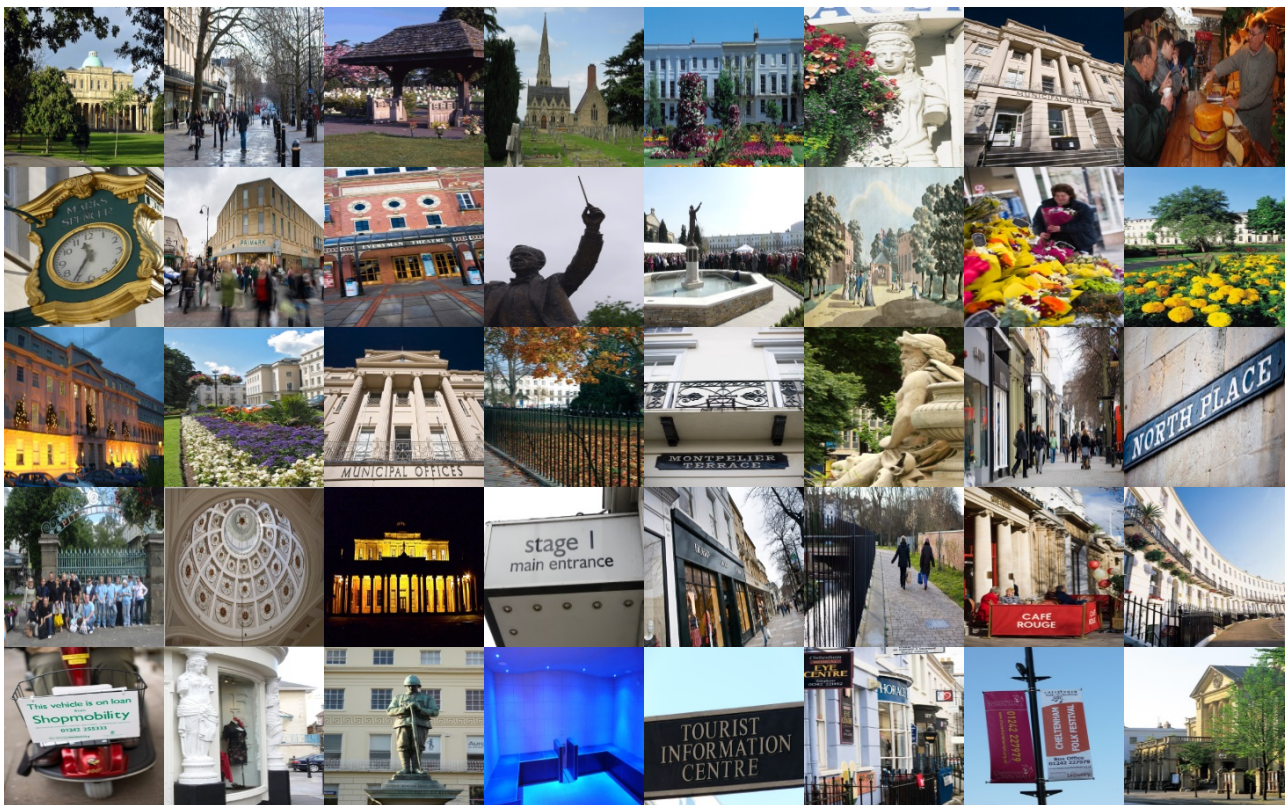


# CHELTENHAM BOROUGH COUNCIL

## Statement of Accounts 2014/15



## STATEMENT OF ACCOUNTS 2014/15

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INTRODUCTION TO CHELTENHAM BOROUGH COUNCIL

**Address and Telephone Number**

Address: Municipal Offices, Promenade, Cheltenham, Gloucestershire, GL50 9SA  
Telephone (All Departments): 01242 262626  
Fax (All Departments): 01242 227131  
Website: www.cheltenham.gov.uk

**Mayor and Deputy Mayor in the 2014/15 Municipal Year**

Mayor: Councillor S Wheeler  
Deputy Mayor: Councillor D Smith

**Cabinet in 2014/15**

Leader of the Council Councillor S Jordan  
Cabinet Member Corporate Services Councillor J Walklett  
Cabinet Member Healthy Lifestyles Councillor R Hay  
Cabinet Member Development and Safety Councillor A McKinlay  
Cabinet Member Finance and Deputy Leader Councillor J Rawson  
Cabinet Member Housing Councillor P Jefferies  
Cabinet Member Clean and Green Environment Councillor C Coleman

**Chairman of Committees in 2014/15**

Licensing Committee Councillor R Whyborn  
Planning Committee Councillor G Barnes  
Overview and Scrutiny Committee Councillor T Harman  
  
Audit Committee Councillor C Hay  
Appointments Committee Councillor W Flynn  
Standards Committee Councillor B Fisher

**Chief Officers in 2014/15**

Chief Executive Mr. A North  
Strategic Director Mrs. P Pratley  
Director of Resources (Section 151 Responsible Officer) Mr. M Sheldon  
Monitoring Officer / Borough Solicitor Ms. S Freckleton

**External Auditor in 2014/15**

Appointed Auditor: Grant Thornton UK LLP  
Address: Hartwell House,  
55 - 61 Victoria Street,  
Bristol,  
BS1 6FT

**Bankers in 2014/15**

Bankers: Lloyds Bank  
Address: 130 High Street, Cheltenham, GL50 1EW

## CHELTENHAM PROFILE

Cheltenham is one of Britain's finest spa towns, set in a sheltered position between the rolling Cotswold Hills and the Severn Vale. It has a population of 115,300 (2010 mid-year population estimate) and with its architectural heritage, educational facilities and quality environment, Cheltenham is an attractive place to live, work and play.

Cheltenham is home to a number of festivals that take place throughout the year which include the world-renowned Jazz, Music, Science and Literature Festivals. Cheltenham Racecourse hosts sixteen days of racing over 8 events every year including the Gold Cup Festival. The borough also plays host to the Everyman Theatre and the Playhouse Theatre, both of which offer a rich and varied programme of professional and amateur performing arts.

Cheltenham Borough Council has adopted a strategic commissioning approach which puts a strong focus on designing community-focused outcomes and working closely with other parts of the public service and the voluntary and community sector (VCS) and making objective, transparent, evidence-based decisions about how services should be provided and by whom. By using a strategic commissioning approach we will improve the outcomes for people who rely on the council and the wider public sector whilst at the same time creating opportunities for financial savings.

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

The council has an extensive property portfolio including a number of listed buildings that are operated by The Cheltenham Trust including the Town Hall, Pittville Pump Room and Art Gallery and Museum (renamed "The Wilson" in 2014). It also has a share in the Regent Arcade shopping centre. These properties help provide the council with a funding stream to support its services provided to the public.

## COUNCIL VISION

The council's vision is for Cheltenham to deliver a sustainable quality of life, where people, families, their communities and businesses thrive; and in a way which cherishes our cultural and natural heritage, reduces our impact on climate change and does not compromise the quality of life of present and future generations. The Sustainable Community Strategy has adopted the twenty year vision for Cheltenham.

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

Our overarching message is simply: ***"Working together to create a great future for Cheltenham"***

Our Corporate Strategy 2010-2015 was agreed in March 2010 and its associated action plan for 2014/15 was agreed in March 2014. This set out how the council would deliver the council's five objectives up to 31<sup>st</sup> March 2015:

- Enhancing and protecting our environment
- Strengthening our economy
- Strengthening our communities
- Enhancing the provision of Arts & Culture
- Provide value for money services that effectively meet the needs of our customers.

## **POLITICAL STRUCTURE**

The council has 40 elected members representing 20 wards within the Cheltenham Borough. Elections are held every two years for which 50% of the seats are put up for re-election. Following the elections in May 2014 overall political control lies with the Liberal Democrats. There are also 5 parish councils, who hold elections every two years, with the last elections held in May 2014. However, vacancies may arise from time to time if a councillor or parish councillor resigns from office.

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

## EXPLANATORY FOREWORD

The purpose of this explanatory foreword is to provide electors, local taxpayers, members of the council and other interested parties with an easy to understand guide to the most significant matters reported in the accounts. It provides an explanation in overall terms of the council's financial position and assists in the interpretation of the accounting statements, including the Group Accounts. The statements should inform readers of the cost of services provided by the council in the year 2014/15 and the council's assets and liabilities at the year end.

### INTRODUCTION

The Accounts for the year ending 31<sup>st</sup> March 2015 have been prepared and published in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: 2014/15 Accounts (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This incorporates International Financial Reporting Standards (IFRS), so that the accounts are compliant with these standards. The following statements are included:

<b>Statement of Responsibilities for the Statement of Accounts</b>	Sets out the respective responsibilities of the council and the Section 151 Officer for the accounts.
<b>Statement of Accounting Policies</b>	This explains the basis for recognition, measurement and disclosure of transactions and other events in the accounts. This includes changes in policy, the basis of charges to revenue and the calculation of items in the Balance Sheet.
<b>Comprehensive Income and Expenditure Statement</b>	This reports the net cost for the year of <b>all</b> the functions for which the council is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers.
<b>Balance Sheet</b>	This summarises the overall financial position of the council at 31 <sup>st</sup> March 2015, showing its assets, liabilities and reserves.
<b>Movement in Reserves Statement</b>	This details the movement in the year of all the council's reserves.
<b>Cash Flow Statement</b>	This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
<b>Group Accounts</b>	These bring together the accounts of Cheltenham Borough Council, Cheltenham Borough Homes, Ubico Ltd and Gloucestershire Airport Ltd.
<b>Housing Revenue Account</b>	A separate account, required by law, which shows income and expenditure associated with the provision of council housing.
<b>Collection Fund</b>	Reflects the statutory requirement to maintain a separate Collection Fund which shows the transactions in relation to non-domestic business rates and the council tax, indicating how the amounts collected are distributed to Gloucestershire County Council, Police and Crime Commissioner and Cheltenham Borough Council.
<b>Annual Governance Statement</b>	This sets out how the council is meeting its obligations and the improvements it intends to make to its systems of internal control and corporate governance arrangements.

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

## STATEMENT OF ACCOUNTS 2014/15

### COUNCIL SPENDING

Cheltenham Borough Council is a local authority employing 225 people at 31st March 2015. The activities vary widely and include the provision and upkeep of council housing, provision for the collection of refuse and recycling, provision for culture and leisure services, car parking, cemeteries and crematoria, environmental health and many other services.

### GENERAL FUND REVENUE BUDGET

In February 2014, the council set a net budget of £14.697m for spending on General Fund Services (excluding spending on council housing), of which £5.032m was to be financed by government grant, £2.322m from non-domestic rates, £47.2k from the collection fund surplus and £7.296m from local council tax payers. The table below compares the financial outturn with the budget as detailed in the council's budget papers drawing attention to the main characteristics of the council's financial position. This represents the council's management accounts that are included in the Comprehensive Income and Expenditure Statement on page 13, in accordance with the Code.

	<b>Original Budget 2014/15 £</b>	<b>Revised Budget 2014/15 £</b>	<b>Outturn 2014/15 £</b>	<b>Variance 2014/15 £</b>
<b>SERVICES</b>				
Chief Executives	1,705,450	1,628,750	1,479,864	(148,886)
Deputy Chief Executives Directorate	3,963,460	4,975,660	4,390,150	(585,510)
Environment & Regulatory Services	2,721,170	3,390,270	2,750,100	(640,170)
Corporate Resourcing Directorate	4,459,245	6,702,945	6,309,743	(393,202)
Wellbeing & Culture	3,519,700	1,946,700	1,885,692	(61,008)
Bad debt provision	40,000	40,000	22,474	(17,526)
Target savings	(450,000)	(16,800)	-	16,800
<b>TOTAL NET SERVICE EXPENDITURE</b>	<b>15,959,025</b>	<b>18,667,525</b>	<b>16,838,023</b>	<b>(1,829,502)</b>
Capital charges	(1,886,400)	(2,337,100)	(2,337,816)	(716)
Interest and investment income	327,800	257,800	258,323	523
Use of balances and reserves	296,447	(2,046,703)	(470,045)	1,576,658
<b>NET BUDGET</b>	<b>14,696,872</b>	<b>14,541,522</b>	<b>14,288,485</b>	<b>(253,037)</b>
<b>FINANCED BY:</b>				
New Homes Bonus	(1,030,000)	(1,098,100)	(1,097,930)	170
Council Tax Freeze Grant	(73,063)	(81,211)	(81,211)	-
Section 31 National Domestic Rate Grant	(1,008,103)	(636,925)	(672,622)	(35,697)
Other Government Grants	-	(16,402)	(22,017)	(5,615)
Revenue Support Grant	(2,920,874)	(2,920,874)	(2,920,874)	-
National Non-Domestic Rate	(2,321,651)	(2,444,829)	(2,150,585)	294,244
Collection Fund Contribution	(47,200)	(47,200)	(47,264)	(64)
Council Tax	(7,295,981)	(7,295,981)	(7,295,982)	(1)
	<b>(14,696,872)</b>	<b>(14,541,522)</b>	<b>(14,288,485)</b>	<b>253,037</b>

The council's track record of strong financial management was maintained during 2014/15 which resulted in council services being delivered within revised budget, with an overall residual saving made in 2014/15 of £9,021. The budget saving has been transferred to general balances and is included in the "use of balances and reserves" line in the Financial Outturn table above.

## STATEMENT OF ACCOUNTS 2014/15

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The reconciliation of the management outturn position to the surplus or deficit on the provision of services, as reported in the Comprehensive Income and Expenditure Statement, is provided in note 21 to the accounts on page 54

During 2014/15 the council continued with the process of formal monitoring of budgets which are reported to cabinet on a quarterly basis. This has assisted in strengthening the sound management of the council's finances and provides a mechanism to ensure that any budgetary problems are identified and rectified as soon as possible during the year.

The council is required to analyse the expenditure for the year 2014/15 in a standard way in order to enable comparisons to be made between different local authorities and other organisations. This representation of the above position is contained in the form of the Comprehensive Income and Expenditure Statement. The council has its own management arrangements and presents budgets and monitoring statements to cabinet and council which are grouped according to these local arrangements.

### **CHANGES IN CORE FUNDING ARRANGEMENTS**

From 2013/14 the national council tax benefit scheme changed to a local council tax support scheme. Local council tax support is shown as a discount on council tax payers' accounts as opposed to a cash payment into the account. As a result, the cost of the local council tax support scheme is now reflected in the council tax base, i.e. the council receives a lower yield from council tax income than in previous years.

Accounting arrangements for the council tax benefit subsidy grant has also changed. In previous years a cash grant was payable to the "billing authority", i.e. this council to offset the cash payment on the tax payers account. Under the new arrangement, as the council tax base is reduced (which impacts on all precepting authorities), grant is now passed to individual precepting bodies (i.e. the County Council, Police and Crime Commissioner and to this council) through Revenue Support Grant (or equivalent).

From 2013/14, local government core funding from national government has changed from a cash grant allocation (Revenue Support Grant and Non-Domestic Rates Grant) to a combination of retained business rates (known as the Business Rates Retention Scheme) and Revenue Support Grant.

The Business Rates Retention Scheme was introduced on 1st April 2013. Under the Scheme, the Council retains some of the business rates raised locally. The business rates yield is divided - 50% locally and 50% to the Government. The Government's share is paid into a central pool and redirected to local government through other grants. Of the 50% local share, the district councils' share has been set at 80%, with the County Council's share being 20%. A tariff is applied to reduce the local share to a baseline funding level set by the Government. Where the value of retained business rates exceeds the baseline funding level, 50% of the surplus is paid over to the Government as a levy; the remaining 50% can be retained by the Council.

In order to maximise the value of business rates retained within Gloucestershire, the Council entered into the Gloucestershire Business Rates Pool in 2013/14. Being a part of the Pool has the benefit of reducing the levy from 50% to 19%. The aim of the pool is to maximise the business rate income retained within the County.

### **CAPITAL EXPENDITURE**

In 2014/15 the council spent £11.307m on capital projects and grants, compared with the revised budget of £17.427m. Included in the expenditure for the year was £6.538m on major repairs and maintenance of council houses, £0.386m on disabled adaptations within the council housing stock, £0.588m on capital



## STATEMENT OF ACCOUNTS 2014/15

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grants including private sector disabled facility grants and adaptation support grants, £2.1m on housing enabling through partnership working with Cheltenham Borough Homes (CBH), £0.516m on the ICT 5 year infrastructure strategy and £0.567m on land acquisitions for car parking.

The major variance between the revised budget and outturn position arose from delays in the provision of new affordable housing in partnership with Cheltenham Borough Homes, plus phasing delays of £0.93m on property improvements to council stock and £0.592m on allotment improvements.

Like most local authorities, the council has been paying for a proportion of its capital expenditure from the proceeds of the sale of its assets, and £1.513m of capital receipts were available to finance capital expenditure in 2014/15. The remaining sources of finance were Government Grants £0.317m, developer contributions and partnership funding £0.218m, major repairs reserve £5.443m, borrowing £2.1m and £1.716m coming from revenue financing.

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 approved major capital schemes.

During the year the council sold 18 dwellings under the 'right to buy' scheme.

### **TREASURY MANAGEMENT / BORROWING FACILITIES**

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

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

The challenging economic climate continues to have an impact on the council's finances. The historically low Bank of England base rate continues to dampen the level of interest earned by the council's cash investments. Interest rates have remained constant throughout the year at 0.5%, with no Bank of England interest rate changes during the period 1st April 2014 to 31st March 2015.

The conclusion of the year's activity was that the council's General Fund paid £2.073 million in borrowing costs (which was £18,548 more than budgeted for the year); earned £128,674 on investments (which was £16,875 more than budgeted). This excluded interest on the written down value of Icelandic investments, details of which are shown in note 27. The overall impact was an additional cost to the General Fund of £1,673 compared to the revised budget.

### **PENSION LIABILITY**

The council is required to account for retirement benefits when committed, even if the payment is many years in the future, in accordance with International Accounting Standard 19 (IAS 19). This provides a reflection of the economic relationship between the council and the pension fund. It represents the council's pension commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (via reduced future employer contributions) from a surplus in the pension scheme.

The council's net liability, according to the actuarial assessment at 31<sup>st</sup> March 2015, was £60,118,000 which was an increase of £2,936,000 over the figure for 31<sup>st</sup> March 2014 of £57,182,000. This is principally due to the fact that the financial assumptions at 31<sup>st</sup> March 2015 are less favourable than they were at 31<sup>st</sup> March 2014 as a result of falling real bond yields and poor asset returns. All else being equal, these factors serve to increase the value of the liabilities and thus have a negative impact on the IAS19 pension position.

## **ACCOUNTING POLICIES**

The council has reviewed its accounting policies during the year and revised them in accordance with the 2014/15 Code of Practice in Local Authority Accounting. The policies are detailed in note 1 to the accounts (pages 17 to 37) and the changes in accounting policies are detailed in note 1.33 on page 36.

## **CHANGES IN STATUTORY FUNCTIONS**

### **Business Rates**

2013/2014 saw a major reform in local government funding. The localisation of National Non-Domestic Rates (NNDR) resulted in a move to a variable funding stream as the replacement for a fixed, formula grant. This change brings an opportunity to benefit from economic growth in the district. Details of the arrangements for the business rates retention scheme are provided in the Changes in Core Funding Arrangements note on page 7.

In the 2013 Autumn Statement, the government announced various proposals to help businesses in England with the cost of business rates. Particular support has been given to small businesses and the retail sector. The Non-Domestic Rating (Small Business Rate Relief) (England) (Amendment) Order 2013 (SI 2013/15) and the Non-Domestic Rating (Small Business Rate Relief) (Wales) (Amendment) Order 2013 (SI 2013/371) extended the temporary increase in the level of small business rate relief in England and Wales respectively until 31 March 2014. They provide 100% relief for eligible businesses occupying premises with a rateable value of not more than £6,000. There is a tapered relief from 100% to zero for properties with a rateable value between £6,001 and £12,000. This relief was also extended for a further year, to 31st March 2015.

There were no further changes in statutory functions relevant to the financial statements in 2014/15.

## **DEVELOPMENTS IN SERVICE DELIVERY**

### **ICT Shared Services**

A Shared Information, Communications and Technology (ICT) service was set up on 1st April 2013. This function is shared with Forest of Dean District Council, using common ICT platforms, enabling service resilience within the councils. Staff employed by Cheltenham Borough Council have now been transferred to the employment of Forest of Dean District Council.

### **Gloucestershire Joint Waste Committee**

A Joint Waste Committee was formed on 1<sup>st</sup> April 2013 by Cheltenham Borough Council, Forest of Dean District Council, Gloucestershire County Council and Cotswold District Council. This Committee is supported by a Joint Waste Team, made up of staff who TUPE transferred into the team on 1<sup>st</sup> April 2013.

Tewkesbury Borough Council joined the Committee from 1<sup>st</sup> April 2015.

### **2020 Vision**

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

### **Ubico Ltd**

Ubico Ltd. was formed in 2012 and is a company wholly owned by its shareholders, Cheltenham Borough Council and Cotswold District Council. The company is responsible for delivering the shareholders’ environmental services within their respective council boundaries. The Forest of Dean District Council, Tewkesbury Borough Council and West Oxfordshire District Council have joined the partnership on 1st April 2015, each receiving a £1 share in the company.

Relevant staff from these councils have been TUPE transferred into Ubico on 1st April 2015.

### **Social housing scheme developments**

During 2014/15 the council’s ALMO, Cheltenham Borough Homes Ltd (CBH), completed the development of 4 affordable rent units on a former HRA garage site. CBH also completed the development of 9 affordable rent units as part of the second phase of the regeneration of the St. Paul’s area. The remaining 15 affordable rent units of this development were completed in the first quarter of the 2015/16 financial year.

All of the aforementioned schemes have been or are being funded by a combination of social housing grant from the Homes and Communities Agency (HCA), capital grant from the council and borrowing through the council.

The council, working in partnership with CBH, continues to evaluate a number of opportunities to redevelop HRA sites across the Cheltenham area.

### **Leisure & Culture Services**

The council’s Leisure and Culture services were transferred to The Cheltenham Trust on 1st October 2014. This is a new independent charitable trust, contracted to supply leisure and cultural related services to Cheltenham Borough Council. The Cheltenham Trust operates from the Art Gallery & Museum, Town Hall, Pittville Pump Rooms, Leisure@ Recreation centre and the Prince of Wales Stadium, the buildings of which are all still owned by the council. Leisure and Culture Staff were TUPE transferred into The Cheltenham Trust on 1<sup>st</sup> October 2014.

### **Cheltenham Development Task Force**

Honeybourne Gate, Brewery II and Regency Place have all made solid progress in the last year. However development on North Place has stalled as a result of legal negotiation between the developer and a potential end user. The use of Portland Street by the developer is currently under consideration.

In addition to these schemes, a range of other initiatives have been progressing. The Cheltenham Transport Plan went to a Gloucestershire County Council Traffic Regulation Order committee who recommended support subject to Boots Corner being for a trial period initially. In addition progress is being made to upgrade the public realm on The Promenade and High Street with more phases to follow. The scheme to upgrade Cheltenham Spa station continues to make progress and has secured funding from a range of different sources. First Great Western plan to start delivery in 2015/16.

## RESERVES

The reserves and provisions are set out in the Balance Sheet on page 14 and detailed in note 34, page 72 and note 37, page 74.

## EVENTS AFTER THE REPORTING PERIOD

The council approved the acquisition of a town centre building, Delta Place, 27 Bath Road, Cheltenham, at its meeting of Full Council on 14<sup>th</sup> April 2015. This acquisition was made on 25<sup>th</sup> June 2015, for a purchase price of £13.75m. This building will in due course provide a new base for the council offices, offering more flexible office accommodation, improving customer experience and providing better value for money for the tax payers of Cheltenham. The council will seek a long term revenue stream from tenancy arrangements before fully occupying the building.

This relocation will allow for the existing Municipal Offices (a collection of 13 houses) to be redeveloped for the benefit of the town. This will help to protect council services long term.

## FURTHER INFORMATION

Further information about the accounts is available from GO Shared Services (Finance), Cheltenham Borough Council, Municipal Offices, Promenade, Cheltenham. This is part of the council's policy of providing full information about the council's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The accounts were available for inspection by appointment between 6<sup>th</sup> July and 31<sup>st</sup> July 2015 at the Municipal Offices and the appointed day whereby local government electors for the area may exercise their rights under Sections 15 and 16 of the Audit Commission Act 1998 to question the auditor about or make objections to the accounts for the year ended 31<sup>st</sup> March 2015 was designated as 3<sup>rd</sup> August 2015.

**Paul Jones**  
**Section 151 Officer**

**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 GO Shared Services Head of Finance, 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 and
- 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 13 to 16 gives a true and fair view of the financial position of the council at the accounting date and its income and expenditure for the year ended 31 March 2015.

**PAUL JONES**  
**Section 151 Officer**

**23 September 2015**

The Statement of Accounts for 2014/15 has been approved by the council's Audit Committee at its meeting on 23rd September 2015.

**COLIN HAY**  
**Chair of Audit Committee**

**Date: 23rd September 2015**

**STATEMENT OF ACCOUNTS 2014/15**

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

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

2013/14				2014/15		
Gross expenditure	Gross income	Net expenditure		Gross expenditure	Gross income	Net expenditure
Restated		Restated				
£'000	£'000	£'000		£'000	£'000	£'000
<i>Continuing Operations</i>						
2,539	(1,197)	1,342	Central Services to the public	2,128	(651)	1,477
10,570	(3,964)	6,606	Cultural and related services	9,339	(2,614)	6,725
8,126	(4,273)	3,853	Environment & Regulatory services	10,028	(4,487)	5,541
3,473	(1,773)	1,700	Planning services	3,219	(1,865)	1,354
3,419	(4,425)	(1,006)	Highways and Transport services	3,359	(4,105)	(746)
15,457	(19,534)	(4,077)	Local Authority housing (HRA)	15,997	(20,403)	(4,406)
35,550	(33,713)	1,837	Other housing services	33,865	(33,112)	753
4,096	(1,298)	2,798	Corporate & Democratic core	3,601	(1,496)	2,105
38	(153)	(115)	Non Distributed costs	707	(242)	465
<b>83,268</b>	<b>(70,330)</b>	<b>12,938</b>	<b>Cost of Services</b>	<b>82,243</b>	<b>(68,975)</b>	<b>13,268</b>
494	(1,606)	(1,112)	Other operating expenditure (note 12)	157	(22)	135
4,990	(5,121)	(131)	Financing and Investment income and expenditure (note 13)	4,702	(957)	3,745
18,331	(34,403)	(16,072)	Taxation and non-specific grant income and expenditure (note 14)	19,623	(34,461)	(14,838)
<b>107,083</b>	<b>(111,460)</b>	<b>(4,377)</b>	<b>(Surplus) or Deficit on the provision of services</b>	<b>106,725</b>	<b>(104,415)</b>	<b>2,310</b>
		(45,935)	(Surplus) / Deficit on revaluation of non-current assets (note 38)			(15,977)
		2,245	Remeasurement of the net defined benefit liability/(asset) (note 40)			3,035
		<b>(43,690)</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>(12,942)</b>
		<b>(48,067)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>(10,632)</b>

**STATEMENT OF ACCOUNTS 2014/15**

**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 of reserves are usable reserves i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any 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 category includes reserves that held 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 shown in the Movements in Reserves Statement Line 'Adjustments between accounting basis and funding basis under the regulations.'

31 March 2013	31 March 2014	Note	31 March 2015	
£'000	Restated £'000		£'000	
235,740	271,968	Property, Plant & Equipment	22	285,696
31,221	33,229	Heritage Assets	22.1	33,615
21,651	25,244	Investment Property	25	24,216
733	632	Intangible Assets	27	534
-	1,427	Assets held for sale	28	-
2,418	495	Long Term Investments	29	496
6,681	6,258	Long Term Debtors	29	7,572
<b>298,444</b>	<b>339,253</b>	<b>Long Term Assets</b>		<b>352,129</b>
1,528	2,043	Short term Investments	29	12,950
281	644	Assets held for sale	28	1,427
58	57	Inventories	30	7
6,664	5,355	Short term Debtors	31	5,125
3,847	15,807	Cash and cash equivalents	32	8,602
<b>12,378</b>	<b>23,906</b>	<b>Current assets</b>		<b>28,111</b>
(87)	(244)	Bank overdraft	32	(742)
(2,658)	(448)	Short term borrow ing	29	(460)
(11,397)	(12,284)	Short term creditors	33	(13,194)
-	(500)	Grants receipts in advance - revenue	20	-
(363)	(597)	Provisions	34	(595)
<b>(14,505)</b>	<b>(14,073)</b>	<b>Current Liabilities</b>		<b>(14,991)</b>
-	(257)	Provisions	34	(387)
(56,552)	(57,539)	Long term borrow ing	29	(58,745)
(83)	(83)	Grants receipts in advance - capital	20	(83)
(184)	(184)	Grants receipts in advance - revenue	20	(1,443)
(53,724)	(57,182)	Other long term liabilities	40	(60,118)
<b>(110,543)</b>	<b>(115,245)</b>	<b>Long term liabilities</b>		<b>(120,776)</b>
<b>185,774</b>	<b>233,841</b>	<b>Net Assets</b>		<b>244,473</b>
(19,239)	(26,240)	Usable Reserves	37	(27,283)
(166,535)	(207,601)	Unusable Reserves	38	(217,190)
<b>(185,774)</b>	<b>(233,841)</b>	<b>Total Reserves</b>		<b>(244,473)</b>

**STATEMENT OF ACCOUNTS 2014/15**

**MOVEMENT IN RESERVES STATEMENT**

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

	General Fund Balance £'000	Earmarked General Fund Reserves £'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
<b>Balance at 31 March 2013</b>	<b>2,021</b>	<b>8,148</b>	<b>3,562</b>	<b>4,356</b>	<b>399</b>	<b>753</b>	<b>19,239</b>	<b>166,535</b>	<b>185,774</b>
<b><u>Movement in Reserves during 2013/14 (Restated)</u></b>									
Surplus or (deficit) on the provision of services	1,311		3,066				<b>4,377</b>		<b>4,377</b>
Other comprehensive income and expenditure							-	43,690	<b>43,690</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>1,311</b>	<b>-</b>	<b>3,066</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,377</b>	<b>43,690</b>	<b>48,067</b>
Adjustments between accounting basis and funding basis under regulations (Note 6)	(3,289)		(2,424)	8,446	(399)	290	<b>2,624</b>	(2,624)	-
<b>Net increase/(decrease) before transfers to reserves</b>	<b>(1,978)</b>	<b>-</b>	<b>642</b>	<b>8,446</b>	<b>(399)</b>	<b>290</b>	<b>7,001</b>	<b>41,066</b>	<b>48,067</b>
Transfers to/from earmarked reserves (Note 37)	1,709	(1,709)					-		-
<b>Increase / (decrease) in 2013/14</b>	<b>(269)</b>	<b>(1,709)</b>	<b>642</b>	<b>8,446</b>	<b>(399)</b>	<b>290</b>	<b>7,001</b>	<b>41,066</b>	<b>48,067</b>
<b>Balance at 31 March 2014 (Restated)</b>	<b>1,752</b>	<b>6,439</b>	<b>4,204</b>	<b>12,802</b>	<b>-</b>	<b>1,043</b>	<b>26,240</b>	<b>207,601</b>	<b>233,841</b>
<b><u>Movement in Reserves during 2014/15</u></b>									
Surplus or (deficit) on the provision of services	(5,444)		3,134				<b>(2,310)</b>		<b>(2,310)</b>
Other comprehensive income and expenditure								12,942	<b>12,942</b>
<b>Total Comprehensive Income and (Expenditure)</b>	<b>(5,444)</b>	<b>-</b>	<b>3,134</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,310)</b>	<b>12,942</b>	<b>10,632</b>
Adjustments between accounting basis and funding basis under regulations (Note 6)	4,164	-	(1,780)	1,037	-	(68)	<b>3,353</b>	(3,353)	-
<b>Net increase/(decrease) before transfers to reserves</b>	<b>(1,280)</b>	<b>-</b>	<b>1,354</b>	<b>1,037</b>	<b>-</b>	<b>(68)</b>	<b>1,043</b>	<b>9,589</b>	<b>10,632</b>
Transfers to/from earmarked reserves (Note 37)	1,128	(1,128)					-		-
<b>Increase / (decrease) in 2014/15</b>	<b>(152)</b>	<b>(1,128)</b>	<b>1,354</b>	<b>1,037</b>	<b>-</b>	<b>(68)</b>	<b>1,043</b>	<b>9,589</b>	<b>10,632</b>
<b>Balance at 31 March 2015</b>	<b>1,600</b>	<b>5,311</b>	<b>5,558</b>	<b>13,839</b>	<b>-</b>	<b>975</b>	<b>27,283</b>	<b>217,190</b>	<b>244,473</b>



## 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.

2013/14 Restated £'000	2014/15	
	£'000	£'000
(4,377) Net (surplus) or deficit on the provision of services	2,310	
Adjust net surplus or deficit on the provision of services for (14,443) non-cash movements (note 41)	(14,603)	
Adjust for items in the net surplus or deficit on the provision 10,900 of services that are investing or financing activities (note 41)	2,045	
<b>(7,920) Cash (inflows) generated from operating activities</b>		<b>(10,248)</b>
(4,852) Investing activities (note 42)		19,168
969 Financing activities (note 43)		(1,217)
<b>(11,803) Net (increase) / decrease in cash and cash equivalents</b>		<b>7,703</b>
3,760 Cash and cash equivalents at beginning of the year		15,563
15,563 Cash and cash equivalents at end of the year (note 32)		7,860
<b>11,803 Net increase / (decrease) in cash and cash equivalents</b>		<b>(7,703)</b>

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

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#### 1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises the council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which those Regulations require to be prepared in accordance with proper accounting practice. These practices primarily comprise the Code of Practice on Local Government Accounting in the United Kingdom 2014/15 (The Code) and the Service Reporting Code of Practice 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

The accounting policies of the Council as far as possible have been developed to ensure that the accounts of the council are understandable, relevant, free from material error or misstatement, reliable and comparable. A glossary of terms can be found on pages 107-110.

#### 1.2 ACCOUNTING CONCEPTS

Except where specified in the Code of Practice, 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 they take place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- All income and expenditure is credited and debited 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 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 obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant 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.

Statutory arrangements allow any settlements for back pay arising from discriminatory payments, incurred before the council implemented its equal pay strategy, to be financed from the General Fund in the year that payments actually take place. No provision is included in the accounts as all back claims were settled in the year.

## **1.4 RESERVES**

The council sets aside specific amounts as earmarked usable reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts 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. The purpose of each of these earmarked reserves is explained in Note 37 to the financial statements on pages 74.

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 and are explained in the relevant policies below.

## **1.5 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 council when there is reasonable assurance that the council 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, or it is reasonably certain that they shortly will be, satisfied. Conditions are stipulated that specify that the grants or contributions are required to be consumed by the recipient as specified, or they must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors or Capital Grants Received in Advance. 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 (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.

## **1.6 EMPLOYEE BENEFITS**

### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the council to the pension fund or

pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement on Reserves Statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for 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 projected 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:
  - 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 years of service earned this year - 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 - debited 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 - debited to the Financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.
  - Return on plan assets: the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Gains/losses on settlements: the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited 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 – debited 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 council to raising council tax to cover the amounts 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 debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

The 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.

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

Further information on pension costs and the accounting arrangements can be found in Note 40 to the financial statements on pages 79 to 83.

### **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.

## **1.7 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 OVERHEADS AND SUPPORT SERVICES**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA SeRCOP 2014/15. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

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

## 1.9 INTANGIBLE ASSETS

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

Internally generated assets are capitalised where it can be demonstrated that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the council can be determined by reference to an active market. In practice, no intangible asset held by the council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted 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.

## 1.10 PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis are classified as Property, Plant and Equipment. Such assets are subcategorised into Operational Land and Buildings, Community Assets, Vehicles Plant and Equipment, Infrastructure Assets, Assets Under Construction, Heritage Assets and Non-Operational Assets.

- Operational Land and/or Buildings assets, in line with IAS 16, are recorded, valued and accounted for based on their significant components.
- Community Assets are assets that have no determinable useful life and which may, in addition, have restrictions on their disposal. There is little prospect for sale or change of use. If the asset is used for a specific operational purpose, it does not qualify as a community asset and should be valued accordingly.
- Infrastructure Assets include all tangible (physical) assets constructed for land drainage, and cemetery roadways. There is no prospect for sale of infrastructure assets; expenditure is only recoverable through continued use of the asset.
- Vehicles, Plant and Equipment Assets and Assets Under Construction are also classified as Property Plant and Equipment where they do not meet the criteria for Investment Property Assets or Assets Held for Sale.

- Heritage Assets are assets held by the council principally for their contribution to knowledge or culture.
- Surplus Assets are assets which the council no longer operates from; however, they do not meet the definition of held for sale. All surplus assets are treated in the same way as operational assets of the same type (valuation, depreciation, recognition, etc.).

### **Recognition**

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

### **Measurement**

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.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Dwellings – fair value, using the basis of existing use value for social housing (EUV-SH)
- Infrastructure, community assets and assets under construction - depreciated historical cost.
- All other assets – fair value, based on the amount that would be paid for the asset in its existing use (EUV).

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

In the case of non-property assets that have short useful lives or low values (or both) e.g. vehicles, plant and equipment, depreciated historical cost is used as a proxy for fair value.

### **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 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 subsequently reversed, 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.

### **Disposals and Asset 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. The council will classify assets as held for sale where:

- The asset is in the condition required for sale and is vacant.
- The assets sale is highly probable.
- The asset has been advertised for sale and a buyer sought.
- The completion of the sale is expected within 12 months.

Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale, except in the year in which they were classified for sale. Right to Buy dwellings become surplus on the day that the transfer to the tenant takes place (completion of the sale), and therefore are deemed operational until they are sold.

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

When an asset is disposed of, or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred 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 disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the 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. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserve Statement.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets with a determinable finite life, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. An exception is made for assets without a determinable finite useful life (i.e.

freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Council dwellings – depreciated on the basis of the Major Repairs Allowance, a measure of the “wearing out” of the stock, provided by the government.
- Other buildings – straight-line allocation over the life of the property as estimated by the valuer; generally 20 to 50 years
- Vehicles, plant and equipment – straight-line allocation over 4 to 10 years, depending on the enhanced life of the asset.
- Infrastructure – straight-line allocation over 40 years.
- Intangible Assets – between 3 to 5 years
- Land – not depreciated
- Investment Property Assets – not depreciated
- Assets held for sale – not depreciated

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

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

Assets disposed of during the year are depreciated in the year of disposal or in the case of Assets Held for Sale, in the year they were classified for sale.

### **Componentisation of Property Plant and Equipment**

IAS 16 requires that where a Property, Plant and Equipment asset has major components whose cost is significant in relation to the total asset portfolio with different estimated useful lives, these are depreciated separately. An asset is deemed significant if its building element gross book value exceeds the de minimis level of £872,100 as per the council’s componentisation policy. Where components have similar estimated useful lives, they can be aggregated

The following policy applies to the various different categories:

**Investment properties** These are held at fair value, and are not depreciated, therefore not required to split the asset into components.

**Assets held for sale** These are held at fair value, and are not depreciated, therefore there is no need to split the asset into components.

**Car parks** There are deemed to be only two components in a car park, land and buildings.

Public conveniences There are deemed to be only two components in a public convenience, land and buildings.

Other land and buildings/

surplus properties *New Build*

Land is a separate component.

Each item of expenditure with a value greater than £50,000 or 20% of the cost, whichever is higher will be treated as a separate component. All other items below this de-minimis level will be aggregated into a single component.

*Additions to Existing assets*

Land is a separate component.

Each item of expenditure with a value greater than £50,000 will be treated as a separate component. All other items below this de-minimis level will be aggregated into a single component.

*Revaluation*

Land is a separate component.

Assets held as at 31 March 2010 will be broken into components where the current net book value of a component is deemed to be in excess of £250,000 or 20% of the cost, whichever is higher.

Other assets Each item of expenditure with a value greater than £50,000 will be treated as a separate component. All other items below this de-minimis level will be aggregated into a single component.

### 1.10.1 HERITAGE ASSETS

The council's collections of heritage assets are accounted for as follows.

#### **Ceramics, Art, Silverware, Furniture, Textiles, Costumes, Ephemera and Civic Regalia**

The collections are reported in the Balance Sheet at their insurance valuation, which is based on market values. These insurance valuations are updated for inflation on an annual basis. The major works of art were revalued by Gulls at 1st April 2010. The council has deemed that all the heritage assets have indeterminate lives, hence the it does not consider it appropriate to charge depreciation.

#### **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 carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets. Any impairment is recognised and measured in accordance with the council's general policies on impairment - see note 1.10. Occasionally the council will dispose of heritage assets. The proceeds of such items are accounted for in accordance with the council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

## 1.11 NON-CURRENT ASSET VALUATION METHODOLOGY

Assets included in the Balance Sheet at fair value are re-valued where there have been material changes in the value, and as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where there is an upward revaluation, the carrying value is increased and the associated credit charged directly to the revaluation reserve. This is then reflected in the Comprehensive Income and Expenditure Statement as a revaluation gain.

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

- 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.

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

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

Valuations are completed as follows

**Intangible Assets** - the council recognises Intangible Assets at cost. The council will revalue intangible assets annually where there is determinable market value for the asset.

**Property Plant and Equipment (PPE)** - Property Assets are held at fair value which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of existing use value (EUV) in accordance with UKPS 1.3 of the RICS Valuation Standards. As a matter of last resort, where no other valuation method can be used, depreciated replacement cost is used. Vehicles and Assets under construction within PPE are held at historic cost (not re-valued).

**Infrastructure Assets** - the council recognises Infrastructure Assets at historic cost (not re-valued).

**Investment Property Assets** - Investment Properties are annually re-valued at fair value which is to be interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value. This includes investment property under construction. The fair value of investment property held under a lease is the lease interest.

**Community Assets** - the council recognises Community Assets at historic cost (not re-valued).

**Assets Held for Sale** - Assets held for sale are held at the value of expected proceeds less the costs of achieving the sale.

## **1.12 RECOGNITION OF CAPITAL EXPENDITURE (DE MINIMIS POLICY)**

In accordance with International Accounting Standard 16 (IAS 16), the council recognises non-current assets when all of the following tests are met:

- Assets held for use in the production or supply of goods or services, rental to others, or for administrative purposes.
- Assets expected to be used for more than one financial period.
- Assets where it is expected that future economic benefit will flow to the council.
- Assets 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.
- Initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, the obligation for which the council incurred either when the asset was acquired or as a consequence of having used the asset during a particular period for purposes other than producing inventories during that period.
- 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 council). 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 council.
- Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non Specific Grant Income line of the CIES, 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 CIES they are reversed out of the General Fund Balance to the Capital Adjustment Account in the MIRS.

Subsequent enhancement expenditure is treated as capital when:

- The expenditure will substantially increase the market value of the asset.
- The expenditure will substantially increase the extent to which the Council can use the asset for the purpose, or in conjunction with the functions of the Council.
- For all assets, expenditure below £10,000 (excl. VAT) is not treated as capital except where the sum of the assets is significant, such as waste collection bins and caddies.
- Capital assets are held on the balance sheet as non-current assets, unless otherwise stated.

### 1.13 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 attributable to the assets used by the relevant service;
- Revaluation and impairment losses where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- Amortisation of intangible assets attributable to the service.

The council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (known as Minimum Revenue Provision) equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by a contribution from the General Fund Balance, by way of an adjusting transaction to the Capital Adjustment Account in the Movement of Reserves Statement.

### 1.14 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

### 1.15 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 the right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### **Defining a finance lease**

A finance lease is where substantially all of the risks and rewards incidental to ownership of an asset transfer to the lessee:

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. hire purchase).
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised.
- If the lease term is for the major part of the economic life of the asset even if title is not transferred. The economic life of the asset is deemed to be that which is

consistent with the class of asset in the depreciation policy. The Council recognises the major part to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.

- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease. If this rate cannot be determined the incremental borrowing rate applicable for that year is used. The council recognises “substantially all” to mean 90% of the value of the asset. In some circumstances, a level of 75% can be used if the Council believes that using this level will give a result that better reflects the underlying transaction.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.
- If the lessee cancels the lease, the losses of the lessor, associated with the cancellation are borne by the lessee.
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

### **Lessee Accounting for a finance lease**

Where the council is tenant in a property, or is, by definition of IFRIC 4, leasing an asset that is deemed under IAS 17 to be a finance lease, the council will recognise that asset within the asset register, and account for that asset as though it were an owned asset.

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

### **Lessor Accounting for a finance lease**

Where the council is the lessor for a finance lease, the asset is not recognised in the asset register; however a long term debtor at the present value of minimum lease payments is recognised. Income received is split between capital, which is credited against the debtor, and interest income credited to the CIES as interest receivable.

### **Lessor Accounting for an operating lease**

Where the council is the lessor for an operating lease, normally the asset is classified as an investment property. Any rental income is credited to the relevant service income line in the CIES.

### **Lessee Accounting for operating leases**

Costs associated with operating leased assets where the council is the lessee are charged immediately to the relevant revenue service expenditure within the Net Cost of Services on an accruals basis.

## 1.16 FINANCIAL INSTRUMENTS

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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

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

### Financial Assets

Financial assets are classified into two types:

Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.

Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest and interest



credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised cash flows, discounted at the asset's original effective interest rate.

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

### **Available-for-sale financial Assets**

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

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

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis;
- Equity shares with no quoted market prices – independent appraisal of company valuations or amortised cost.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain or loss is recognised in the Surplus or Deficit on the Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

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

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

## **1.17 INVENTORIES AND LONG TERM CONTRACTS**

Inventories held in stores are included on the Balance Sheet at the latest price paid, with an allowance made for obsolescent and slow-moving items. 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 immaterial. All other inventories held have

been valued at the lower of cost and net realisable value. All work in progress is charged to service accounts by the year end so there is a nil value held on the Balance Sheet.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

#### **1.18 ESTIMATION TECHNIQUES**

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

#### **1.19 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.

#### **1.20 EXCEPTIONAL ITEMS**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the council's financial performance.

#### **1.21 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 disclosed in a note to the accounts.

#### **1.22 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 disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

**1.23 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 is made, 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.

**1.24 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.

**1.25 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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually as necessary according to market conditions in the year. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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.

## **1.26 JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS**

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

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

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

## **1.27 COUNCIL TAX RECOGNITION**

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

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

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

## **1.28 NATIONAL DOMESTIC RATES (NDR) INCOME RECOGNITION**

NDR income is recognised in the same way as council tax described in note 1.27, with the exception that the net income and surplus/deficit credited or charged to the Comprehensive Income & Expenditure Statement is shared between the billing authority, the county council and central government in statutory proportions. NDR balances are also distributed across their balance sheets in the same proportions

## **1.29 PROVISIONS FOR BAD AND DOUBTFUL DEBTS**

In order to suitably reflect the varied nature of debtors within the council, the basis for providing for bad debts is specific to the circumstances in each individual department. The general policy followed is:

- No public sector debt is provided for (other Local Authorities, NHS or Central Government).
- Aged debt is reviewed and a reasonable percentage provided for.

Significant individual invoices are reviewed and wholly provided for where it is thought to be necessary.

### **1.30 DISCONTINUED OPERATIONS**

Any discontinued operations are shown separately on the face of the Comprehensive Income & Expenditure Statement. There are no discontinued operations in 2014/15.

### **1.31 FOREIGN CURRENCY TRANSLATION**

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

### **1.32 LONG TERM LOANS**

Long term loans granted to a body are treated as capital expenditure and included in the balance sheet as Long Term debtors.

### **1.33 CHANGES IN ACCOUNTING POLICIES**

There are no changes in accounting policies in 2014/15.

### **1.34 INTEREST ON INVESTMENT AND BORROWING**

Interest received on investments is initially credited to the General Fund. The Housing Revenue Account (HRA) is then paid its share based on the level of its Usable Reserves held throughout the year. The amount is calculated using the average (consolidated) rate of interest earned by the council, in accordance with statutory provisions.

Interest on borrowing is charged to the general fund and HRA based on the loans held by each fund.

### **1.35 INTERESTS IN COMPANIES AND OTHER ENTITIES – GROUP ACCOUNTS**

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

#### **Basis of Consolidation**

The Group Accounts bring together the council's accounts with those of Gloucestershire Airport Ltd and Ubico Ltd, in which the council each has a 50% shareholding, and Cheltenham Borough Homes (CBH) in which the council has 100% shareholding. The accounts of CBH include those of

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Cheltenham Borough Homes Services Ltd, a wholly owned subsidiary of Cheltenham Borough Homes Limited. Both Gloucestershire Airport Ltd and Ubico Ltd have been treated as jointly controlled entities (joint ventures) and CBH as a subsidiary company.

### 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:-

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

Property, Plant and Equipment held by Gloucestershire Airport is initially valued at historic cost. However, for the purposes of the Group Accounts, the airport's PPE have been re-valued at fair value (using depreciated replacement cost) in order to bring them in line with the council's accounting policies. A formal valuation of the runway and buildings at the Airport, with a valuation date of 31<sup>st</sup> March 2012, was undertaken by an external valuer in 2012.

Dwellings owned by CBH are initially valued at historic cost. For the purposes of the Group accounts they have been re-valued at fair value to bring them in line with the council's accounting policies. From 2014/15 the fair value has been assessed by an external valuer using the existing use value for social housing (EUV-SH) appropriate to the dwellings' tenure as affordable homes. Previously market value was used as a proxy for fair value.

Depreciation on assets held by CBH and Gloucestershire Airport have been calculated so as to write off the cost of Property, Plant and Equipment over their expected useful lives using the following rates, which are different to those used by the council.

	<b>CBH</b>	<b>Airport</b>
Plant & Machinery	20% straight line allocation	4% per annum of cost
Office Equipment	33% straight line allocation	
Computer Equipment	33% straight line allocation	
Taxiway / Runway		2% per annum of cost
Fixtures & Fittings, Tools & Operational Equipment	33% straight line allocation	
Leasehold Buildings	Over the life of the lease	2% per annum of cost

Assets acquired under finance leases or hire purchase contracts by Gloucestershire Airport are capitalised and depreciated in the same manner as other Property, Plant and Equipment.

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

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

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The council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but

## STATEMENT OF ACCOUNTS 2014/15

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is not yet required to be adopted by the council. As required by the Code, full adoption of the standard will be required for the 2015/16 financial statements. However, the council is required to make disclosure of the estimated effect of the new standard in these (2014/15) financial statements.

Accounting standards that have seen amendments are: IFRS13 *Fair Value Measurement*, IFRS21 *Levies* and the *Annual Improvements to IFRSs (2011 to 2013 cycle)* – primarily; IFRS1 *Meaning of effective IFRSs*, IFRS3 *Scope of exceptions for joint ventures* and IAS40 *Clarifying the interrelationship of IFRS 3 Business Combinations and IAS40 Investment Property when classifying property as investment property or owner-occupied property*.

It is not anticipated that these changes to accounting standards (when adopted) will have a material impact upon the financial statements or balances of the council.

### 3. CRITICAL JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES

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In applying the accounting policies set out on pages 12-37, the council has had to make certain judgments about complex transactions or those which may be uncertain depending on future events.

#### **Leases**

Leases have been classified (as required) in accordance with the IFRS criteria. In making this assessment the council has deemed all existing leases (with the exception of the lease of vehicles to Ubico Ltd) as being operating leases. The lease of vehicles to Ubico on 1 April 2012 has been deemed to be a finance lease.

#### **Business Rate Appeals Provision**

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

The provision is based on the expected success rate of appeals lodged at 31 March 2015, so no allowance has been made for any successful appeals against previous years' rate liabilities that may be received after this date.

#### **Non-Current Assets**

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

#### **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 interest), and judgements as to the classification of group entities (as subsidiaries, associates or joint ventures). Further details are given on page 90.

#### **Bad Debts Provision**

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

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

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

The items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:



**STATEMENT OF ACCOUNTS 2014/15**

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £53k for every year that useful lives had to be reduced.</p>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the council with expert advice about the assumptions to be applied.	The effects on the net pensions' liability of changes in individual assumptions can be measured. For example, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of approximately 9%, and a one year increase in member life expectancy would increase the pension liability by approximately 3%. A sensitivity analysis is included in Note 40 - Pensions.
Non-domestic rates (NDR) appeals provision	This provision has been set up to meet losses arising from the successful appeal of businesses against the rateable value of their properties. The provision is based on an expected success rate of appeals submitted at 31 <sup>st</sup> March and an estimated reduction in rateable value. Although based on past experience, both the actual success rate and actual reduction may differ from the estimate.	A 1% increase in the assumed success rate, together with a 1% reduction in the rates payable, would result in an increase in the estimated provision required of £212k, of which the council's share would be £86k. This would reduce the collection fund surplus able to be distributed to the council in future years. Some of this reduction may be compensated by the local NDR pool if it resulted in a deficit in the year.

There are no known items in the balance sheet at 31<sup>st</sup> March 2015 for which there is a *significant* risk of material adjustment in the forthcoming financial year.

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

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

## **6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

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This note details the adjustments that have been made to the total comprehensive income and expenditure so that it equals the resources generated in the year which are available, under statutory provisions, to the council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

### **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.

Some of the figures for 2013/14 have been restated to show adjustments to/from the capital grants unapplied reserve separate from those to/from the capital adjustment account and corrections to revaluation gains during that year.

**STATEMENT OF ACCOUNTS 2014/15**

2013/14 Restated						2014/15					
General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
						<b>Adjustments to / from the Capital Adjustment Account</b>					
						<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>					
(2,417)	(3,698)				6,115						
(497)					497		(3,203)	(5,443)			8,646
4,078					(4,078)		(2,396)	559			1,837
(108)					108						-
	119				(119)		(104)				104
								150			(150)
(1,753)					1,753		(592)				-
											-
(7,820)	(1,595)				9,415		(1,066)	(616)			1,682
-					-		28				(28)
						<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>					
											-
839					(839)		824				(824)
250					(250)		-				-
1,800					(1,800)		812	726			(1,538)
						<b>Adjustments to / from Capital Grants Unapplied</b>					
1,160				(1,160)			496			(496)	-
				870	(870)					564	(564)
						<b>Adjustments to / from Deferred Capital Receipts</b>					
											-
56					(56)						-
						<b>Adjustments to / from the Capital Receipts Reserve</b>					
											-
8,669	2,426	(11,094)			(1)		1,074	1,015	(2,089)		-
		2,691			(2,691)				1,513		(1,513)
	(146)	146			-			(44)	44		-
(301)		301			-		(310)		310		-
		(272)			272				(254)		254
		(218)			218		32		(561)		529
3,956	(2,894)	(8,446)		(290)	7,674	<b>Carried forward</b>	(4,405)	(3,653)	(1,037)	-	68
											9,027

**STATEMENT OF ACCOUNTS 2014/15**

2013/14							2014/15					
General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves		General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000
3,956	(2,894)	(8,446)	-	(290)	7,674	<b>Brought forward</b>	(4,405)	(3,653)	(1,037)	-	68	9,027
						<b>Adjustments to / from the Major Repairs Reserve (MRR)</b>						
	5,328		(5,328)		-	Reversal of Major Repairs Allowance credited to the HRA		5,443		(5,443)		-
			5,727		(5,727)	Use of the MRR to finance capital expenditure				5,443		(5,443)
						<b>Adjustments to / from the Pensions Reserve</b>						
						Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement						
(4,153)					4,153	Employers' pension contributions and payments direct to pensioners in the year	(3,523)					3,523
2,940					(2,940)		3,622					(3,622)
						<b>Adjustments to / from the Financial Instruments Adjustment account</b>						
						Amount by which finance costs charged to Comprehensive Income and Expenditure Statement are different from those chargeable according to statute						
145	(10)				(135)		146	(10)				(136)
						<b>Adjustments to / from the Collection Fund Adjustment Account</b>						
						Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from that calculated according to statute						
444					(444)		7					(7)
						<b>Adjustments to / from the Accumulating Compensated Absences Adjustment Account</b>						
						Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is different from that chargeable according to statute						
(43)					43		(11)					11
<b>3,289</b>	<b>2,424</b>	<b>(8,446)</b>	<b>399</b>	<b>(290)</b>	<b>2,624</b>	<b>Total Adjustments</b>	<b>(4,164)</b>	<b>1,780</b>	<b>(1,037)</b>	<b>-</b>	<b>68</b>	<b>3,353</b>

## STATEMENT OF ACCOUNTS 2014/15

### 7. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Section 151 Officer on 30 June 2015. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### 8. EXCEPTIONAL ITEMS

Exceptional items are ones not expected to occur frequently. They can for example include items such as large-scale redundancies, emergency expenditure and costs of industrial action.

There are no exceptional items to report in 2014/15.

### 9. CHANGES IN OPERATIONS AND DISCONTINUED OPERATIONS

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

The leisure and culture activities of the council, included within the Wellbeing & Culture Directorate were transferred to a new independent trust – “The Cheltenham Trust” on 1<sup>st</sup> October 2014. A contract has been agreed for the Trust to provide the leisure and culture services for Cheltenham, for a fixed management fee payable by the council. These services comprise of Leisure, Healthy Lifestyles, Entertainments and the Art Gallery & Museum services. The council has retained ownership and responsibility for the building costs of its Recreation Centre, Town Hall, Pittville Pump Rooms and Art Gallery & Museum (The Wilson) buildings.

### 10. TRADING OPERATIONS

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

2013/14 Restated					2014/15				
Income	Expenditure	Net (surplus)/ deficit	Contribution to Revenue	(Surplus) / deficit	Income	Expenditure	Net (surplus)/ deficit	Contribution to Revenue	(Surplus) / deficit
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
					<b>Included within Net cost of Services</b>				
(1,642)	2,309	667		667	Town Hall / Pump room	(529)	1,520	991	991
(1,608)	2,981	1,373		1,373	Leisure@Cheltenham	(1,017)	2,087	1,070	1,070
(1,599)	908	(691)		(691)	Cemetery and Crematorium	(1,564)	1,105	(459)	(459)
(3,849)	1,922	(1,927)		(1,927)	Car Parks	(3,506)	2,113	(1,393)	(1,393)
<b>(8,698)</b>	<b>8,120</b>	<b>(578)</b>	<b>-</b>	<b>(578)</b>	<b>Total</b>	<b>(6,616)</b>	<b>6,825</b>	<b>209</b>	<b>-</b>
					<b>Other Trading Activities</b>				
(60)	43	(17)	(17)	-	TIC shop / agency	(76)	62	(14)	(14)
<b>(60)</b>	<b>43</b>	<b>(17)</b>	<b>(17)</b>	<b>-</b>	<b>Total</b>	<b>(76)</b>	<b>62</b>	<b>(14)</b>	<b>(14)</b>

Town Hall & Pump Room and Leisure@ Cheltenham trading operations are included within the Culture and related services cost of services in the Comprehensive Income and Expenditure Statement. These were transferred to a new independent charity, “The Cheltenham Trust” on 1st October 2014.

Cemetery & Crematorium trading operations are included within the Environment and Regulatory services cost of services in the Comprehensive Income and Expenditure Statement.

## STATEMENT OF ACCOUNTS 2014/15

Car Parking trading operations are included within the Highways and Transport services cost of services in the Comprehensive Income and Expenditure Statement.

### 11. AGENCY INCOME & EXPENDITURE

Under various statutory powers, a council may agree with other local authorities, water companies and government departments, to do work on their behalf. Expenditure and income related to these activities must be disclosed.

The Council did not undertake any significant agency work in 2014/15.

### 12. OTHER OPERATING EXPENDITURE

	2014/15 £000	2013/14 £000
Parish Precepts	187	174
Contribution of housing capital receipts to Government Pool	310	302
(Gain)/Loss on Disposal of non-current assets	(363)	(1,589)
(Surpluses) / Deficits on trading operations	1	1
<b>Total Other Operating Expenditure</b>	<b>135</b>	<b>(1,112)</b>

### 13. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2014/15 £000	2013/14 £000
Interest Payable and similar charges	2,073	2,026
Impairment of Icelandic bank investments	(20)	49
Gains(-) / Losses on deregulation of financial instruments	-	21
Exchange rate (profit) / Loss Icelandic Banks	50	(1)
Net interest on the net defined benefit liability (asset)	2,294	2,390
Interest and investment income	(215)	(222)
Income and expenditure on investment properties and charges in their fair value	(437)	(4,394)
<b>Net Financing and Investment Expenditure</b>	<b>3,745</b>	<b>(131)</b>

**STATEMENT OF ACCOUNTS 2014/15**

**14. TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE**

	2014/15 £000	2013/14 £000
Council Taxation Income	(7,602)	(7,465)
Non -Domestic Rates income and expenditure		
- Billing authority share	(21,606)	(20,596)
- Collection Fund surplus	(102)	(354)
- Tariff payable to central government	18,726	18,369
- Levy payable to central government	550	129
- NDR local pool contribution	346	19
- Contribution to/(from) provisions	-	(186)
General government grants	(4,795)	(5,017)
Net gains from donated assets	(29)	-
Capital grants and contributions	(326)	(971)
<b>Net Taxation and Non Specific Grant Income</b>	<b>(14,838)</b>	<b>(16,072)</b>

General government grants are included in the Comprehensive Income and Expenditure Statement and are not attributable to specific services.

**15. MEMBERS' ALLOWANCES**

In 2014/15 the council paid £319,472 (2013/14 £319,191) in allowances to its 40 members. The expenditure reflects members' allowances approved by council for 2014/15. Full details of the Members' Allowances scheme for 2014/15 can be found on the council's website.

**16. OFFICERS' EMOLUMENTS**

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

Remuneration Band	No of Employees 2014/15	No of Employees 2013/14
£60,000 - £64,999	2	3
£65,000 - £69,999	1	0
£75,000 - £79,999	1	1
£90,000 - £94,999	2	2
£115,000 - £119,999	1	1
£140,000 - £144,999	0	1
<b>Total</b>	<b>7</b>	<b>8</b>

## STATEMENT OF ACCOUNTS 2014/15

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

### 2014/15 Senior Officers emoluments – Salary between £50,000 and £150,000 per year

Post holder information	Salary £	Expenses Allowances £	Compensation for loss of office £	Benefits in Kind e.g. car allowance £	Other payments £	Total remuneration excluding pension contributions 2014/15 £	Pension contributions £	Total Remuneration inc. pension contbns 2014/15 £
Chief Executive (note 1)	109,764	750	-	-	8,037	118,551	17,641	136,192
Civic Pride MD	90,490	843	-	-	-	91,333	13,212	104,545
Deputy Chief Executive	90,490	420	-	-	-	90,910	13,212	104,122
Director, Corporate Resources	75,868	173	-	-	-	76,041	11,077	87,118
Director, Well-being & Culture	61,968	341	-	-	-	62,309	9,047	71,356
Director, Environment & Reg. Services	63,513	108	-	-	-	63,621	9,238	72,859
Director, Commissioning	35,950	11	31,906	-	-	67,867	5,249	73,116
<b>TOTAL</b>	<b>528,043</b>	<b>2,646</b>	<b>31,906</b>	<b>-</b>	<b>8,037</b>	<b>570,632</b>	<b>78,676</b>	<b>649,308</b>

**Note 1:** 'Other payments' relate to Returning Officer fees paid in respect of elections

**Note 2:** In addition, Cheltenham Borough Council pay a contribution of 35% of the salary costs of a Shared Monitoring Officer with Tewkesbury Borough Council.



**STATEMENT OF ACCOUNTS 2014/15**

**2013/14 Senior Officers emoluments – Salary between £50,000 and £150,000 per year**

Post holder information	Salary £	Expenses Allowances £	Compensation for loss of office £	Benefits in Kind e.g. car allowance £	Other payments £	Total remuneration excluding pension contributions 2013/14 £	Pension contributions £	Total Remuneration inc. pension contbns 2013/14 £
Chief Executive (note 1)	109,164	1,167	-	-	6,510	116,841	16,733	133,574
Civic Pride MD	89,995	1,381	-	-	-	91,376	13,139	104,515
Executive Director	89,995	242	50,916	-	-	141,153	13,139	154,292
Deputy Chief Executive	89,995	126	-	-	-	90,121	13,139	103,260
Director, Corporate Resources	75,801	262	-	-	-	76,063	11,016	87,079
Director, Well-being & Culture	61,629	656	-	-	-	62,285	8,998	71,283
Director, Environment & Reg. Services	61,629	622	-	-	-	62,251	8,998	71,249
Director, Commissioning	61,629	16	-	-	-	61,645	8,998	70,643
<b>TOTAL</b>	<b>639,837</b>	<b>4,472</b>	<b>50,916</b>	<b>-</b>	<b>6,510</b>	<b>701,735</b>	<b>94,160</b>	<b>795,895</b>

**Note 1:** 'Other payments' relate to Returning Officer fees paid in respect of elections

**Note 2:** In addition, Cheltenham Borough Council pay a contribution of 35% of the salary costs of a Shared Monitoring Officer with Tewkesbury Borough Council.

## STATEMENT OF ACCOUNTS 2014/15

### 17. TERMINATION BENEFITS

The council terminated the contracts of 8 employees in 2014/15 (10 in 2013/14). Total costs incurred were £88,408 (£153,388 in 2013/14), of which £15,733 (£33,090 in 2013/14) related to early retirement costs and £72,675 (£120,298 in 2013/14) related to redundancy payments. All staff redundancies were made on a voluntary basis, with no compulsory redundancies. These costs have been charged to the relevant service line shown within the Comprehensive Income and Expenditure Statement.

These termination benefits are summarised in the table below:

2013/14		Bands	2014/15	
No. of staff	£		No. of staff	£
8	60,437	£0 - £20,000	6	36,336
-	-	£20,001 - £40,000	2	52,072
2	92,951	£40,000 - £60,000	-	-
-	-	£60,001 - £80,000	-	-
<b>10</b>	<b>153,388</b>		<b>8</b>	<b>88,408</b>

### 18. RELATED PARTY TRANSACTIONS

The council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council. Third Party Declaration forms were issued to chief officers and the Register of Members' Interests was reviewed.

#### 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 the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are shown in Note 20.

#### Members and Officers

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 15. No member or officer has declared an interest with any outside commercial organisation. Several members serve officially on bodies that receive major grants from the council and these are listed below.

#### Assisted organisations

The council provided financial assistance to 103 local bodies (96 in 2013/14) and voluntary organisations totalling £653,020 (£860,906 in 2013/14). It is the council's best value policy to have a Service Level Agreement in place for all grants exceeding £10,000, referred to as Conditional Offers of Grants.

## STATEMENT OF ACCOUNTS 2014/15

The total grants over £35,000 made during 2014/15 are as follows, together with the number of members who are officially appointed to serve on those organisations:

	<b>Cash Grant £</b>	<b>Support Costs £</b>	<b>Total Grant £</b>	<b>No's of Members</b>
Everyman Theatre	190,050	(62,417)	127,633	1
County Community Projects (CCP)	108,186	4,800	112,986	
Playhouse Theatre	65,700	(56,889)	8,811	
	<b>363,936</b>	<b>(114,506)</b>	<b>249,430</b>	

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

The council collects precepts on behalf of Gloucestershire County Council, 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 88.

Five members of the borough council are also members of Gloucestershire County Council. Seven members of the borough council are also members of parish councils. Parish Precepts are shown in the Comprehensive Income and Expenditure Statement.

Council employees are eligible to be members of the Local Government Pension Scheme, administered by Gloucestershire County Council. The total employer's contributions into the superannuation fund by the council were £3,622,000 in 2014/15 (£2,940,000 in 2013/14).

### **Companies and joint ventures**

The Gloucestershire Everyman Theatre leases the theatre from the council. In 2013/14 the council approved a grant of £195,050 and the Everyman Theatre began to repay a loan of £1 million to fund restoration costs carried out by the theatre company in 2011/12.

The council has a 50% share in Gloucestershire Airport. The Airport's accounts have been consolidated into the Group Accounts, which are shown on pages 90 to 101. Two members serve on the Airport's Board of Directors, over which the council has no control.

Gloucestershire Airport purchased goods and services from the council totalling £15,633 during 2014/15 (£2,592 in 2013/14). At 31st March 2015 £25,032 was owed by the Airport to the council (£12,510 at 31st March 2014) in respect of these goods and services. A loan of £0.982 million is shown as a long term debtor on the council's balance sheet whilst the balance of a short term debtor by way of an overdraft facility provided to the Airport by the council to support their Runway Safety Project was £210,000 at 31<sup>st</sup> March 2015.

The council has an Arm's Length Management Organisation (Cheltenham Borough Homes). The accounts for this company have been consolidated into the Group Accounts, which are shown on Pages 90 to 101. Four councillors serve on the company's Board of Directors.

The council procured supplies and services totalling £12,521,880 from Cheltenham Borough Homes during 2014/15 (£12,266,550 in 2013/14), £747,709 (£1,089,644 in 2013/14) of which is included in the council's Balance Sheet and excluded from the Group Balance Sheet (see pages 90 to 101 and Note 46 to the Group Accounts on Page 95). In 2011/12 the council loaned CBH £1.4m for development at St Paul's and Brighton Road. A further £2m was loaned in 2012/13 and another £2.1m in 2014/15.

Cheltenham Borough Homes procured supplies and services from Cheltenham Borough Council of

## STATEMENT OF ACCOUNTS 2014/15

£683,941 during 2014/15 (£722,709 in 2013/14), £61,543 (£524,713 in 2013/14) of which is included in the council's Balance Sheet and adjusted for within the Group Balance Sheet (see Pages 90 to 101 and Note 46 to the Group Accounts on Page 95).

On 1<sup>st</sup> April 2012, the council incorporated a local authority teckal company jointly owned with Cotswold District Council to deliver environmental services (Ubico Ltd). No members serve on the company's Board of Directors.

The council procured supplies and services totalling £8,375,382 from Ubico Ltd during 2014/15 (£8,458,626 in 2013/14), £620,583 (£76,788 in 2013/14) of which is included in the council's Balance Sheet as a creditor at 31<sup>st</sup> March 2015.

Ubico Ltd procured supplies and services from Cheltenham Borough Council of £684,147 during 2014/15 (£1,712,663 in 2013/14), £470,560 (£155,262 in 2013/14) of which is included in the council's Balance Sheet at 31<sup>st</sup> March 2015.

### 19. EXTERNAL AUDIT COSTS

The total audit fees payable to the council's external auditor and the Audit Commission in 2014/15 were £86,766 (£87,734 in 2013/14), made up as follows. The 2013/14 figures have been restated to include the supplementary fee for 2013/14 audit work.

	2014/15 £	2013/14 Restated £
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor	65,874	64,974
Audit Commission rebate	(6,678)	(8,892)
Fees paid to the External Auditor for the certification of grant claims and returns	12,020	29,602
Audit Commission – National Fraud Initiative	2,300	1,150
Other work provided by the appointed auditor:		
Supplementary work on Art Gallery and Museum	13,250	-
Supplementary fee for 13/14 audit work – Business Rates	-	900
	<b>86,766</b>	<b>87,734</b>

**STATEMENT OF ACCOUNTS 2014/15**

**20. GRANT INCOME**

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

	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
<b>Credited to Taxation and Non Specific grant income</b>		
Revenue Support Grant	(2,921)	(3,731)
New Homes Bonus	(1,098)	(720)
Small Business Rate Relief	(673)	(426)
Council Tax Freeze Grant	(81)	(79)
Community Right to Challenge New Burden Grant	(8)	(8)
Assets of Community Value New Burden Grant	(8)	(8)
Council Tax Transition Grant	-	(22)
Capitalisation Provision Redistribution Grant	-	(20)
Transparency Code Set Up Grant	(6)	(3)
Capital Grants and Contributions	(1,214)	(1,118)
<b>Total</b>	<b>(6,009)</b>	<b>(6,135)</b>
<b>Credited to Services</b>		
Flood defence grants	-	(151)
Election grants	(50)	(15)
Homelessness grants	(4)	(54)
Housing Benefits subsidy & Administration grants	(32,005)	(32,656)
Council Tax Benefits subsidy & Administration grants	(125)	(254)
NNDR – Cost of Collection	(5)	(184)
Recycling grants	(80)	(85)
Art Gallery & Museum Grants	(30)	(43)
Transformational Change Award	(356)	
Other Grants	(13)	(36)
Other partnership funding and contributions	(973)	(1,236)
<b>Total</b>	<b>(33,641)</b>	<b>(34,714)</b>

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:

	<b>2014/15 £000</b>	<b>2013/14 £000</b>
<b>Receipts in Advance – Revenue</b>		
Transformation grant from central government	-	(500)
Commuted Grounds Maintenance contributions	(226)	(184)
Affordable Housing contributions	(1,037)	-
Other contributions	(180)	-
	<b>(1,443)</b>	<b>(684)</b>
<b>Receipts in Advance – Capital</b>	<b>(83)</b>	<b>(83)</b>

**21. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (SEGMENTAL REPORTING)**

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The analysis of income and expenditure by service in the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP) 2014/15. However decisions about resource allocations are taken by the council's Cabinet on the basis of budget reports analysed across divisions headed by Directors. These reports are prepared on a different basis from the accounting policies used in these financial statements. Specifically:

- charges for revaluation and impairment of assets are excluded
- the cost of retirement benefits is based on the employer's pensions contributions paid rather than the current service cost of benefits accrued in the year
- revenue expenditure funded from capital under statute is excluded.

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

**STATEMENT OF ACCOUNTS 2014/15**

<b>Segmental Analysis</b>								
<b>General Fund Services</b>	<b>Employee</b>	<b>Other</b>	<b>Support</b>	<b>Total</b>	<b>Fees &amp;</b>	<b>Government</b>	<b>Total</b>	<b>Net</b>
<b>2014/15</b>	<b>costs</b>	<b>service</b>	<b>service</b>	<b>expenditure</b>	<b>other</b>	<b>grants</b>	<b>income</b>	<b>expenditure</b>
	<b>£'000</b>	<b>expenses</b>	<b>costs</b>	<b>£'000</b>	<b>income</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive Division	644	715	372	1,731	(168)	(82)	(250)	1,481
Environmental & Regulatory Services	3,825	6,640	1,068	11,533	(8,314)	(789)	(9,103)	2,430
Deputy Chief Executive Division	745	7,502	(363)	7,884	(2,795)	(700)	(3,495)	4,389
Corporate Resourcing Division	4,735	38,356	(1,380)	41,711	(2,260)	(33,119)	(35,379)	6,332
Wellbeing and Culture	1,644	1,945	303	3,892	(1,900)	(106)	(2,006)	1,886
	<b>11,593</b>	<b>55,158</b>	<b>-</b>	<b>66,751</b>	<b>(15,437)</b>	<b>(34,796)</b>	<b>(50,233)</b>	<b>16,518</b>

<b>Segmental Analysis</b>								
<b>General Fund Services</b>	<b>Employees</b>	<b>Other</b>	<b>Support</b>	<b>Total</b>	<b>Fees &amp;</b>	<b>Gov't</b>	<b>Total</b>	<b>Net</b>
<b>2013/14 Restated</b>	<b>Costs</b>	<b>Service</b>	<b>Service</b>	<b>Expenditure</b>	<b>Other</b>	<b>Grants</b>	<b>Income</b>	<b>Expenditure</b>
	<b>£'000</b>	<b>Expenses</b>	<b>Costs</b>	<b>£'000</b>	<b>income</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive Division	327	390	(35)	682	-	(260)	(260)	422
Environmental & Regulatory Services	3,892	6,472	2,861	13,225	(10,543)	(384)	(10,927)	2,298
Deputy Chief Executive Division	1,204	7,128	(427)	7,905	(2,318)	(345)	(2,663)	5,242
Corporate Resourcing Division	4,286	36,826	(2,528)	38,584	(1,429)	(34,012)	(35,441)	3,143
Wellbeing and Culture	2,775	4,488	663	7,926	(3,348)	(120)	(3,468)	4,458
	<b>12,484</b>	<b>55,304</b>	<b>534</b>	<b>68,322</b>	<b>(17,638)</b>	<b>(35,121)</b>	<b>(52,759)</b>	<b>15,563</b>

**STATEMENT OF ACCOUNTS 2014/15**

2013/14 Restated						2014/15						
Directorate Analysis	Not Reported to Management	Not included in CIES	Net Cost of Services	Corporate Amounts	Total	Reconciliation of Net Cost of Services in CIES	Directorate Analysis	Not Reported to Management	Not included in CIES	Net Cost of Services	Corporate Amounts	Total
15,563		314	15,877		15,877	Cost of Services in General Fund Service Analysis	16,518		433	16,951	3	16,954
	(3,930)		(3,930)		(3,930)	Add HRA income less expenditure		(4,259)		(4,259)		(4,259)
	1,443		1,443		1,443	Add amounts not reported to management:-						
	-					Revenue funded from capital under statute		591		591		591
	43		43		43	Capital grants repaid		(32)		(32)		(32)
	(1,177)		(1,177)		(1,177)	Accumulated Absences Account		11		11		11
	185		185		185	IAS 19 Pension adjustment		(2,393)		(2,393)		(2,393)
	497		497		497	Employee expenses		-		-		-
						Revaluation losses on property, plant and equipment		2,396		2,396		2,396
<b>15,563</b>	<b>(2,939)</b>	<b>314</b>	<b>12,938</b>	<b>-</b>	<b>12,938</b>	<b>Net Cost of Services in CIES</b>	<b>16,518</b>	<b>(3,686)</b>	<b>433</b>	<b>13,265</b>	<b>3</b>	<b>13,268</b>
			-	(7,465)	(7,465)	Income from council tax				-	(7,602)	(7,602)
			-	(2,619)	(2,619)	Income from NNDR				-	(2,086)	(2,086)
			-	(5,017)	(5,017)	Government grants				-	(4,795)	(4,795)
			-	(971)	(971)	Capital grants and contributions receivable				-	(326)	(326)
			-	-	-	Net gains from donated assets				-	(29)	(29)
<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16,072)</b>	<b>(16,072)</b>	<b>Total Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,838)</b>	<b>(14,838)</b>
			-	2,026	2,026	Interest payments				-	2,073	2,073
				69	69	Impairment, gains and losses on financial instruments					30	30
		1	1		1	Trading Account (Surplus) / Deficit			1	1	-	1
			-	174	174	Precepts and levies				-	187	187
			-	(222)	(222)	Interest and investment income				-	(215)	(215)
			-	302	302	Payments to Housing Capital Receipts Pool				-	310	310
			-	(1,589)	(1,589)	(Gain)/Loss on disposal of non-current assets				-	(363)	(363)
		(315)	(315)	(4,079)	(4,394)	Income from investment properties			(434)	(434)	(3)	(437)
			-	2,390	2,390	Pension scheme interest costs				-	2,294	2,294
<b>-</b>	<b>-</b>	<b>(314)</b>	<b>(314)</b>	<b>(929)</b>	<b>(1,243)</b>	<b>Total Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>(433)</b>	<b>(433)</b>	<b>4,313</b>	<b>3,880</b>
			<b>12,624</b>	<b>(17,001)</b>	<b>(4,377)</b>	<b>(Surplus)/Deficit on provision of services</b>				<b>12,832</b>	<b>(10,522)</b>	<b>2,310</b>

**22. PROPERTY, PLANT & EQUIPMENT**



**STATEMENT OF ACCOUNTS 2014/15**

2013/14 Restated								2014/15							
Council dwellings £'000	Other Land and buildings £'000	Vehicles, Plant and equipment £'000	Infra-structure assets £'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	Infra-structure assets £'000	Community assets £'000	Surplus assets £'000	Assets under construction £'000	Total £'000
<b>Cost or valuation</b>															
159,530	75,388	5,660	9,655	226	7,338	4,460	262,257	163,481	113,966	6,331	10,548	226	402	357	295,311
	5,255	2,546	730			194	9,618	6,069	742	851	546			408	8,616
		33,444					33,444	(17,287)	9,440	209					(7,638)
	(1,265)	(59)			(6,975)		(554)	559	(2,396)						(1,837)
	(39)	4,297			39	(4,297)	(8,691)	(527)		550			(35)		(562)
		(173)					(590)			229	52			(281)	550
							(173)								-
<b>163,481</b>	<b>113,966</b>	<b>6,331</b>	<b>10,548</b>	<b>226</b>	<b>402</b>	<b>357</b>	<b>295,311</b>	<b>152,295</b>	<b>122,302</b>	<b>7,620</b>	<b>11,146</b>	<b>226</b>	<b>367</b>	<b>484</b>	<b>294,440</b>
<b>Accumulated Depreciation and Impairment</b>															
(14,305)	(7,367)	(3,526)	(1,313)	-	(6)	-	(26,517)	(17,880)	101	(3,990)	(1,566)	-	(8)	-	(23,343)
	(5,206)	(1,818)	(466)		(2)		(7,745)	(5,300)	(2,746)	(333)	(273)				(8,652)
		9,056					9,056	23,180	79						23,259
		57	2				59								-
															-
	1,631						1,631							(8)	(8)
		173					173								
<b>(17,880)</b>	<b>101</b>	<b>(3,990)</b>	<b>(1,566)</b>	<b>-</b>	<b>(8)</b>	<b>-</b>	<b>(23,343)</b>	<b>-</b>	<b>(2,566)</b>	<b>(4,323)</b>	<b>(1,839)</b>	<b>-</b>	<b>(8)</b>	<b>(8)</b>	<b>(8,744)</b>
<b>145,601</b>	<b>114,067</b>	<b>2,341</b>	<b>8,982</b>	<b>226</b>	<b>394</b>	<b>357</b>	<b>271,968</b>	<b>152,295</b>	<b>119,736</b>	<b>3,297</b>	<b>9,307</b>	<b>226</b>	<b>359</b>	<b>476</b>	<b>285,696</b>
<b>Net Book Value at 31 March</b>															

## STATEMENT OF ACCOUNTS 2014/15

The 2013/14 comparative figures have been restated to include corrections to revaluation increases for that year.

### Depreciation

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

- Council dwellings - depreciation is deemed equivalent to the Major Repairs Allowance provided by the Government, as permitted by the Code and statutory guidance
- Other Land and Buildings - 50 years
- Vehicles, Plant, Furniture and Equipment- between 4 – 10 years, depending on the estimated life of the asset
- Infrastructure - 40 years.

### Revaluations

The council formally re-values its land and buildings every five years, however in accordance with changes made to the Accounting Code of Practice for 2013/14, all non-dwelling land and building values were reviewed for material changes and re-valued as necessary with a re-valuation date of 31<sup>st</sup> March 2015. Valuations were carried out both internally by the council's property section, headed by David Roberts MRICS and externally by JLL. 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 last formal revaluation for dwellings was completed in 2014/15 with a revaluation date of 31<sup>st</sup> March 2015. The revaluation was carried out internally by the council's property section, headed by David Roberts MRICS.

Vehicles, plant and equipment are not re-valued, in accordance with the council's accounting policies and are carried at depreciated historic cost as a proxy for fair value. Similarly infrastructure, community assets and assets under construction are not re-valued, and are carried at historic cost.

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 historical cost			7,620	11,146	226	367	484	19,843
Valued at fair value as at :								
31 March 2014		94,224						94,224
31 March 2015	152,295	28,078						180,373
<b>Total cost or valuation</b>	<b>152,295</b>	<b>122,302</b>	<b>7,620</b>	<b>11,146</b>	<b>226</b>	<b>367</b>	<b>484</b>	<b>294,440</b>

### Componentisation

Under the Code, the council is required to account separately for expenditure on major building components incurred from 1st April 2010, so that they can be depreciated over their respective useful lives. No new components were identified in 2014/15.

### Reclassifications

Two schemes were completed in 2014-15 and the prior year expenditure of £281,000 was reclassified from Assets-Under-Construction to Other Land and Buildings.

## 22.1. HERITAGE ASSETS

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The Code of Practice on Local Authority Accounting 2011/12 (the 'Code') introduced a change to the treatment in accounting for heritage assets held by the council. As set out in the accounting policies, the council is now required to show heritage assets on the balance sheet at valuation. At 31<sup>st</sup> March 2015 such assets were valued at £33.615 million (£33.229 million at 31<sup>st</sup> March 2014), matched mainly by an increase in the Revaluation Reserve.

The council's buildings house most of the various collections of heritage assets, held to support the council's objective of enhancing the provision of Arts and Culture. The mission statement of Cheltenham Art Gallery is 'To preserve and develop Cheltenham's unique collections for the future - and to make them accessible to an increasingly broad public in a way that communicates, educates and inspires'. The heritage assets held by the council mainly comprise the collections of assets and artefacts either exhibited or stored at the Cheltenham Art Gallery and Museum, the Pittville Pump Room, the Holst Birthplace Museum, the Municipal Offices and the Town Hall. These assets comprise many given by local people. The four principal collections are

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

The council has recognised its heritage assets on the balance sheet using detailed insurance valuations, which are based on market values. The major works of art works were re-valued at 1 April 2010 and all of the insurance valuations are updated annually on 1st April for inflation. The council considers that the assets will have indeterminate lives and does not consider it appropriate to charge depreciation.

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.

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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. The proceeds of such items 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.

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 general policies on impairment - see note 1.10.

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 and other £000	Total Assets £000
<b>Cost or Valuation</b>						
1 April 2012	1,918	20,990	1,732	284	3,272	28,196
Revaluations	124	(628)	1,945	(98)	799	2,142
Update for inflation	61	604	109	6	103	883
<b>31 March 2013</b>	<b>2,103</b>	<b>20,966</b>	<b>3,786</b>	<b>192</b>	<b>4,174</b>	<b>31,221</b>
<b>Cost or Valuation</b>						
1 April 2013	2,103	20,966	3,786	192	4,174	31,221
Addition of statues and monuments	-	-	-	-	962	962
Update for inflation	64	643	214	5	120	1,046
<b>31 March 2014</b>	<b>2,167</b>	<b>21,609</b>	<b>4,000</b>	<b>197</b>	<b>5,256</b>	<b>33,229</b>
<b>Cost or Valuation</b>						
1 April 2014	2,167	21,609	4,000	197	5,256	33,229
Additions	9	4	-	-	16	29
Revaluations	4	(16)	-	-	(31)	(43)
Removal of long term loans	-	-	-	-	(245)	(245)
Update for inflation	43	432	80	4	86	645
<b>31 March 2015</b>	<b>2,223</b>	<b>22,029</b>	<b>4,080</b>	<b>201</b>	<b>5,082</b>	<b>33,615</b>

The last formal valuation was carried out in 2009/10 by the valuer Gulls, and as a result the values of certain works of art were increased significantly. There were no material disposals or impairments from 2012/13 to 2014/15. In 2014/15 the insured value of objects loaned to the council was removed from the total value.

A breakdown of the carrying values, split between purchased and donated assets, for the last five years (as required by the Code) has not been provided due to lack of supporting historical information.

**STATEMENT OF ACCOUNTS 2014/15**

**23. CAPITAL EXPENDITURE AND FINANCING**

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as 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.

	<b>2014/15 £'000</b>	<b>2013/14 £000</b>
<b>Opening Capital Financing Requirement</b>	<b>72,594</b>	<b>73,482</b>
<b>Capital Investment</b>		
Intangible Assets	-	7
Property, Plant and Equipment	8,615	9,618
Investment properties	-	15
Long Term Loans	2,100	14
Revenue Expenditure Funded from Capital under Statute	592	1,753
	<b>11,307</b>	<b>11,407</b>
<b>Sources of Finance</b>		
Capital Receipts	(1,513)	(2,691)
Government Grants	(344)	(448)
Capital Contributions and Partnership Funding	(369)	(291)
Lottery Funding	-	(251)
Revenue Financing		
Minimum Revenue Provision (MRP)	(824)	(839)
Voluntary Revenue Provision	-	(250)
Major Repairs Reserve	(5,443)	(5,727)
Revenue Reserves	(1,538)	(1,798)
	<b>(10,031)</b>	<b>(12,295)</b>
<b>Closing Capital Financing Requirement</b>	<b>73,870</b>	<b>72,594</b>
<b>Explanation of movement in year</b>		
Increase in underlying need to borrowing (unsupported by Government financial assistance)	2,100	201
MRP	(824)	(839)
Voluntary Revenue Provision	-	(250)
<b>Increase (Decrease) in Capital Financing Requirement</b>	<b>1,276</b>	<b>(888)</b>

Commitments under capital contracts

At 31st March 2015 the council was committed to completing all schemes within its capital programme. This included contractual commitments at 31st March 2015 of £0.956m for works on properties (£2.046m at 31st March 2014), £0.218m for CCTV including car parks (£0.145m as at 31st March 2014) and £13.75m for the acquisition of Delta Place, a total of £14.924m (£2.757m at 31st March 2014). Most of this is anticipated to be incurred by 31st March 2015.

## STATEMENT OF ACCOUNTS 2014/15

### 24. COMMUNITY ASSETS

Community Assets are held by the council, currently at nil value. These mainly comprise parks, gardens and open spaces. The Code added the option for authorities to extend the measurement and disclosures required by heritage assets to community assets. The council has so far not adopted to change its accounting policy in this way as it does not currently have the management information to make reasonable valuation estimates of community assets.

### 25. INVESTMENT PROPERTIES

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

	2014/15 £'000	2013/14 restated £'000
Rental income from Investment Property	846	850
Gain on revaluation	-	4,060
Depreciation	(25)	18
Direct Operating Expenses	(384)	(534)
<b>Net gain / (loss)</b>	<b>437</b>	<b>4,394</b>

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.

	2014/15 £'000	2013/14 £'000
<b>Balance at 1st April</b>	<b>25,244</b>	<b>21,651</b>
Additions:		
Purchases	-	-
Subsequent expenditure	-	15
Disposals	(1,028)	(500)
Net gains / (losses) from fair value adjustments	-	4,078
<b>Balance at 31st March</b>	<b>24,216</b>	<b>25,244</b>

**26. ASSETS HELD UNDER LEASES**

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The council as Lessee

As a lessee the council does not have any material finance or operating leases.

The council as Lessor

*Vehicles and Plant*

Vehicles used on Ubico Ltd activities were transferred to the company in 2012/13 under a finance lease, and now form part of Ubico's balance sheet. The finance lease is recorded on the council's Balance Sheet as a long term debtor, matched by a Deferred Capital Receipt. The value of the lease on transfer at 1 April 2012 was £1,364,213 and after repayments in year from Ubico of £369,750 (which score as capital receipts) left a net long term debtor of £994,463 at 31 March 2013. In 2013/14 further vehicles costing £56,608 were added to the lease and repayments of £272,165 made, leaving a long term debtor of £778,906 at 31 March 2014. No further vehicles or plant were purchased in 2014/15 but Ubico made further lease repayments of £254,046, reducing the long term debtor at 31<sup>st</sup> March 2015 to £524,860. Of this amount, £239,000 is due for repayment in no later than 1 year and £285,860 in the following 3 years.

*Other Property*

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

Where the council wishes to support a tenant financially it needs to be satisfied that the use of the property supports the 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 in lieu of some or all of the rent depending on the service provided from the property.

Under the Code of Practice for Local Authority Accounting 2011/12 leases of property are accounted for as separate leases of land and buildings. Prior to 2010/11 each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a single lease, or as a finance lease where it was previously treated as an operating lease.

Similarly under IFRS the criteria for the classification of operating and finance leases changed and it is possible leases of property, plant and equipment previously treated as operating leases are finance leases under the code.

Other than the finance lease with Ubico Ltd for vehicles and plant (outlined above), the council does not have any leases where the accounting treatment has changed and all leases in existence from 1st April 2011 onwards have been deemed to be operating leases.

The council received £1,571,282 in rental income in 2014/15 on its granted leases from commercial and Housing Revenue Account land and buildings (£1,640,283 in 2013/14).

The future minimum lease payments receivable under non-cancellable operating leases in future years are £6.632 million due over the following periods:

	<b>£'000</b>
Not later than 1 year	1,012
1 – 5 years	2,635
More than 5 years	<u>2,985</u>
	<b><u>6,632</u></b>

## STATEMENT OF ACCOUNTS 2014/15

### 27. INTANGIBLE ASSETS

Intangible Assets are defined as 'non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights'. All of the intangible assets held relate to computer software.

Software licenses are held for a number of the council's main software packages e.g. the Financial Management System. The balance is amortised to the relevant service revenue account over the useful life of the software on a straight line basis, to reflect the pattern of consumption of benefits (generally five years). Newly acquired intangibles are amortised from the year in which they are used.

The movement in Intangible Asset balances during the year is as follows:

	2014/15 Software £'000	2013/14 Software £'000
Balance at 1st April :		
- Gross carrying amounts	1,282	1,275
- Accumulated amortisation	(650)	(542)
<b>Net carrying amount at start of year</b>	<b>632</b>	<b>733</b>
Expenditure in year	-	7
Amortisation in Year	(98)	(108)
<b>Balance at 31st March</b>	<b>534</b>	<b>632</b>
<b>Comprising:</b>		
- Gross carrying amounts	1,282	1,282
- Accumulated amortisation	(748)	(650)
	<b>534</b>	<b>632</b>

There were no disposals, revaluations, reclassifications or impairment of intangible assets during the year.

### 28. ASSETS HELD FOR SALE

	Current		Non-current	
	31st March 2015 £'000	31st March 2014 £'000	31st March 2015 £'000	31st March 2014 Restated £'000
<b>Balance outstanding at start of year</b>	<b>644</b>	<b>281</b>	<b>1,427</b>	-
Assets newly classified as held for sale				
- Property, Plant and Equipment (PPE)	-	590	-	-
Revaluation gains	-	-	-	1,427
Fair value of assets sold	(94)	(227)	-	-
Assets reclassified as PPE	(550)	-	-	-
Transfers from non-current to current	1,427	-	(1,427)	-
<b>Balance outstanding at year end</b>	<b>1,427</b>	<b>644</b>	-	<b>1,427</b>

The 2013/14 figures have been restated to include revaluation gains arising on the completion of the St. Pauls housing development agreement, the proceeds of sale relating to which are expected to be received in 2015/16.



## 29. FINANCIAL INSTRUMENTS

*Overall Investments*

Categorised according to the period remaining to maturity or until payment is received	<b>31st March 2015</b>	<b>31st March 2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Long Term (over 1 year)</b>		
Loans and Receivables – Icelandic banks	61	60
Unquoted equity investments	435	435
	<b>496</b>	<b>495</b>
<b>Current or Short Term (less than 1 year)</b>		
Loans and Receivables – Icelandic banks	29	63
– Other organisations	12,247	1,281
Fair Value through Profit & Loss – Icelandic banks	674	699
	<b>12,950</b>	<b>2,043</b>

The amortised cost of the investments represents their cost, less any impairment charges. Their fair values equate approximately to the carrying values at the balance sheet date.

Impairment adjustments have been made to the deposits with the Icelandic-owned banks. Short term investments include an 'escrow' account, containing the repayments received in previous years that were denominated in Icelandic Krona (ISK), the value of which have been converted to Sterling at the prevailing ISK exchange rate on 31st March 2015. Further details are given in the section on Icelandic banks below.

The unquoted equity investment of £435,222 (shown at cost), consists of shares held in Gloucestershire Airport (see Group Accounts, pages 90 to 106), for which a fair value cannot reliably be measured. This is because the Council has agreed to retain its investment in the airport as it is of economic benefit to Gloucestershire and contributes to the attractiveness of the area for inward investment, rather than purely as a commercial investment, and the range of reasonable fair value estimates could be significant. There are no current plans to dispose of the shares.

*Investments in Icelandic Banks*

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

Although most of the deposits have now been repaid or recovered, the remaining amounts invested with KS&F continue to be subject to the respective administration and receivership processes. The amounts and timing of repayments to depositors such as the council are determined by the administrators and receivers. Overall, of the original amount invested (plus interest due to the claim dates) of £11.640 million, repayments and recoveries of £9.920 million (85%) had been received to 31st March 2015. In addition the council has received repayments held in Icelandic Krona which are held in an Escrow account, valued at £674,000 at 31 March 2015.

In order to recognise any potential losses (including loss of interest from the original maturity date until the estimated date of repayment), the council has made impairment charges to its Income and Expenditure Statement since 2009/10, based on the best information and guidance available at the time. Further details are given in the Statement of Accounts for previous years. Further

impairment adjustments were made in 2014/15 to the KSF loans and an exchange rate loss adjustment was made to the Glitnir Escrow account.

***Kaupthing, Singer and Freidlander Ltd (KS&F)***

KS&F is a UK registered bank, in administration under English Law. The company was placed in administration on 8th October 2008 and the administrators are partners of Ernst & Young LLP. The council had £3 million invested with this bank.

The latest creditor progress report issued by the administrators covering the period up to 7th April 2015 indicates a return to creditors in the range of 85% to 86.5%. Claims are based on the principal and interest outstanding at 7th October 2008. Up until 31st March 2015 repayments of 82.5% had been received.

For the purpose of calculating the impairment adjustment in 2014/15 the council has assumed the mid-point in the latest range (i.e. 85.75%), as recommended by current accounting guidance. The remaining 3.25% outstanding at 31<sup>st</sup> March 2015 has been assumed to be received in four annual instalments beginning in December 2015. Although the recoverable amount has increased slightly compared to that assumed at 31<sup>st</sup> March 2014 (85.25%), the extension of time until repayments are due has resulted in a net impairment of £7,135, which has been charged to the Comprehensive Income and Expenditure Statement.

**Glitnir Bank Hf**

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

In March 2012 the winding up board made repayments to priority creditors, which for the council amounted to £3.238 million. The repayment, mainly in a basket of currencies converted to Sterling when received, equated to 100% of the claim as denominated in that basket of currencies at 22<sup>nd</sup> April 2009 (the claim date), or 97% of the claim, as denominated in Sterling at the time of conversion. However, as with the Landsbanki deposits, a proportion of the repayment (approximately 19% of the amount repaid) continues to be held in an interest-earning 'escrow' account, denominated in Icelandic Krona (ISK), which is included on the Balance Sheet in short term investments at 31 March 2015.

In September 2013 a decision on the Foreign Exchange Dispute by the Icelandic Supreme Court resulted in the winding up board of Glitnir formally demanding to recover the overpayments it had made to creditors in March 2012. On behalf of all local authorities the LGA were able to liaise and negotiate with the board over the repayment. The council had established a provision of £64,000 in the 2013/14 accounts to cover any potential repayment due in 2014/15. In March 2015 after negotiations were finalised, a payment to the WUB for £36,627 was made.

The accounting entries made in respect of the original loans are therefore as follows. All impairments have been recognised as at the balance sheet date of 31st March 2015. Repayments include amounts subsequently held in 'escrow' accounts as short term investments.

## STATEMENT OF ACCOUNTS 2014/15

Bank	Interest rate	Amount invested	Add Interest due to 31st March 2015	Impairment adjustments 2008/09 -2013/14	Less Repayments (including interest) & sale proceeds to 31st March 2015	Impairment adjustments and gains / losses (-) on disposal 2014/15	Carrying amount at 31st March 2015
	%	£'000	£'000	£'000	£'000	£'000	£'000
KSF	5.86	1,000	146	-249	864	-3	30
KSF	5.30	2,000	196	-462	1,670	-4	60
Glitnir Bank Hf	5.56	3,000	624	-386	3,238	-	-
<b>Total</b>		<b>6,000</b>	<b>966</b>	<b>-1097</b>	<b>5,772</b>	<b>-7</b>	<b>90</b>

## STATEMENT OF ACCOUNTS 2014/15

The carrying amounts have been classified as short or long term according to the profile of expected repayments. Those amounts expected to be repaid within twelve months, which total £29,000, have been classified as short term, leaving £61,000 recoverable in the long term.

In addition to the above, short term investments include the following amounts held in 'escrow' accounts. As these are denominated in Icelandic Krona they were valued on the dates received and re-valued at 31<sup>st</sup> March 2015 (including interest receivable from the date of repayment), with the interest and any exchange rate gain credited to the Comprehensive Income and Expenditure Statement.

	Repayments credited to escrow account 2012/13 £'000	Add Interest due to 31st March 2015 £'000	Impairment adjustments and gains / losses (-) on disposal 2014/15 £'000	Exchange rate gain / loss (-) In year £'000	Carrying amount of escrow account at 31 <sup>st</sup> March 2015 (including interest receivable) £'000
Glitnir Bank Hf	699	26	-	(51)	674

### Debtors

	Current		Non-Current	
	31st March 2015 £'000	31st March 2014 Restated £'000	31st March 2015 £'000	31st March 2014 Restated £'000
	Loans and Receivables	2,812	2,651	7,047

Further details of short term debtors are given in note 31, page 71. The figures shown above exclude payments in advance, leases and non-exchange transactions, such as taxes and grants due, which are not classified as financial instruments. The figures shown for 31st March 2014 have been restated to exclude these items.

Long term debtors at 31<sup>st</sup> March 2015 mainly comprise an outstanding loan of £0.590 million to the Cheltenham Everyman Theatre (made in 2011/12 for 25 years towards the redevelopment of the theatre), loans totalling £5.410 million made to Cheltenham Borough Homes for between 40 and 50 years for housing redevelopment, finance lease principal of £0.525 million due from Ubico Ltd (made in 2012/13 and 2013/14 for vehicles), and loans totalling £0.982 million to Gloucestershire Airport Ltd towards the cost of the runway safety project. The remainder comprises mortgages for house purchase loans and car loans to staff.

### Borrowings

	Range of Interest rates payable at 31 March 2015 %	31st March 2015 £'000	31st March 2014 £'000
<b>Long Term (over 1 year) Financial liabilities at amortised cost</b>			
- Public Works Loan Board (PWLB) loans	1.80% - 4.875%	42,845	41,639
- Bank loans	3.82% - 4.95%	15,900	15,900
		<b>58,745</b>	<b>57,539</b>

**STATEMENT OF ACCOUNTS 2014/15**

<b>Current or Short term (less than 1 year)</b>			
<b>Financial liabilities at amortised cost</b>			
- Public Works Loan Board (PWLB) loans	1.80 – 4.52%	192	181
- Bank loans	N/A (interest only)	247	247
- Other temporary borrowing	0 – 0.44%	21	20
		<b>460</b>	<b>448</b>
<b>Analysis of PWLB loans by maturity:</b>			
1 year		192	181
2-5 years		612	-
6-10 years		872	977
More than 10 years		41,361	40,662
		<b>43,037</b>	<b>41,820</b>
<b>Analysis of Bank loans by maturity</b>			
2-5 years		-	-
6-10 years		2,000	2,000
More than 10 years		13,900	13,900
		<b>15,900</b>	<b>15,900</b>

The council took out further PWLB borrowing in 2014/15 in order to advance a loan to Cheltenham Borough Homes for £1.4 million. This loan was taken on an annuity basis and is being repaid to the council in full, based on the loan terms taken out with the PWLB.

Creditors

	Current		Non-Current	
	31st March 2015	31st March 2014	31st March 2015	31st March 2014
	£'000	Restated £'000	£'000	£'000
Financial liabilities at amortised cost	5,192	5,500	-	-

Further details of short term creditors are given in note 33, page 72. The figures stated above exclude receipts in advance and non-exchange transactions, such as taxes, grants and subsidies, which are not classified as financial instruments. The figure shown for 31<sup>st</sup> March 2014 has been restated to exclude these items.

Cash and Cash Equivalents

These financial instruments are detailed in note 32, page 72.

Reclassifications

There were no reclassifications of financial instruments during the year.

Income, Expense, gains and losses

2014/15	2013/14
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**STATEMENT OF ACCOUNTS 2014/15**

	<b>Financial Liabilities measured at amortised cost £'000</b>	<b>Financial Assets: Loans and receivables £'000</b>	<b>Total £'000</b>	<b>Financial Liabilities measured at amortised cost £'000</b>	<b>Financial Assets: Loans and receivables £'000</b>	<b>Total £'000</b>
Interest expense	2,019	-	2,019	2,008	--	2,008
Impairment adjustments and gains (-)/losses on disposal	-	-	-	-	6	6
Provision for Glitnir overpayment	-	-	-	-	64	64
Fee expense	2	14	16	1	13	14
<b>Total expenses in Surplus or Deficit on the Provision of Services</b>	<b>2,021</b>	<b>14</b>	<b>2,035</b>	<b>2,009</b>	<b>83</b>	<b>2,092</b>
Interest Income	-	(128)	(128)	-	(50)	(50)
Interest Income accrued on impaired financial assets	-	(32)	(32)	-	(141)	(141)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(160)</b>	<b>(160)</b>	<b>-</b>	<b>(191)</b>	<b>(191)</b>
<b>(Net gain)/loss for the year</b>	<b>2,021</b>	<b>(146)</b>	<b>1,875</b>	<b>2,009</b>	<b>(108)</b>	<b>1,901</b>

*Fair Value of assets and liabilities carried at amortised cost*

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

- For loans from the PWLB and other loans payable, borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures
- no early repayment or impairment is recognised
- where an instrument will mature in the next twelve months, the carrying amount is assumed to approximate to fair value
- the fair value of trade and other payables and receivables is taken to be the invoiced or billed amount.

The fair values of the long and short term investments equate approximately to their carrying values at the balance sheet date. The investments with Icelandic banks have been impaired so that their carrying values, representing the present value of the likely amounts to be recovered, would equate to their expected fair value. All other loans will mature within the next twelve months.

As regards borrowing, the fair value of PWLB loans held at 31st March 2015 is £48,217,351 (£39,169,037 at 31st March 2014) compared to the carrying value of £43,025,505, at 31st March 2015 (£41,820,134 at

## STATEMENT OF ACCOUNTS 2014/15

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31st March 2014). The fair value is higher than the carrying amount because the council's portfolio includes fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the council would have to pay if it requested early repayment of the loans.

For all other long term borrowing the fair value equates to £19,004,340 at 31st March 2015 (£14,667,226 at 31st March 2014) compared to the carrying value of £15,900,000 at 31st March 2015 (£15,900,000 at 31st March 2014).

The fair value of all short term borrowing is deemed equal to its carrying value (amortised cost).

Short term debtors and creditors are carried at amortised cost as this is a fair approximation of their value.

### 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
- exchange rate risk – the risk of fluctuations in exchange rates where the transaction is denominated in a foreign currency.

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, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses 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 budget or before the start of the year to which they relate. These 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 also reported after each year, as is a mid-year update.

## STATEMENT OF ACCOUNTS 2014/15

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The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 13<sup>th</sup> February 2014. The two key issues were:

- The Authorised Limit for 2014/15 was set at £109m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary for 2014/15 was expected to be £101m. 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-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 deposits with banks and financial institutions, as well as credit exposure to the council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The council used the creditworthiness services of Sector during 2014/15. The maximum investment that can be made with an approved counterparty was £7 million in 2014/15. No credit limits were exceeded during the year.

### Liquidity risk

The council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the Public Works Loans 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.

### 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 2014/15, this would have had the following effect:

Amount outstanding (weighted average) in year £'000	Average actual interest rate %	Actual Interest paid / (receivable) £'000	Projected interest rate %	Projected interest paid / (receivable) £'000	Variation £'000
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## STATEMENT OF ACCOUNTS 2014/15

<b>Borrowing</b>						
Variable rate	621	0.44	3	1.44	9	6
	<b>621</b>	<b>0.44</b>	<b>3</b>	<b>1.44</b>	<b>9</b>	<b>6</b>
<b>Lending</b>						
Fixed rate (up to 1 year)	(14,771)	0.70	(103)	1.70	(251)	(148)
Variable rate	(5,642)	0.41	(23)	1.41	(80)	(57)
	<b>(20,413)</b>	<b>0.62</b>	<b>(126)</b>	<b>1.62</b>	<b>(331)</b>	<b>(205)</b>
<b>Net loss / (gain) on surplus / deficit for year</b>	<b>(19,792)</b>		<b>(123)</b>		<b>(322)</b>	<b>(199)</b>

Due to the large proportion of borrowing held at fixed rates the impact on interest payable is limited. Conversely, the higher proportion of lending at variable rates allows the council to benefit from any increase in interest rates in the future.

Borrowings and investments are not carried at fair value, so nominal gains and losses would not impact on the Comprehensive Income and Expenditure Statement or the Movement in Reserves. However, changes in interest payable and receivable on variable rate borrowings and investments, as illustrated above, will affect income and expenditure and the general fund balance.

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

### Foreign exchange risk

The council has short term investments held in 'escrow' accounts denominated in Icelandic Kroner (ISK) (see section on Icelandic banks, pages 63 - 65), the Sterling value of which fluctuates according to prevailing exchange rates. This risk will continue until the amounts are released to the council in Sterling, which is subject to the authorisation of the Central Bank of Iceland.

## 30. INVENTORIES

	Consumable Stores		Maintenance materials		Total	
	31st March 2015 £'000	31st March 2014 £'000	31st March 2015 £'000	31st March 2014 £'000	31st March 2015 £'000	31st March 2014 £'000
<b>Balance outstanding at start of year</b>	<b>57</b>	<b>58</b>	-	-	<b>57</b>	<b>58</b>
Purchases	24	230	-	-	24	230
Recognised as expenses in year	(62)	(231)	-	-	(62)	(231)
Written off balances	(12)		-	-	(12)	-
<b>Balance outstanding at year end</b>	<b>7</b>	<b>57</b>	-	-	<b>7</b>	<b>57</b>

## 31. SHORT TERM DEBTORS

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	31st March 2015 £'000	31st March 2014 £'000
<b>Amounts falling due in one year</b>		
Central Government Bodies	731	979
Other Local Authorities	854	1,167
Public corporations and trading funds	72	251
Other entities and individuals-		
- Council Taxpayers	331	298
- Business Ratepayers	483	296
- Cheltenham Borough Homes	61	493
- Ubico Ltd	471	155
- Housing Rents	279	310
- Sundry Debtors	1,843	1,406
<b>Total</b>	<b>5,125</b>	<b>5,355</b>

Each line is presented net of any impairments or provision for bad debts.

### 32. CASH AND CASH EQUIVALENTS

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

	31st March 2015 £'000	31st March 2014 £'000
Cash held by the Authority	5	9
Bank current accounts	2	2
Short term deposits	8,595	15,796
<b>Cash and cash equivalent assets</b>	<b>8,602</b>	<b>15,807</b>
Cash and cash equivalent liabilities - bank overdraft	(742)	(244)
<b>Net Cash and cash equivalents per Cash flow Statement</b>	<b>7,860</b>	<b>15,563</b>

### 33. SHORT TERM CREDITORS

	31st March 2015 £'000	31st March 2014 £'000
Central Government Bodies	4,079	4,034
Other Local Authorities	2,890	2,079
NHS bodies	-	6
Other entities and individuals-		
- Council Taxpayers	88	77
- Business Ratepayers	1,720	1,691
- Cheltenham Borough Homes	915	1,090

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- Ubico Ltd	621	77
- Housing Rents	215	191
- Sundry Creditors	2,666	3,039
	<b>13,194</b>	<b>12,284</b>

**34. PROVISIONS**

	<b>Balance at 1st April</b>	<b>Additional provisions made in Year</b>	<b>Amounts used in Year</b>	<b>Unused Amount Reversed</b>	<b>Balance at 31st March</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Short term</b>					
General Insurance	91	22	(26)	-	87
Business rates retention – appeals	257	399	(269)	-	387
Glitnir distribution	64	-	(37)	(27)	-
Redundancy and early retirement costs	185	-	(187)	2	-
Land Charges	-	121	-	-	121
	<b>597</b>	<b>542</b>	<b>(519)</b>	<b>(25)</b>	<b>595</b>
<b>Long term</b>					
Business rates retention – appeals	257	130	-	-	387
	<b>257</b>	<b>130</b>	<b>-</b>	<b>-</b>	<b>387</b>
<b>Total 2014/15</b>	<b>854</b>	<b>672</b>	<b>(519)</b>	<b>(25)</b>	<b>982</b>
<b>Total 2013/14</b>	<b>363</b>	<b>803</b>	<b>(126)</b>	<b>(186)</b>	<b>854</b>

**General Insurance provision:**

The Insurance Provision was established to fund the cost of claims from third parties against the council under insurance policy excesses. 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.

**Redundancy and early retirement costs:**

The 2013/14 redundancy and early retirement costs provision of £185k related to 5 members of staff who left employment with the council in 2014/15. The amount paid in 2014/15 totalled £187k and the excess amount of £2k has been charged to the Comprehensive Income and Expenditure Statement in 2014/15.

**Business Rates Retention:**

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

From this date local authorities assume a share of the liability for refunding ratepayers who have

## STATEMENT OF ACCOUNTS 2014/15

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successfully appealed against the rateable value of their properties on the rating list. This includes amounts paid over to central government in respect of 2012/13 and prior years. Consequently the council considers it necessary to make a provision to cover its share of the repayments likely to be made. The provision is based on the expected success rate of appeals lodged at 31 March 2015, and has been split into short and long term elements to reflect the estimated time until settlement.

A total provision of £514,000 was set aside in 2013/14 to cover the likely costs, of which £269,200 was used in 2014/15 to meet appeals settled in the year. The provision was increased by £528,900 in 2014/15 to £773,700 to cover future estimated losses, 50% estimated to arise in 2015/16 and 50% in future years.

### Glitnir distribution:

In September 2013 a decision on the Foreign Exchange Dispute by the Icelandic Supreme Court resulted in the winding up board of Glitnir formally demanding to recover the overpayments it had made to creditors in March 2012. On behalf of all local authorities the LGA liaised with the board over the repayment. The council made a provision of £64,000 in the 2013/14 accounts to cover any potential repayment due in 2014/15. This has now been settled, with a negotiated payment of £37,000 made in 2014/15, with £27,000 unused provision being credited back to the Comprehensive Income and Expenditure Statement.

### Land Charges:

A number of search companies have commenced legal proceedings regarding charges made for personal searches of the Land Charges Register. The council has been informed that the value of those claims is approximately £121k. These will be payable by the council in 2015/16.

## 35. CONTINGENT LIABILITIES

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### Municipal Mutual Insurance Ltd:

The council's former insurers Municipal Mutual Insurance Ltd ceased trading in 1992; the council became a party to the scheme of administration for liabilities outstanding at that time. Whilst there is a very low risk that the assets of the company will not meet the liabilities from insurance claims, the scheme guarantees that the council will reimburse the total of payments made in respect of claims less £50,000. At 31 March 2015 this potential total liability equated to £360,416, made up as follows:

	£
Gross claim payments to date	474,019
15% levy paid 2013/14	(63,603)
Net Payments	410,416
Levy retention	(50,000)
<b>Potential liability 31<sup>st</sup> March 2015</b>	<b>360,416</b>

This is kept under review annually to ensure that a solvent run-off of the company's business is still anticipated. Following the trigger of the scheme of arrangement and the payment of a 15% levy in 2013/14, advice received predicts that an additional amount of 35% may need to be levied on creditors to achieve a solvent run off, representing a total levy of 50%. The potential contingent liability at 31st March 2015 is £148,407, based on 35% of £424,019, being the gross liability less the £50,000 retention. The likelihood and timing of any additional liabilities is unknown at this stage.

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### 36. CONTINGENT ASSETS

There are no known material contingent assets at 31<sup>st</sup> March 2015.

### 37. USABLE RESERVES AND TRANSFERS TO / FROM EARMARKED RESERVES

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement on page 15. Movements in the *earmarked* reserves shown on the statement are detailed below.

	Balance at 1 April 2013 £'000	Transfers out 2013/14 £'000	Transfers in 2013/14 £'000	Balance at 1 April 2014 £'000	Transfers out 2014/15 £'000	Transfers in 2014/15 £'000	Balance at 1 April 2015 £'000
<b>Earmarked Reserves</b>							
Capital Reserve	2,267	(1,757)	1,103	1,613	(822)	-	791
Equalisation Reserves	808	(372)	262	698	(259)	567	1,006
Repairs & Renewals Reserve	1,115	(662)	557	1,010	(465)	681	1,226
Reserves for Commitments	1,612	(1,590)	1,427	1,449	(1,353)	578	674
Other earmarked reserves	2,346	(1,612)	935	1,669	(286)	231	1,614
	<b>8,148</b>	<b>(5,993)</b>	<b>4,284</b>	<b>6,439</b>	<b>(3,185)</b>	<b>2,057</b>	<b>5,311</b>

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### Purpose of reserves

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

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

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

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

Other earmarked reserves – sums built up to cover the future costs of planned expenditure, for example support to the Cheltenham Trust, risk management initiatives, vehicles and equipment, and Civic Pride match funding.

### **38. UNUSABLE RESERVES**

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

Reserve	31st March 2015 £'000	31st March 2014 Restated* £'000	Purpose of Reserve
Revaluation Reserve	100,345	85,228	Store of gains on revaluation of non-current assets not yet realised through sales
Capital Adjustment Account	178,373	180,833	Store of capital resources set aside to meet past expenditure
Financial Instruments Adjustment Account	(2,312)	(2,447)	Balancing account to allow for differences in statutory requirements and proper accounting practices relating to borrowings and investments
Collection Fund Adjustment Account	455	448	Balancing account to allow for differences in statutory requirements and proper accounting practices for council tax surpluses/deficits
Pensions Reserve	(60,118)	(57,182)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet
Deferred Capital Receipts Reserve	562	825	Capital receipts to be received in future years e.g. from finance lease or mortgage repayments
Accumulating Compensated Absences Adjustment Account	(115)	(104)	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
<b>Total Unusable Reserves</b>	<b>217,190</b>	<b>207,601</b>	

**Revaluation Reserve**

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>Restated*</b>
		<b>£'000</b>
<b>Balance at 1st April</b>	<b>85,228</b>	<b>43,775</b>
Revaluation gains on non-current assets	16,090	46,640
Downward revaluation of assets and impairments	(113)	(705)
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>101,205</b>	<b>89,710</b>
Accumulated gains on assets sold	-	(4,210)
Difference between fair value and historic cost depreciation	(860)	(272)
<b>Amount written off to the Capital Adjustment Account</b>	<b>(860)</b>	<b>(4,482)</b>
<b>Balance at 31st March</b>	<b>100,345</b>	<b>85,228</b>

The Revaluation Reserve contains gains arising from increases in the value of Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are re-valued downwards or impaired, depreciated or disposed of. The Reserve formally came into existence at midnight on 1st April 2007 with a nil balance. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

The balance on the reserve therefore represents the amount by which the fair 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.

\*The comparatives for 2013/14 have been restated to include the writing out to the Capital Adjustment Account of the accumulated gains on assets sold and corrections to revaluation gains during that year.

**Capital Adjustment Account**

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>Restated*</b>
		<b>£'000</b>
<b>Balance at 1st April</b>	<b>180,833</b>	<b>178,032</b>
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	(8,652)	(6,115)
• Revaluation gains/(losses) on Property, Plant and Equipment	(1,837)	(497)
• Amortisation of intangible assets	(98)	(108)
• Donated Assets	28	-
• Revenue expenditure funded from capital under statute	(592)	(1,753)
• 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	(1,682)	(9,415)
Capital receipts received on repayment of long term loans	168,000	160,144
Adjusting amounts written out of the Revaluation Reserve	(518)	(167)
	860	4,482
<b>Net amount written out for the cost of non-current assets consumed in the year</b>	<b>168,342</b>	<b>164,459</b>
Capital Financing applied in the year:		

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• Use of Capital Receipts Reserve to finance new capital expenditure	1,513	2,690
• Use of the Major Repairs Reserve to finance new capital expenditure	5,443	5,727
• 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	713	990
• Statutory provision for the financing of capital investment charged against the General Fund Balance	824	839
• Voluntary provision for the financing of capital investment charged against the general fund balance	-	250
• Capital expenditure charged against the general fund and HRA balances	1,538	1,800
	<b>178,373</b>	<b>176,755</b>
Movements in the market value of Investment properties debited or credited to the Comprehensive Income and Expenditure Statement	-	4,078
<b>Balance at 31st March</b>	<b>178,373</b>	<b>180,833</b>

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 on the Account thus represents 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

	2014/15 £'000	2013/14 £'000
<b>Balance at 1st April</b>	<b>(2,447)</b>	<b>(2,583)</b>
Premiums incurred in previous years charged against the General Fund Balance	135	136
<b>Balance at 31st March</b>	<b>(2,312)</b>	<b>(2,447)</b>

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



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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.

	2014/15 £'000	2013/14 £'000
<b>Balance at 1st April</b>	448	4
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	7	444
<b>Balance at 31st March</b>	<b>455</b>	<b>448</b>

### Accumulating Compensated Absences Adjustment Account

This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for staff absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account via the Movement in Reserves Statement.

	2014/15 £'000	2013/14 £'000
<b>Balance at 1st April</b>	(104)	(61)
Settlement or cancellation of accrual made at the end of the preceding year	104	61
Amounts accrued at the end of the year	(115)	(104)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from that chargeable in the year according to statutory requirements	(11)	(43)
<b>Balance at 31st March</b>	<b>(115)</b>	<b>(104)</b>

### 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 CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on the resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Further information is shown within note 40, pages 79 to 83.

**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 31<sup>st</sup> March 2015 includes £0.525 million for vehicles leased to Ubico Ltd under a finance lease.

**39. IMPAIRMENT LOSSES AND ADJUSTMENTS**

There were no impairment losses during the year.

**40. 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.

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

**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 & Expenditure Statement (CIES) and the General Fund Balance via the MIRS during the year:

	2014/15 £000	2013/2014 £000
<b>Comprehensive Income and Expenditure Statement (CIES):</b>		
<b>Service cost comprising:</b>		
Current service cost	(1,599)	(1,710)
Past service costs/gain	(88)	(53)
(Gain)/loss from settlements	458	-
<b>Financing and Investment Income and Expenditure:</b>		
Net Interest Expense	(2,294)	(2,390)
Total post-employment benefits charged to Surplus or Deficit on Provision of Services	(3,523)	(4,153)
<b>Other post-employment benefits charged to the CIES:</b>		
<b>Remeasurement of the net defined benefit liability comprising:</b>		
Return on plan assets (excluding the amount included in the net interest expense)	7,370	1,754
Actuarial gains and losses arising on changes in demographic assumptions	-	(2,196)
Actuarial gains and losses arising on changes in financial assumptions	(11,666)	(2,878)

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Other experience	1,261	1,075
<b>Total post-employment benefit charged to CIES</b>	<b>(6,558)</b>	<b>(6,398)</b>
<b>Movement in Reserves Statement:</b>		
Reversal of net charges made to Surplus or Deficit on Provision of Services for post-employment benefits in accordance with the Code	3,523	4,153
<b>Actual amount charged against General Fund Balance for pensions in the year</b>		
Employers' contributions payable to scheme	3,622	2,940

**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:

	2014/15 £'000	2013/2014 £'000
Present value of the defined benefit obligation	(137,086)	(127,528)
Present value of the unfunded liabilities	(1,753)	(1,755)
Fair value of plan assets	78,721	72,101
<b>Net liability arising from defined benefit obligation</b>	<b>(60,118)</b>	<b>(57,182)</b>

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

	<b>Funded Liabilities Local Government Pension Scheme</b>	
	2014/15 £'000	2013/14 £'000
<b>Opening Balance at 1 April</b>	(129,283)	(122,621)
Current service cost	(1,599)	(1,710)
Interest cost	(5,175)	(5,452)
Contributions from scheme participants	(478)	(500)
<b>Remeasurement gain/(loss):</b>		
Arising from changes in demographic assumptions	-	(2,196)
Arising from changes in financial assumptions	(11,666)	(2,878)
Other experience	1,261	1,075
Past service costs	(88)	(53)
Liabilities extinguished on settlements	2,858	-
Benefits paid	5,230	4,951
Unfunded benefits paid	101	101
<b>Closing balance at 31 March</b>	<b>(138,839)</b>	<b>(129,283)</b>

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<b>31 March 2015 – Present value of Funded liabilities</b>	<b>(137,086)</b>	<b>(127,528)</b>
<b>31 March 2015 – Present value of Unfunded liabilities</b>	<b>(1,753)</b>	<b>(1,755)</b>
<b>Closing balance 31 March</b>	<b>(138,839)</b>	<b>(129,283)</b>

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

	<b>Funded Assets Local Government Pension Scheme</b>	
	<b>2014/15 £000</b>	<b>2013/14 £000</b>
<b>Opening fair value of scheme assets 1 April</b>	72,101	68,897
Interest income	2,881	3,062
<b>Remeasurement gain/(loss):</b>		
Return on plan assets (excluding the amount included in the net interest expense)	7,370	1,754
Contributions by employees into the scheme	478	500
Contributions by employer	3,521	2,839
Contributions by employer in respect of unfunded benefits	101	101
Effect of settlements	(2,400)	-
Unfunded benefits paid	(101)	(101)
Benefits paid	(5,230)	(4,951)
<b>Closing fair value of scheme assets 31 March</b>	<b>78,721</b>	<b>72,101</b>

**The Local Government Pension scheme assets at 31<sup>st</sup> March comprised:**

	<b>Fair Value of Scheme Assets</b>					
	<b>2014/15 Quoted prices in active market £'000</b>	<b>2014/15 Quoted prices not in active market £'000</b>	<b>2014/15 Total £'000</b>	<b>2013/14 Quoted prices in active market £'000</b>	<b>2013/14 Quoted prices not in active market £'000</b>	<b>2013/14 Total £'000</b>
<b>ash equivalents</b>	1,191	-	1,191	1,221	-	1,221
<b>Equity instruments (by industry type):</b>						
Consumer	4,224	-	4,224	4,138	-	4,138
Manufacturing	1,878	-	1,878	1,732	-	1,732
Energy and Utilities	1,997	-	1,997	2,373	-	2,373
Financial Institutions	3,737	-	3,737	3,600	-	3,600
Health and Care	749	-	749	806	-	806
Information Technology	-	-	-	113	-	113
Other	1,887	-	1,887	2,674	-	2,674
<b>Debt Securities:</b>						
Corporate Bonds (investment)	3,997	-	3,997	3,451	-	3,451

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grade)						
Corporate Bonds (non-investment grade)	301	-	301	230	-	230
UK Government	7,410	-	7,410	6,470	-	6,470
Other	1,289	-	1,289	523	-	523
<b>Real Estate:</b>	3,904	1,351	5,255	3,269	751	4,020
UK Property	-	405	405	-	251	251
Overseas Property		235	235	-	241	241
<b>Private Equity:</b>			-			
<b>Investment Funds and Unit Trusts:</b>	2,599	34,347	36,946	2,315	31,405	33,720
Equities	3,413	209	3,622	3,109	73	3,182
Bonds	-	3603	3,603	-	3,347	3,347
Other						
<b>Derivatives:</b>	-	-	-	13	-	13
Foreign Exchange	(5)	-	(5)	(4)	-	(4)
Other						
<b>Closing fair value of scheme assets as at 31 March</b>	<b>38,571</b>	<b>40,150</b>	<b>78,721</b>	<b>36,033</b>	<b>36,068</b>	<b>72,101</b>

**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.

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

	<b>Local Government Pension Scheme</b>	
	<b>2014/15</b>	<b>2013/14</b>
<b>Long term expected rate of return on assets in the scheme:</b>		
Equity investments	4.1%	4.1%
Bonds	4.1%	4.1%
Property	4.1%	4.1%
Cash	4.3%	4.3%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners		
Men	22.5 years	22.5 years
Women	24.6 years	24.6 years
Longevity at 65 for future pensioners		
Men	24.4 years	24.4 years
Women	27.0 years	27.0 years
Rate of pension increase / inflation (CPI)	2.1%	2.6%
Rate of increase in salaries *	3.5%	3.9%
Rate for discounting scheme liabilities	3.1%	4.1%

## STATEMENT OF ACCOUNTS 2014/15

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

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

	2014/15 %	2013/2014 %
Equity investments	74	73
Bonds	16	19
Property	8	6
Cash	2	2
<b>Total</b>	<b>100</b>	<b>100</b>

### Commutation:

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 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<sup>st</sup> March 2015 and assumes for each change that the assumption analysed changes whilst all other assumptions remain constant.

Change in assumptions at year ended 31 March 2015	Approximate % increase to Employer	Approximate cost to Employer £000
0.5% decrease in Real Discount Rate	9%	12,571
1 year increase in member life expectancy	3%	4,165
0.5% increase in the Salary Increase Rate	2%	2,858
0.5% increase in the Pension Increase Rate	7%	9,560

### Impact on the Council's Cash Flows

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

The council is anticipated to pay employer's contributions of approximately £3,393k for the period 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016. The weighted average duration of the defined benefit obligation for scheme members is 16.7 years as at 31<sup>st</sup> March 2015 (16.7 years as at 31<sup>st</sup> March 2014).

**STATEMENT OF ACCOUNTS 2014/15**

**41. CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

	2014/15 £'000	2013/14 £'000
Interest received	(66)	(164)
Interest paid	2,019	1,995

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

	2014/15 £'000	2013/14 £'000
Depreciation	(8,653)	(7,684)
Impairment and downward valuations	(1,837)	1,134
Amortisations	(104)	(170)
Increase (-) / decrease in creditors	(2,971)	(452)
Increase / decrease (-) in debtors	752	(327)
Increase / decrease (-) in inventories	(50)	(1)
Movement in pension liability	99	(1,213)
Carrying amount of non-current assets sold or derecognised	(1,682)	(9,313)
Other non cash items charged to the net surplus or deficit on the provision of services	(157)	3,583
	<b>(14,603)</b>	<b>(14,443)</b>

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

	2014/15 £'000	2013/14 £'000
Proceeds from the sale of PPE, investment property and intangible assets	2,045	10,900

**42. CASH FLOW STATEMENT – INVESTING ACTIVITIES**

	2014/15 £'000	2013/14 £'000
Purchase of property, plant and equipment, investment property and intangible assets	8,998	8,129
Purchase of Investments	24,810	2,000
Other payments for investing activities	2,100	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,299)	(11,221)
Proceeds from the sale of short and long term investments	(13,911)	(3,542)
Other receipts from investing activities	(530)	(218)
<b>Net cashflows from investing activities</b>	<b>19,168</b>	<b>(4,852)</b>

**43. CASH FLOW STATEMENT – FINANCING ACTIVITIES**

	2014/15 £'000	2013/14 £'000
Cash receipts of short and long term borrowing	(9,100)	(5,300)
Repayments of short and long term borrowing	7,883	6,269
<b>Net cash flows from financing activities</b>	<b>(1,217)</b>	<b>969</b>

## STATEMENT OF ACCOUNTS 2014/15

### 44. PRIOR PERIOD ADJUSTMENTS

These have been made to correct revaluation gains on Property, Plant and Equipment (a reduction of £2.8 million) and Assets Held for Sale (an increase in £1.4 million) made during 2013/14. The figures for 2013/14 shown in the main statements and relevant notes have been restated to include these adjustments. The adjustments made to the original published figures are set out below:

	Adjustment £'000	Adjustment £'000	Adjustment £'000	Adjustment £'000
<b>Comprehensive Income and Expenditure Statement 2013/14</b>	<b>Gross Expenditure</b>	<b>Net Expenditure</b>		
Cultural and related services	(18)	(18)		
Environment & Regulatory services	(23)	(23)		
Highways & Transport services	(39)	(39)		
<b>Cost of Services</b>	<b>(80)</b>	<b>(80)</b>		
<b>(Surplus) or deficit on the provision of services</b>	<b>(80)</b>	<b>(80)</b>		
(Surplus)/deficit on revaluation of non-current assets		1,479		
<b>Other Comprehensive (Income) and Expenditure</b>		<b>1,479</b>		
<b>Total Comprehensive (Income) and Expenditure</b>		<b>1,399</b>		
<b>Balance Sheet</b>	<b>31 March 2014</b>			
Property, Plant & Equipment	(2,826)			
Assets Held for Sale	1,427			
<b>Long Term Assets</b>	<b>(1,399)</b>			
<b>Net Assets</b>	<b>(1,399)</b>			
Unusable Reserves	1,399			
<b>Total Reserves</b>	<b>1,399</b>			
<b>Movement in Reserves Statement</b>	<b>General Fund Balance</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Total Reserves</b>
<b>Movement in Reserves during 2013/14</b>				
Surplus or (deficit) on the provision of services	80	80		80
Other comprehensive Income and Expenditure			(1,479)	(1,479)
<b>Total Comprehensive Income and Expenditure</b>	<b>80</b>	<b>80</b>	<b>(1,479)</b>	<b>(1,399)</b>
Adjustments between accounting and funding basis	(80)	(80)	80	-
<b>Increase / (decrease) in 2013/14</b>	<b>-</b>	<b>-</b>	<b>(1,399)</b>	<b>(1,399)</b>
<b>Cash flow Statement</b>	<b>2013/14</b>			
Net (surplus) or deficit on the provision of services	(80)			
Adjust net surplus/ deficit for non-cash movements	80			

### 45. OTHER INFORMATION

#### Authorisation of Accounts for Issue:

IAS 10 *Events after the Balance Sheet Date* requires the establishment of a date after which events will not have been recognised in the Statement of Accounts. For the audited accounts this is the date they are signed by the Chief Finance Officer (Section 151 Officer). On this basis, the date beyond which there can be no reasonable expectation that events could have been taken into account by the council is 23rd September 2015. This is the date after which any events are not recognised in the audited accounts for the year 2014/15.

#### Events after the Reporting Period:

The council approved the acquisition of a town centre building, Delta Place, 27 Bath Road, Cheltenham, at its meeting of Full Council on 14<sup>th</sup> April 2015. This acquisition was made on 25<sup>th</sup> June 2015, for a purchase price of £13.75m.



**STATEMENT OF ACCOUNTS 2014/15**

**THE COLLECTION FUND - INCOME AND EXPENDITURE ACCOUNT**

2013/14 £'000		Note	2014/15 £'000
	<b>INCOME</b>		
58,009	<b>Council Tax</b>	1	59,181
54,281	<b>Non-Domestic Rates</b>	3	56,144
19	<b>Impairment of debts/appeals for Council Tax</b> Decrease in provision		-
<b>112,309</b>	<b>Total Income</b>		<b>115,325</b>
	<b>EXPENDITURE</b>		
57,084	<b>Precepts &amp; Demands from major preceptors and the Authority - Council Tax</b>	2	58,174
	<b>Non-Domestic Rates</b>	3	
25,745	Shares paid to county council and the billing authority		27,008
25,745	Payment of central share to government		27,008
144	Transitional protection payments		81
183	Charge payable to General Fund for Costs of Collection		184
	<b>Impairment of debts/appeals for Council Tax</b>		
81	Write offs		-
-	Increase in provision		84
	<b>Impairment of debts/appeals for non-domestic rates</b>		
264	Write offs		-
1,315	Increase in provision		1,608
	<b>Contribution towards previous year's surplus - Council Tax</b>		
164	Council Tax		367
-	Non-domestic rates		416
<b>110,725</b>	<b>Total Expenditure</b>		<b>114,930</b>
<b>1,584</b>	<b>Surplus / (Deficit) for the Year</b>		<b>395</b>
31	Balance of fund at 1st April		1,615
<b>1,615</b>	<b>Balance of fund at 31st March</b>	4	<b>2,010</b>

## STATEMENT OF ACCOUNTS 2014/15

### NOTES TO THE COLLECTION FUND

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.

#### 1. COUNCIL TAX

Council Tax is a property based tax with various reductions being made for differing circumstances e.g. single occupancy (25% discount). The District Valuer has valued all domestic property in the area and has placed them into one of eight bands. A factor is then applied to each band so that the tax base can be expressed as a "Band D" equivalent (see below).

On 1 April 2013 the government decentralised the funding of council tax benefits. From that date such benefits are awarded under a local (rather than the previous national) scheme and are treated as a discount against council tax bills. Consequently the anticipated benefits awarded are taken into account in the tax base calculation and precepts made by council and major preceptors, so no transfer is now required to the collection fund from the council's general fund.

The council tax collected is distributed to the billing council (Cheltenham), Gloucestershire County Council and the Police & Crime Commissioner in proportion to their precepts.

Band	Estimated Number of Properties in each Band (adjusted for discounts)	Ratio	Band "D" Equivalents
A Disabled	6.25	5/9	3.47
A	7,594.50	6/9	5,063.00
B	11,033.25	7/9	8,581.42
C	12,004.25	8/9	10,670.44
D	7,912.25	1	7,912.25
E	4,286.25	11/9	5,238.75
F	2,337.25	13/9	3,376.03
G	1,774.00	15/9	2,956.67
H	74.00	2	148.00
			43,950.03
Less Council Tax support (Band D equivalents)			(4,409.99)
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 2 <sup>nd</sup> homes (this amounts to 1.25% of the tax base)			(494.24)
<b>Council Tax Base for 2014/15</b>			<b>39,045.80</b>

## 2. PRECEPTS

The precepts on the Collection Fund for council tax are as follows:-

	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
Gloucestershire County Council	42,580	41,903
Cheltenham Borough Council	7,306	7,190
Gloucestershire Police & Crime Commissioner	8,111	7,826
Charlton Kings Parish Council	56	46
Leckhampton Parish Council	29	30
Prestbury Parish Council	60	58
Swindon Village Parish Council	10	9
Up Hatherley Parish Council	22	22
	<b>58,174</b>	<b>57,084</b>

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

## 3. NON-DOMESTIC RATES

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

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

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

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

However in 2014/15, due to substantial losses arising from successful business rates appeals at one of the other pooling member authorities, the council has incurred additional costs of £346k to contribute towards the pool deficit, in accordance with the pooling arrangements.

The total non-domestic rateable value at 31<sup>st</sup> March 2015 was £133.374 million (£133.798 million at 31<sup>st</sup> March 2014) and the national non-domestic multipliers for 2014/15 were 48.2p (47.1p in 2013/14) (standard rate) and 47.1p (46.2p in 2013/14) (small business rate), resulting in gross income of £56.14 million in 2014/15 (£54.28 million in 2013/14).

## STATEMENT OF ACCOUNTS 2014/15

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### 4. FUND BALANCE

The fund balance for council tax is shared between the council and its major precepting authorities (Gloucestershire County Council and the Gloucestershire Police & Crime Commissioner), in proportion to their precepts.

The fund balance for non-domestic rates is shared between the council, Gloucestershire County Council and central government, in the statutory proportions.

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

	<b>Borough Council share £'000</b>	<b>County Council share £'000</b>	<b>Police share £'000</b>	<b>Central Government share £'000</b>	<b>Total £'000</b>
<b>Council Tax</b>					
Balance at 1 <sup>st</sup> April 2014	94	534	102	-	730
Increase/decrease (-) in the year	71	408	77	-	556
<b>Balance at 31<sup>st</sup> March 2015</b>	<b>165</b>	<b>942</b>	<b>179</b>	<b>-</b>	<b>1,286</b>
<b>Business Rates</b>					
Balance at 1 <sup>st</sup> April 2014	354	89	-	442	885
Increase/decrease (-) in the year	(64)	(17)	-	(80)	(161)
<b>Balance at 31<sup>st</sup> March 2015</b>	<b>290</b>	<b>72</b>	<b>-</b>	<b>362</b>	<b>724</b>
<b>Fund Balance at 31<sup>st</sup> March 2015</b>	<b>455</b>	<b>1,014</b>	<b>179</b>	<b>362</b>	<b>2,010</b>

## GROUP ACCOUNTS

The Group Accounts bring together the council's accounts with its share of those of Gloucestershire Airport Limited, in which the council has a 50% shareholding (the remaining 50% of shares are owned by Gloucester City Council), the accounts of Cheltenham Borough Homes (CBH), a company limited by guarantee where the council is the sole member, and the council's share of the accounts of Ubico Ltd, a joint venture company operating from 1 April 2012, in which the council has a 50% (£1) shareholding (the remaining 50% of shares (£1) are owned by Cotswold District Council).

The purpose of the Group Accounts is to reflect the full value of the council's investments in companies within the council's financial statements, since the council's shareholdings may not fully reflect its proper 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 on a line-by-line basis, eliminating inter-organisation debtors and creditors. The operating income and expenditure of the company has been included within the local authority housing (HRA) line in the Group Income and Expenditure Statement before the net cost of services.

Both Gloucestershire Airport Limited and Ubico Ltd have been categorised as Joint Venture companies as any decisions regarding their operating and financial policies require the consent of another party in addition to the council (i.e. the companies are jointly controlled). The companies' 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 when consolidating joint ventures. Under this method, the council's share of the operating result 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 is disclosed as a separate line.

In the Group Balance Sheet the council's share of the joint venture companies' net assets or liabilities are included as a long-term investment or liability, matched by the council's share of the companies' reserves. There is no requirement to adjust for transactions carried out and balances held between the council and the joint venture companies.

A number of the 2013/14 comparative figures have been restated due to restatement of the council's single entity accounts. These changes are detailed in note 44, page 85.

## STATEMENT OF ACCOUNTING POLICIES FOR THE GROUP ACCOUNTS

These are set out in note 1.35 on pages 36 – 37.

**STATEMENT OF ACCOUNTS 2014/15**

**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 Movement in Reserves Statement.

2013/14			2014/15		
Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure
Restated £'000	£'000	Restated £'000	£'000	£'000	£'000
<i>Continuing Operations</i>					
2,539	(1,197)	1,342	2,128	(651)	1,477
10,570	(3,964)	6,606	9,339	(2,614)	6,725
8,126	(4,273)	3,853	10,028	(4,487)	5,541
3,473	(1,773)	1,700	3,219	(1,865)	1,354
3,419	(4,425)	(1,006)	3,359	(4,104)	(745)
14,953	(19,534)	(4,581)	21,438	(20,403)	1,035
35,250	(33,713)	1,537	33,865	(33,112)	753
4,096	(1,298)	2,798	3,601	(1,496)	2,105
38	(153)	(115)	708	(242)	466
<b>82,464</b>	<b>(70,330)</b>	<b>12,134</b>	<b>87,685</b>	<b>(68,974)</b>	<b>18,711</b>
194	(1,613)	(1,419)	157	(22)	135
5,131	(5,136)	(5)	4,901	(1,129)	3,772
18,336	(34,870)	(16,534)	19,633	(34,781)	(15,148)
<b>106,125</b>	<b>(111,949)</b>	<b>(5,824)</b>	<b>112,376</b>	<b>(104,906)</b>	<b>7,470</b>
		(9) Share of Surplus or deficit of Joint Ventures			(188)
		15 Share of Tax expenses of Joint ventures			22
		<b>(5,818) Group (Surplus) or Deficit</b>			<b>7,304</b>
		(47,605) (Surplus) / Deficit on revaluation of non-current assets			(14,310)
		2,765 Remeasurement of the net defined benefit liability/(asset) (note 53)			5,730
		(152) Share of other comprehensive income and expenditure of Joint Ventures			1,480
		<b>(44,992) Other Comprehensive (Income) and Expenditure</b>			<b>(7,100)</b>
		<b>(50,810) Total Comprehensive (Income) and Expenditure</b>			<b>204</b>

**STATEMENT OF ACCOUNTS 2014/15**

**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 held 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 shown in the Movements in Reserves Statement Line 'Adjustments between accounting basis and funding basis under the regulations.'

31 March 2013	31 March 2014		Note	31 March 2015
£'000	Restated £'000			£'000
244,157	284,524	Property, Plant & Equipment	52	293,228
31,221	33,229	Heritage Assets	22.1	33,615
21,651	25,244	Investment Property	25	24,216
733	632	Intangible Assets	27	534
-	1,427	Assets held for sale	28	-
1,983	60	Long Term Investments	54	61
15,681	15,682	Investments in Joint Ventures	54	15,527
3,297	2,903	Long Term Debtors	54	2,163
<b>318,723</b>	<b>363,701</b>	<b>Long Term Assets</b>		<b>369,344</b>
1,528	2,043	Short term Investments	29	12,950
281	644	Assets held for sale	28	1,427
58	57	Inventories	30	7
7,011	5,137	Short term Debtors	49	5,221
4,637	15,947	Cash and cash equivalents	50	8,688
<b>13,515</b>	<b>23,828</b>	<b>Current assets</b>		<b>28,293</b>
(87)	(244)	Bank overdraft	50	(742)
(2,658)	(448)	Short term borrowing	29	(460)
(11,909)	(12,663)	Short term creditors	51	(13,540)
-	(500)	Grants receipts in advance - revenue	20	-
(363)	(598)	Provisions	34	(595)
<b>(15,017)</b>	<b>(14,453)</b>	<b>Current Liabilities</b>		<b>(15,337)</b>
-	(257)	Provisions	34	(387)
(56,552)	(57,539)	Long term borrowing	29	(58,745)
(83)	(83)	Grants receipts in advance - capital	20	(83)
(184)	(184)	Grants receipts in advance - revenue	20	(1,443)
(223)	(79)	Long Term liabilities of Joint Ventures	54	(1,238)
(56,339)	(60,284)	Other long term liabilities	53	(65,958)
<b>(113,381)</b>	<b>(118,426)</b>	<b>Long term liabilities</b>		<b>(127,854)</b>
<b>203,840</b>	<b>254,650</b>	<b>Net Assets</b>		<b>254,446</b>
(20,113)	(27,763)	Usable Reserves	55	27,026
(183,727)	(226,887)	Unusable Reserves	57	227,420
<b>(203,840)</b>	<b>(254,650)</b>	<b>Total Reserves</b>		<b>254,446</b>

**STATEMENT OF ACCOUNTS 2014/15**

**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 other reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement.

	Total Authority Usable Reserves  £'000	Authority's share of Usable Reserves of subsidiaries and Joint Ventures  £'000	<b>Total Group Usable Reserves  £'000</b>	Total Authority Unusable Reserves  £'000	Authority's share of Unusable Reserves of subsidiaries and Joint Ventures  £'000	<b>Total Group Unusable Reserves  £'000</b>	<b>Total Group Reserves  £'000</b>
<b>Balance at 31 March 2013</b>	<b>19,239</b>	<b>874</b>	<b>20,113</b>	<b>166,535</b>	<b>17,192</b>	<b>183,727</b>	<b>203,840</b>
<b><u>Movement in Reserves during 2013/14 (Restated)</u></b>							
Group surplus or (deficit)	4,377	1,441	5,818			-	5,818
Other comprehensive Income & expenditure		1,302	1,302	43,690		43,690	44,992
<b>Total comprehensive Income &amp; Expenditure</b>	<b>4,377</b>	<b>2,743</b>	<b>7,120</b>	<b>43,690</b>	<b>-</b>	<b>43,690</b>	<b>50,810</b>
Adjustments between company reserves (Note 55)		(2,094)	(2,094)		2,094	2,094	-
Adjustments between accounting basis and funding basis under regulations (Note 6)	2,624		2,624	(2,624)		(2,624)	-
<b>Net decrease before transfers to reserves</b>	<b>7,001</b>	<b>649</b>	<b>7,650</b>	<b>41,066</b>	<b>2,094</b>	<b>43,160</b>	<b>50,810</b>
Transfers to/from earmarked reserves	-		-			-	-
<b>Increase / (decrease) in 2013/14</b>	<b>7,001</b>	<b>649</b>	<b>7,650</b>	<b>41,066</b>	<b>2,094</b>	<b>43,160</b>	<b>50,810</b>
<b>Balance at 31 March 2014 (Restated)</b>	<b>26,240</b>	<b>1,523</b>	<b>27,763</b>	<b>207,601</b>	<b>19,286</b>	<b>226,887</b>	<b>254,650</b>
<b><u>Movement in Reserves during 2014/15</u></b>							
Group surplus or (deficit)	(2,310)	(4,994)	(7,304)			-	(7,304)
Other comprehensive Income & expenditure			-	12,942	(5,842)	7,100	7,100
<b>Total comprehensive Income &amp; (Expenditure)</b>	<b>(2,310)</b>	<b>(4,994)</b>	<b>(7,304)</b>	<b>12,942</b>	<b>(5,842)</b>	<b>7,100</b>	<b>(204)</b>
Adjustments between company reserves (Note 55)		3,214	3,214		(3,214)	(3,214)	-
Adjustments between accounting basis and funding basis under regulations (Note 6)	3,353		3,353	(3,353)		(3,353)	-
<b>Net decrease before transfers to reserves</b>	<b>1,043</b>	<b>(1,780)</b>	<b>(737)</b>	<b>9,589</b>	<b>(9,056)</b>	<b>533</b>	<b>(204)</b>
Transfers to/from earmarked reserves	-		-			-	-
<b>Increase / (decrease) in 2014/15</b>	<b>1,043</b>	<b>(1,780)</b>	<b>(737)</b>	<b>9,589</b>	<b>(9,056)</b>	<b>533</b>	<b>(204)</b>
<b>Balance at 31 March 2015</b>	<b>27,283</b>	<b>(257)</b>	<b>27,026</b>	<b>217,190</b>	<b>10,230</b>	<b>227,420</b>	<b>254,446</b>



**STATEMENT OF ACCOUNTS 2014/15**

**GROUP CASH FLOW STATEMENT**

The cash flow statement shows the changes in cash and cash equivalents of the Group (excluding the joint ventures, Gloucestershire Airport Ltd and Ubico Ltd) 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 Ltd with the joint ventures are included, but the cash flows of the latter are not.

<b>2013/14</b>	<b>2014/15</b>	
<b>Restated</b>		
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
(5,824) Net (surplus) or deficit on the provision of services	7,470	
Adjust net surplus or deficit on the provision of services for (15,092) non-cash movements (see below)	(19,749)	
Adjust for items in the net surplus or deficit on the provision 10,900 provision of services that are investing or financing activities	2,045	
<b>(10,016) Cash inflows generated from operating activities</b>	<b>7,758</b>	<b>(10,234)</b>
(2,136) Investing activities (see below)		21,264
999 Financing activities (see below)		(3,272)
<b>(11,153) Net (increase) / decrease in cash and cash equivalents</b>		<b>7,758</b>
4,550 Cash and cash equivalents at beginning of the year		15,703
15,703 Cash and cash equivalents at end of the year (note 49)		7,945
<b>11,153 Net increase / (decrease) in cash and cash equivalents</b>		<b>(7,758)</b>

**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.

**46 Cheltenham Borough Homes Limited**

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Cheltenham Borough Homes (CBH Ltd) 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 at 1st April 2010 for a further ten years. 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 that will 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 Ltd (CBHS Ltd) (Registration No. 07118944). The principal activity of CBHS is the supply of construction services to CBH.

The draft group accounts for CBH Ltd (including CBHS Ltd) show net liabilities at 31<sup>st</sup> March 2015 of £4,554,060 (net liabilities of £1,582,024 at 31<sup>st</sup> March 2014) and an after tax loss of £277,036 in the year to 31<sup>st</sup> March 2015 (£379,928 in the year to 31<sup>st</sup> March 2014).

The net liabilities of Cheltenham Borough Homes are valued at cost (in accordance with company accounting rules) and may not therefore reflect their market value. The directors consider it appropriate to prepare the accounts on a going concern basis which assumes the company will be able to meet its liabilities as they fall due. The accounts of the company show a contingent liability of £53,212 at 31 March 2015. The council's commitment to meet losses is limited to the shares that it holds.

During the year the council made a capital grant of £2,100,000 to CBH Ltd. to enable the company to continue with the construction of new rented housing stock to be owned and managed by the company.

The full accounts of Cheltenham Borough Homes Ltd and Cheltenham Borough Homes Services Ltd for the year ending 31<sup>st</sup> March 2015 can be obtained from the Company Secretary at the company's registered office – Cheltenham House, Clarence Street, Cheltenham, Gloucestershire, GL50 3RD.

Since CBH's accounts show non-current assets at historic cost, the company's dwellings have been re-valued and shown in the group balance sheet at fair value, to bring them into line with the council's accounting policies. The fair value of the dwellings at 31<sup>st</sup> March 2015 has been assessed by an external valuer, JLL, using the existing use value for social housing (EUV-SH) appropriate to the dwellings' tenure as affordable homes. This has resulted in a reduction in their previously stated value by £6.87 million, £1.67 million of which was charged to revaluation gains held in the Revaluation Reserve and £5.2 million to the Group surplus or deficit in the Comprehensive Group Income and Expenditure Statement.

## STATEMENT OF ACCOUNTS 2014/15

### 47. Gloucestershire Airport Limited

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

The registered name of the airport company is Gloucestershire Airport Ltd (Registration No. 02774189). The audited accounts of the company show net assets at 31<sup>st</sup> March 2015 of £258,891 (£570,520 at 31<sup>st</sup> March 2014) and an after tax profit of £159,571 for the year to 31<sup>st</sup> March 2015 (loss of £24,476 to 31<sup>st</sup> March 2014). 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 as follows:

	<b>Gloucester- shire Airport Limited 2014/15 £'000</b>	<b>Council's share 2014/15 £'000</b>	<b>Gloucester- shire Airport Limited 2013/14 £'000</b>	<b>Council's share 2013/14 £'000</b>
Turnover	4,650	2,325	4,526	2,263
Profit on ordinary activities before taxation	204	102	5	2
Tax on profit on ordinary activities	44	22	29	14
Profit/(loss) for the financial year after taxation	160	80	(24)	(12)

	<b>31 March 2015 £'000</b>	<b>31 March 2015 £'000</b>	<b>31 March 2014 £'000</b>	<b>31 March 2014 £'000</b>
Non-current Assets	4,986	2,493	5,170	2,585
Current Assets	859	430	778	389
Liabilities due within one year	1,170	585	952	476
Liabilities due after one year	2,005	1,003	2,374	1,187
Net Pension Liability	2,329	1,164	1,970	985

The net assets of the airport, as shown in the company accounts, are valued at cost (in accordance with company accounting rules) and may not therefore reflect their market value. The value of the company could, therefore, be significantly different to that suggested by the stated net assets the share capital issued.

The Airport did not pay any dividends in the year to 31<sup>st</sup> March 2015 (nil to 31<sup>st</sup> March 2014). Equity dividends proposed by the Board of Directors of the Airport are not recorded in the Airport's financial statements until they are approved by the shareholders at the annual general meeting and are recorded as a movement on retained profits.

During 2011/12 the council loaned £1.195 million to the Airport towards the cost of the runway safety project, of which £0.982 million was outstanding at 31<sup>st</sup> March 2015. This loan is shown as a long term debtor on the council's balance sheet. In addition the council provided the Airport with a temporary overdraft facility during 2012/13 of £0.350 million, of which £0.210 million was outstanding at 31<sup>st</sup> March 2015.

## STATEMENT OF ACCOUNTS 2014/15

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The accounts of Gloucestershire Airport Ltd for the year ending 31<sup>st</sup> March 2015 can be obtained from the Managing Director at the company's registered office - The Tower Building, Staverton, Nr Cheltenham, Gloucestershire, GL51 6SR.

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

- Operational assets added at leasehold existing use value (50% share) total £9.468 million.
- Non-operational assets added at leasehold market value (50% share) total £6.557 million.

The Airport's non-current assets were re-valued at 31 March 2012 for the purposes of the Group accounts by a qualified external valuer, as required by the Code.

This upward revaluation results in an increase in Unusable Reserves in the group accounts compared to the council's own accounts of £15.4 million, of which £8.8 million relates to operational property (so included in the Revaluation Reserve) and £6.6 million investment property (so included in the Capital Adjustment Account). If the Airport charged depreciation on the operational element of the re-valued assets the charge would be around £0.4 million, based on a life of 30 years.

In the autumn of 2009, the council agreed to facilitate borrowing to finance the runway safety project at Gloucestershire Airport (GAL), to provide a safer runway with a computerised instrument landing system (ILS). This has now been completed and is intended to attract more profitable corporate business, increasing the profitability for the airport and the council.

The financing was fully expended and in April 2013 the council converted the borrowing to an annuity loan of £1.2m from the Public Works Loan Board.

### **48. UBICO Limited**

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Ubico Ltd was established during 2011/12 and commenced operations on 1 April 2012, providing environmental services (street cleaning, refuse collection, recycling and grounds maintenance) to Cheltenham Borough Council from that date and to Cotswold District Council from 6 August 2012.

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). In these circumstances the company is treated as if it were an in house department and the shareholder councils are able to enter into service contracts with the company without undertaking an EU compliant procurement process. The company must ensure that the percentage of work undertaken outside of the shareholder contracts is less than 10% of its total activity. The company also provides ad-hoc services to third parties and provides supplies and services to Tewkesbury Borough Council and Cheltenham Borough Homes.

## STATEMENT OF ACCOUNTS 2014/15

The company (registration No. 07824292) is limited by guarantee and 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 draft accounts of the company show a net liability at 31<sup>st</sup> March 2015 of £2,477,000 (liability of £182,000 at 31<sup>st</sup> March 2014) and an after tax profit for the year ending 31<sup>st</sup> March 2015 of £172,000 (£59,903 for the year ended 31 March 2014), both attributable mainly to pension costs.

The company's accounts for the year ending 31<sup>st</sup> March 2014 can be obtained from the Managing Director at the company's registered office – Central Depot, Swindon Road, Cheltenham GL51 9JZ.

### 49. Short term debtors

These are as stated in note 31 to the single entity statements, with the addition of CBH debtors (excluding those with the council). All of the CBH external debtors are sundry debtors.

### 50. Cash and Cash Equivalents

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

	31st March 2015 £'000	31st March 2014 £'000
Cash held by the Council and subsidiaries	5	12
Bank current accounts of the Council and subsidiaries	88	139
Short term deposits	8,595	15,796
<b>Cash and cash equivalent assets</b>	<b>8,688</b>	<b>15,947</b>
Cash and cash equivalent liabilities - bank overdraft	(742)	(244)
<b>Net Cash and cash equivalents per Cash flow Statement</b>	<b>7,946</b>	<b>15,703</b>

### 51. Short term Creditors

	31st March 2015 £'000	31st March 2014 £'000
Central Government Bodies	4,422	4,318
Other Local Authorities	2,890	2,079
NHS bodies	-	6
Other entities and individuals-		
- Council Taxpayers	88	77
- Business Ratepayers	1,720	1,691
- Ubico Ltd	621	77
- Housing Rents	215	191
- Sundry Creditors	3,584	4,224
	<b>13,540</b>	<b>12,663</b>

**STATEMENT OF ACCOUNTS 2014/15**

<b>52. Group Property, Plant &amp; Equipment</b>																
<b>2013/14 Restated</b>								<b>2014/15</b>								
Dwellings	Other Land and buildings	Vehicles, Plant and equipment	Infra-structure assets	Community assets	Surplus assets	Assets under construction	Total	Dwellings	Other Land and buildings	Vehicles, Plant and equipment	Infra-structure assets	Community assets	Surplus assets	Assets under construction	Total	
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
								<b>Cost or valuation</b>								
167,445	75,874	6,496	9,655	226	7,338	4,516	271,550	At 1 April	174,545	114,534	7,225	10,548	226	402	1,430	308,910
5,270	2,653	848	893			2,772	12,436	Additions	6,077	830	958	546			2,298	10,709
1,670	33,444						35,114	Revaluation increases / (decreases) recognised in the Revaluation Reserve	(19,201)	9,440	209					(9,552)
	(554)						(554)	Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	(4,642)	(2,396)						(7,038)
(1,362)	(417)	(119)			(6,975)		(8,873)	Derecognition - disposals	(527)		(157)			(35)		(719)
	(590)						(590)	Assets reclassified to/from held for resale		550						550
1,522	4,297				39	(5,858)		Other Reclassifications	1,452		229	52			(1,733)	-
	(173)					(173)		Other movements								-
<b>174,545</b>	<b>114,534</b>	<b>7,225</b>	<b>10,548</b>	<b>226</b>	<b>402</b>	<b>1,430</b>	<b>308,910</b>	<b>At 31 March</b>	<b>157,704</b>	<b>122,958</b>	<b>8,464</b>	<b>11,146</b>	<b>226</b>	<b>367</b>	<b>1,995</b>	<b>302,860</b>
								<b>Accumulated Depreciation and Impairment</b>								
(14,397)	(7,513)	(4,164)	(1,313)	-	(6)		(27,393)	At 1 April	(18,036)	(79)	(4,697)	(1,566)	-	(8)	-	(24,386)
(5,270)	(1,877)	(592)	(253)		(2)		(7,994)	Depreciation charge	(5,390)	(2,797)	(441)	(273)				(8,901)
	9,056						9,056	Depreciation written out to the Revaluation Reserve	23,426	79						23,505
	57	2					59	Depreciation written out to the surplus/ deficit on the provision of services								-
							-	Impairment losses / (reversals) recognised in the Revaluation Reserve								-
							-	Impairment losses / (reversals) recognised in the surplus / deficit on the provision of services								-
1,631							1,631	the provision of services							(8)	(8)
	198	57					255	Derecognition - disposals			158					158
								- Assets reclassified to/from held for resale								-
								- Other Reclassifications								-
								- Other movements								-
<b>(18,036)</b>	<b>(79)</b>	<b>(4,697)</b>	<b>(1,566)</b>	<b>-</b>	<b>(8)</b>	<b>-</b>	<b>(24,386)</b>	<b>At 31 March</b>	<b>-</b>	<b>(2,797)</b>	<b>(4,980)</b>	<b>(1,839)</b>	<b>-</b>	<b>(8)</b>	<b>(8)</b>	<b>(9,632)</b>
<b>156,509</b>	<b>114,455</b>	<b>2,528</b>	<b>8,982</b>	<b>226</b>	<b>394</b>	<b>1,430</b>	<b>284,524</b>	<b>Net Book Value at 31 March</b>	<b>157,704</b>	<b>120,161</b>	<b>3,484</b>	<b>9,307</b>	<b>226</b>	<b>359</b>	<b>1,987</b>	<b>293,228</b>

## STATEMENT OF ACCOUNTS 2014/15

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### 53. Other Long term liabilities

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These comprise the group pension fund liabilities of Cheltenham Borough Council and Cheltenham Borough Homes Ltd. Further details of the council's liabilities are included in note 40 on pages 79 - 83 and for CBH in their accounts. Due mainly to an actuarial loss of £2.695 million during the year the CBH accounts show a pension liability at 31<sup>st</sup> March 2015 of £5.840 million (liability of £3.102 million at 31<sup>st</sup> March 2014).

### 54. Long term investments and Long term debtors

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Long term investments differ from note 29 in the single entity accounts by the shares in Gloucestershire Airport of £0.435 million, which are replaced in the group accounts by a long term investment in the Airport of £15.527 million, shown immediately below long term investments.

Long term debtors differ from note 29 in the single entity accounts by the elimination on consolidation of the loan to CBH Ltd of £5.409 million.

Long term liabilities of Joint Ventures comprise the council's share of the net liabilities of Ubico Ltd.

### 55. Usable Reserves

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These are detailed in the Group Movement in Reserves Statement.

### 56. Group Movements in the Movement in Reserves Statement

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Adjustments are required between Group usable and unusable reserves for the receipt by CBH of social housing capital grants of £0.140 million in 2014/15 (£0.426 million in 2013/14). These have been credited to the Taxation and non-specific grant income line within the Group Comprehensive Income and Expenditure Statement and transferred to the Capital Adjustment Account (part of unusable reserves) in the Group Balance Sheet, as they have been used to finance new housing properties under construction by CBH.

In addition transfers are required between the Group usable and unusable reserves to reflect the classification of the pension reserve by CBH as usable reserves, as part of their profit and loss reserve.

### 57. Unusable Reserves

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	31st March 2015	31st March 2014
	£'000	£'000
Revaluation Reserve	109,185	95,738
Capital Adjustment Account	185,603	192,711
Financial Instruments Adjustment Account	(2,311)	(2,447)
Collection Fund Adjustment Account	455	448
Pensions Reserve	(65,958)	(60,284)
Deferred Capital Receipts Reserve	560	825
Accumulating Compensated Absences Adjustment Account	(114)	(104)
<b>Total Unusable Reserves</b>	<b>227,420</b>	<b>226,887</b>

**STATEMENT OF ACCOUNTS 2014/15**

**58. CASHFLOW – Non-cash items included in the surplus or deficit on the provision of services**

	2014/15 £'000	2013/14 £'000
Depreciation	(7,934)	(8,902)
Impairment and downward valuations	1,134	(6,678)
Amortisations	(170)	(104)
Increase (-) / decrease in creditors	(130)	(3,090)
Increase / decrease (-) in debtors	(797)	1,038
Increase / decrease (-) in inventories (stock)	(1)	(50)
Movement in pension liability	(1,536)	56
Carrying amount of non-current assets sold or derecognised	(9,313)	(1,682)
Other non cash items charged to the net surplus or deficit on the provision of services	3,655	(337)
	<b>(15,092)</b>	<b>(19,749)</b>

**59. CASHFLOW – Investing Activities**

	2014/15 £'000	2013/14 £'000
Purchase of property, plant and equipment, investment property and intangible assets	10,928	11,094
Purchase of Investments	2,000	24,810
Other payments for investing activities	-	2,100
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(11,304)	(2,299)
Proceeds from the sale of short and long term investments	(3,542)	(13,911)
Other receipts from investing activities	(218)	(530)
<b>Net cashflows from investing activities</b>	<b>(2,136)</b>	<b>21,264</b>

**60. CASHFLOW – Financing activities**

	2014/15 £'000	2013/14 £'000
Cash receipts of short and long term borrowing	(5,300)	(11,200)
Repayments of short and long term borrowing	6,299	7,928
<b>Net cash flows from financing activities</b>	<b>999</b>	<b>(3,272)</b>



**STATEMENT OF ACCOUNTS 2014/15**

**HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT**

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

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>		
Repairs and Maintenance	3,912	4,004
Supervision and Management	6,806	7,422
Rents, Rates, Taxes and Other Charges	50	57
Depreciation and Impairment of Non-current Assets	4,891	3,697
Debt Management Costs	81	81
Movement in Bad Debts	123	119
Sums Directed by Secretary of State as Expenditure	-	39
<b>Total Expenditure</b>	<b>15,863</b>	<b>15,419</b>
<b>Income</b>		
Dwelling Rents	(18,808)	(18,171)
Non-dwelling Rents	(429)	(412)
Charges for services and facilities	(556)	(541)
Contributions towards expenditure	(354)	(354)
Other Income	(122)	(16)
<b>Total Income</b>	<b>(20,269)</b>	<b>(19,494)</b>
<b>Net cost of HRA services as included in the Comprehensive Income &amp; Expenditure Statement</b>	<b>(4,406)</b>	<b>(4,075)</b>
HRA services' share of corporate and democratic core	147	147
<b>Net cost for HRA Services</b>	<b>(4,259)</b>	<b>(3,928)</b>
<b>HRA Share of the operating income and expenditure included in the Comprehensive Income &amp; Expenditure Statement:</b>		
Gain/loss on Sale of HRA Non-current Assets	(355)	(684)
Interest Payable and Similar Charges	1,685	1,685
Interest and Investment Income	(55)	(21)
Capital Grants and Contributions Receivable	(149)	(119)
<b>Surplus for the Year on HRA Services</b>	<b>(3,133)</b>	<b>(3,067)</b>

**STATEMENT OF ACCOUNTS 2014/15**

**MOVEMENT ON THE HRA STATEMENT**

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

	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
Surplus for the year on the HRA Income and Expenditure Statement	3,133	3,067
Adjustments between accounting basis and funding basis under statute	(1,779)	(2,424)
<b>Net Increase in year on the HRA</b>	<b>1,354</b>	<b>643</b>
Balance on the HRA at the end of the previous year	4,205	3,562
Transfer to earmarked reserve	(2,000)	-
Transfer from earmarked reserve	97	-
<b>Balance on the HRA at the end of the current year</b>	<b>3,656</b>	<b>4,205</b>

**NOTES**

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

	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
<b>Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Statement</b>		
Revaluation losses	(559)	(1,631)
Capital contributions	(149)	(119)
(Gain)/Loss on sale of HRA non-current assets	(355)	(684)
	<b>(1,063)</b>	<b>(2,434)</b>
<b>Items not included in the HRA Income and Expenditure Account but included in the Movement on the HRA Statement</b>		
Amortisation of premiums and discounts	10	10
Capital expenditure funded by the HRA	(726)	-
<b>Net adjustments between accounting basis and funding basis under regulations</b>	<b>(1,779)</b>	<b>(2,424)</b>

**2. Housing Stock**

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

Type	<b>1 April 2014</b>	<b>Additions</b>	<b>Sales</b>	<b>Demolition</b>	<b>31 March 2015</b>
Houses & Bungalows	2,164	-	(11)	(1)	2,152
Flats	2,366	-	(3)	-	2,363
Shared Ownership (flats)	17	-	(1)	-	16
<b>Total Stock</b>	<b>4,547</b>	<b>-</b>	<b>(15)</b>	<b>(1)</b>	<b>4,531</b>

## STATEMENT OF ACCOUNTS 2014/15

### 3. HRA Non-Current Assets

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

	1 <sup>st</sup> April 2014 £'000	Revaluation/ Impairment £'000	Additions £'000	Demolitions £'000	Disposals £'000	Depreciation £'000	31 <sup>st</sup> March 2015 £'000
Dwellings	145,601	6,453	6,068		(527)	(5,301)	152,294
Assets under construction	55	(8)	412				459
Garages	1,677	608	74			(39)	2,320
Infrastructure	4,112		420			(103)	4,429
Surplus assets	346			(35)			311
Assets held for sale	54				(54)		-
Investment property	3,487						3,487
<b>Total non-current assets</b>	<b>155,332</b>	<b>7,053</b>	<b>6,974</b>	<b>(35)</b>	<b>(581)</b>	<b>(5,443)</b>	<b>163,300</b>

### 4. Impairment and Revaluation of Non-Current Assets

HRA assets are revalued every five years (the last revaluation was undertaken on 31 March 2015). In interim years between valuations the dwelling valuation is uprated for the movement in regional land registry values. Where an increase in value is identified that portion of any previous losses are written back through the HRA income and expenditure statement, £559,404 in 2014/15 (£1,630,768 in 2013/14). These figures are then reversed through the Movement on HRA statement in accordance with the Item 8 Determination published by the Department of Communities and Local Government. Any further increase in value is transferred to the Revaluation Reserve, a figure of £5,893,248 in 2014/15. A comprehensive revaluation of garage sites on 31 March 2015 resulted in a net gain of £608,088 which was taken to the revaluation reserve.

### 5. Dwellings Valuation

The vacant possession value of dwellings within the HRA at 1 April 2014 was £491,271,528.

This valuation and the lower Balance Sheet valuation show the economic cost to Government of providing council housing at less than open market rents.

**STATEMENT OF ACCOUNTS 2014/15**

**6. Major Repairs Reserve**

An analysis of movements on the reserve is shown below:

	<b>£'000</b>
Balance 1 April 2014	-
Transfer to reserve	5,443
Finance of HRA capital expenditure	(5,443)
<b>Balance 31 March 2015</b>	<b>-</b>

**7. New Build Reserve**

The Council has created an earmarked revenue reserve to set aside funds that will be used to deliver a programme of new affordable housing within the HRA.

	<b>£'000</b>
Balance 1 April 2014	-
Transfer from HRA revenue reserve	2,000
Transfer to HRA revenue reserve (to fund revenue contributions to capital 2014/15)	(97)
<b>Balance 31 March 2015</b>	<b>1,903</b>

**8. HRA Capital Expenditure**

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

Category	Total Expenditure £'000	Sources of Finance			
		Major Repairs Allowance £'000	Capital Receipts £'000	Recharges £'000	Revenue Contributions £'000
New Build	412		315		97
Major repair & improvements	6,067	5,443	340	94	190
Garages	74				74
Infrastructure	420			55	365
Repurchase of shared ownership flats	1		1		
<b>Total</b>	<b>6,974</b>	<b>5,443</b>	<b>656</b>	<b>149</b>	<b>726</b>

**9. HRA Capital Receipts**

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

<b>Asset</b>	<b>2014/15</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Sales of Dwellings	987	2,264
Mortgage Principal	11	51
Sale of Shared Ownership Flats	28	161
Land	-	1
<b>Total</b>	<b>1,026</b>	<b>2,477</b>

**10. Rent Arrears**

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Rent arrears at 31 March 2015 amounted to £654,696 (£675,851 as at 31 March 2014) and the Balance Sheet includes a bad debt provision of £376,000 relating to those arrears (£365,000 as at 31 March 2014).

**11. Rent Rebates Subsidy Limitation**

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The Secretary of State has directed that the additional cost of rent rebates granted to tenants which arises from council rents being in excess of the specified limit should be charged to the HRA and credited to the General Fund. In 2013/14 this amounted to £39,000 but there is no charge in 2014/15 as actual average rent was below the limit rent.

**12. Interest and Investment Income**

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This is made up of £1,284 mortgage interest and £53,700 on notional cash balances (£2,244 and £17,764 respectively in 2013/14).

**GLOSSARY OF TERMS**

<b>Accounting Period</b>	The period of time covered by the accounts, normally a period of twelve months, commencing on 1 <sup>st</sup> April for local authority accounts.
<b>Accounts</b>	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.
<b>Accruals</b>	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.
<b>Actual</b>	Actual, as opposed to budget, expenditure and income directly attributable to an accounting period, generally referred to as 'actuals'.
<b>Amortised cost</b>	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.
<b>Audit</b>	An independent examination of an organisation's activities, either by internal audit or the organisation's external auditor.
<b>Balances</b>	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.
<b>Budget</b>	A statement of the income and expenditure policy plan of the council over a specified period. The most common is the annual Revenue Budget expressed in financial terms and including other physical data, e.g. manpower resources.
<b>Capital Financing</b>	The raising of money to finance capital expenditure. In the past the cost of capital assets was usually met by borrowing, but capital expenditure may also be financed by other means such as leasing, contributions from revenue accounts, the proceeds from the sale of capital assets, capital grants and contributions from developers or others.
<b>Capital Financing Requirement</b>	The capital financing requirement measures the council's underlying need to borrow for capital purposes.
<b>Capital Grants</b>	Government grant towards capital expenditure on a specific service or project.
<b>Cash &amp; Cash equivalents</b>	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.
<b>Cash Limit</b>	A method of expenditure control which restricts the amount available for spending for a particular purpose to a specified cash amount, regardless of the effects of inflation.

## STATEMENT OF ACCOUNTS 2014/15

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<b>Collection Fund</b>	This is a statutory fund kept separate from the main accounts of the council. It records all income due from the council Tax, National Non Domestic Rates and Revenue Support Grant and shows the precept payments due to Gloucestershire County Council and the Police and Crime Commissioner.
<b>Contingent Asset</b>	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.
<b>Contingent Liability</b>	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.
<b>Creditors</b>	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.
<b>Current Assets</b>	Assets which can be expected to be consumed or realised during the next accounting period.
<b>Current Liabilities</b>	Amounts which will become due or could be called upon during the next accounting period.
<b>Debtors</b>	An amount due to an organisation within the accounting period not received at the balance sheet date.
<b>Deferred Liabilities</b>	This represents the liability for principal repayments on finance leases.
<b>Depreciation</b>	The theoretical loss in value of an asset, owing to age, wear and tear, deterioration, or obsolescence.
<b>Effective Interest Rate (EIR)</b>	The interest rate that can be applied to a loan to take account of all discounted cash flows during the life of the loan, to include any changes to actual interest rates and any premiums or discounts paid or received.
<b>Employee Costs</b>	These include salaries, wages and allied national insurance and superannuation costs payable by the Borough Council, together with training expenses and charges relating to the index-linking of pensions of former employees.
<b>Final Accounts</b>	Accounts prepared for an accounting period, usually in a summarised form. These accounts show the net surplus (profit) or deficit (loss) on individual services and a balance sheet is prepared for them. They are produced as a record of stewardship and are available to interested parties. Local authorities are required to publish each year a Statement of Accounts (final accounts and balance sheet), as specified in the Accounts and Audit Regulations 1993 (as amended).
<b>Finance Lease</b>	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.
<b>Financial Year</b>	The local authority financial year commences 1 <sup>st</sup> April and finishes 31 <sup>st</sup> March the following year.

## STATEMENT OF ACCOUNTS 2014/15

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<b>Fixed Asset</b>	Assets which can be expected to be of use or benefit to the Council in providing its service for more than one accounting period.
<b>Government Grants</b>	Payments by central government towards local authority expenditure. They must be specific e.g. Housing Benefits, or general e.g. Revenue Support Grant.
<b>Impairment</b>	A loss in value of an asset as a result of damage or other event or as a result of a reduction in market value.
<b>Interest</b>	An amount received or paid for the use of a sum of money when it is invested or borrowed.
<b>Inventories</b>	Items of raw materials and stores a council has procured to use on a continuing basis which it has not used.
<b>Joint Venture</b>	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.
<b>Minimum Revenue Provision</b>	The minimum amount which must be charged to a council's revenue accounts 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.
<b>National Non Domestic Rates (NNDR)</b>	An NNDR poundage is set annually by central government and collected by Charging Authorities. The proceeds are redistributed by the government between Local Authorities in proportion to their adult population.
<b>Operating Lease</b>	A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.
<b>Precepts</b>	The amount which a Precepting Authority (e.g. a County Council) requires from a Charging Authority to meet its expenditure requirements.
<b>Receivables</b>	An amount due to an organisation within the accounting period not received at the balance sheet date.
<b>Repairs &amp; Renewals Fund</b>	A fund which an council can establish to meet the cost of repairing, maintaining, replacing and renewing its buildings, vehicles, plant and equipment.
<b>Revenue Expenditure charged to capital under statute</b>	Expenditure which can by law be financed from capital resources (e.g. capital receipts) but which does not result in a fixed asset, e.g. renovation grants.
<b>Revenue Support Grant</b>	A grant paid by government to meet a proportion of the local authority expenditure necessary to provide a standard level of service throughout the country.
<b>Subsidiary</b>	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.



**Value for Money**

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

**Work in Progress**

The cost of work done on an uncompleted project at a specified date which has not been recharged to the appropriate account at that date.

## ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2014/15

### Scope of responsibility

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

In discharging this overall responsibility the Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Cheltenham Borough Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (December 2012)*. A copy of the code is on the council's website along with a copy of the Council's Constitution. This statement explains how the council has complied with the Accounts and Audit (England) Regulations 2011 Regulation 4.

### The purpose of the governance framework

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

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

The governance framework has been in place at Cheltenham Borough Council throughout the year ended 31st March 2015 and up to the date of approval of the Annual Report and Statement of Accounts.

### The Governance framework

The 16 key elements of Cheltenham Borough Council's governance framework are summarised below:

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

- (a) A Corporate Strategy revised in March 2014 to reflect the Vision, Objectives and Priorities of the Council.
- (b) The Council and NHS Gloucestershire, together with the Police and other partners have worked together to identify the needs of the area including Health matters and have published a Joint Strategic Needs Assessment.

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- (c) The Cheltenham Partnership Action Plan which includes working with a wide range of partners including Gloucestershire County Council, Gloucestershire Police and County NHS organisations to identify local needs and deliver priorities.
- (d) A Medium Term Financial Strategy (MTFS) which is regularly updated to support the delivery of the Council's corporate objectives.
- (e) A performance management framework which includes performance reports that are reported to Cabinet.
- (f) Consultation with the public through public meetings and other mediums on a regular basis.
- (g) As part of its budget setting process the Council consults with a public panel to gain an understanding of the communities' views.
- (h) The Council communicates with employees and all stakeholders via regular internal and external updates using promotional material, the web, the intranet and formal and informal briefings and 1-2-1s with their managers.
- (i) 2014/15 Statement of Accounts for the year ended 31st March 2015.

### **2. Arrangements for reviewing the authority's vision and its implications for the authority's governance arrangements.**

- (a) Consultation events were used to inform the development and review of the authority's vision, objectives and financial priorities.
- (b) The Audit Committee considered and approved a revised version of the Code of Corporate Governance which is published on the website.
- (c) The budget setting process includes detailed scrutiny of proposals by elected Members and their links to the Council's vision, priorities and stakeholder views, together with equalities impact assessments.
- (d) The Council is also very mindful that staff are also key stakeholders and as such, senior officers and Members have taken part in consultation events and senior manager briefings. Internal communication approaches have been reviewed to ensure all staff are aware of all issues and new policies and practices. There are positive working relationships with trades unions through formal meetings with GOSS HR and informal regular briefings to the entire workforce by the Chief Executive.

### **3. Arrangements for measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources.**

- (a) Cheltenham Borough Council is a commissioning authority and a high proportion of its services are delivered by either a shared service or a standalone organisation, for example housing is delivered by Cheltenham Borough Homes, Waste Management is delivered by UBICO, Leisure and Culture Services are delivered by The Cheltenham Trust. There are specific and detailed contracts and agreements in place with each of these organisations which include the arrangements for performance measurement and reporting.

- (b) The commissioning team monitor key performance measures within the contract and report findings to the Senior Leadership Team. The delivery organisations also monitor performance including quality and the outcome of this monitoring is reported in annual reports which are published.
  - (c) The council records performance information using performance-reporting software and action on areas of poor performance is closely scrutinised, by the Senior Leadership Team (SLT) and reported to Cabinet. Where quarterly performance reports to SLT highlight a concern, appropriate corrective action will be considered, implemented and monitored.
  - (d) Corporate Risks are identified recorded and monitored through an on-line system; performance against the mitigation of these risks is monitored by SLT on a monthly basis and then reported informally to Cabinet. Audit Committee receive an annual Risk Management report which includes performance data; this is reported on the council's website.
  - (e) The Council uses a range of benchmarking information, including the Audit Commission comparative data set, the National Health Service (NHS) data and *Inform* the Gloucestershire Research and Intelligence service. It also uses the Cipfa benchmarking data to measure performance against comparators and to identify authorities from whom the Council could learn, and to identify potential areas of focus for budget reductions.
  - (f) There is also a range of consultation and feedback mechanisms for obtaining feedback from customers.
- 4. Arrangements for defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.**
- (a) The Constitution sets out how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.
  - (b) This includes the publication of a monthly Forward Plan containing all key decisions.
  - (c) The Constitution includes Rules of Procedures, Financial Regulations , Responsibility for Functions, Contract Procurement Rules and the Budget and Policy Framework. These are underpinned by Codes of Conduct for officers and Members, Gifts and Hospitality rules, local protocols and by the Authority's Code of Corporate Governance.
  - (d) Council consists of 40 elected members and is chaired by the Mayor and is responsible for setting the budget, constitutional amendments and decisions not delegated to Cabinet. It also elects the Mayor and makes appointments to committees.
  - (e) The Cabinet is the part of the Council which is responsible for most day-to-day decisions.
  - (f) The Cabinet consists of the Leader and up to seven councillors appointed by the Leader. Upcoming items for consideration are published in the Cabinet's Forward Plan except where urgency procedures are applicable. Cabinet meetings are held in public save for where confidential or exempt information is to be discussed.
  - (g) The Cabinet , Cabinet Members and Officers are required to make decisions within the Council approved Budget and Policy Framework; any decision outside that Framework may only be made within prescribed urgency procedures or with the agreement of Council.

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- (h) There are circumstances in which Cabinet Members may make individual executive decisions and these are set out in the constitution.
- (i) Matters outside of the Budget and Policy Framework are referred to Council for decision.
- (j) There is an Overview and Scrutiny committee (O&S) which aims to promote open and transparent decision-making, democratic accountability and to hold the Cabinet to account for its actions.
- (k) The O&S is responsible for ensuring that the overview and scrutiny process is operating effectively and is making a difference for local people. The committee's role includes commissioning scrutiny task groups.
- (l) The work of O&S Committee is led by elected members, who carry out work both in committee and outside of the formal committee process. O&S members are not members of the Council's Cabinet and do not make decisions which bind the Authority, but they set their own agenda and can make recommendations to Cabinet/Council for policy development and improvement.
- (m) Scrutiny not only looks at the way the Council does things, it can look at anything that affects the lives of people in Cheltenham and allows the opportunity for residents to have a greater say on issues of local concern.
- (n) There is an Audit Committee which is responsible for all internal and external audit matters along with some other governance associated matters.
- (o) The Audit Committee provides a broad based audit role across all areas of the Council. The committee promotes and ensures effective internal control and independent assurance mechanisms, including: Internal Audit; External Audit; Risk Management; Annual Statement of Accounts; Corporate Governance Framework.
- (p) There are also Regulatory Committees i.e. Licensing and Planning.
- (q) All meetings are open to the public save for exempt / confidential matters which are considered in private when the press and public are formally excluded from meetings. It is the Council's objective to conduct its business in public wherever possible and to keep exempt discussions and documentation to a minimum. This ensures open and transparent decision making is undertaken at all times. Council officers provide appropriate advice at the points of consideration and decision, and report to Members on progress and outcomes of decisions taken.
- (r) The Authority has developed a number of Local Codes and protocols e.g. Transparency and Commissioning, all in line with good Corporate Governance.
- (s) The Council has a Code of Members' and co-opted Members' Conduct.

### **5. Arrangements for developing, communicating and embedding codes of conduct, defining the standards of behavior for members and staff**

- (a) The Council's intranet contains a range of policies, procedures and guidance for all staff including Human Resources (HR) policies, iLearn training modules, Information Security Policy, Freedom of Information Policy and Data Protection Policy and the Corporate Plan and Constitution.

- (b) The council's key policies stipulate roles and responsibilities for both elected Members and employees; these are reviewed and refreshed on a regular basis.
- (c) Legislative changes are monitored and reported to SLT and communicated to staff as required.
- (d) Corporate induction courses are run by GOSS HR on a regular basis. Managers are responsible for local induction arrangements. Officers in politically restricted posts and those responsible for negotiating contracts are required to register their personal interests; all employees complete these declarations on an annual basis.
- (e) The Council has a Counter Fraud, Corruption and Bribery Policy which is reviewed by Internal Audit regularly and has been communicated to all staff and is available on the Council's Intranet, this was approved by the Cabinet.
- (f) The Council has a Standards Committee to help maintain and promote high standards of conduct, assist Members and Co-opted Members of the Borough Council to observe the Code of Conduct and monitor the operation of the Code. The Committee is made up of 7 Borough Councillors and 2 Independent Persons who are co-opted on to the Committee and do not have voting rights.

**6. Arrangements for reviewing and updating Standing Orders and Financial Regulations; a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.**

- a. The Council's Constitution is reviewed each year by the Constitution Working Group to ensure the Council's governance arrangements reflect best practice.
- b. Directors and Service Managers are responsible for managing risk within their departments.
- c. The Director of Corporate Resources is responsible for the implementation and monitoring of the Risk Management Policy which is monitored by the Audit Committee and approved by Cabinet.
- d. There is a Corporate Risk Register which identifies strategic risks with clearly identified measures for mitigation. Divisional, Service and Project Risks are monitored and managed by Directors and Service Managers. Any risk that has corporate implications or scores 16 or over must be referred to SLT for consideration for inclusion on the Corporate Risk Register.
- e. The Council or Cabinet, when considering any matter, will have a risk assessment within the report.
- f. The Council fully recognises the need to manage risks in all projects and, where appropriate Prince II and MSP methodologies are applied.

**7. Ensuring the Authority's financial management arrangements conform to the governance arrangements of the CIPFA statement on the role of the Chief Finance Officer (CFO) in local government.**

- (a) The Council's Financial Rules and Constitution are approved by Council and published on the website.
- (b) The Council ensures;

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- compliance with the Financial Procedure Rules set out in the Constitution; it has designated the Director of Corporate Resources as Section 151 officer (Chief Finance Officer). It is able to confirm that it conforms to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
  - that the s151 Officer is qualified and a substantially and suitably experienced accountant, who is responsible for the proper administration of the Council's financial affairs and for ensuring the lawfulness and financial prudence of financial transactions
  - that the s151 Officer is a member of the Executive Board and Senior Leadership Team with responsibility for, leading and advising on the strategic financial decisions impacting on the Council's delivery of its objectives, ensuring continuing effective financial controls and risk management, management of the Corporate Finance function, which is appropriately resourced with professionally qualified management.
- (c) All reports to Members include resource implications; prior to publication these implications are considered and approved by the CFO or one of his senior staff. These reports also cover value for money and benchmarking implications where appropriate.
- (d) The Council approves the Treasury Management Strategy on an annual basis and all Members are briefed on key financial issues.
- (e) The CFO has responsibility for ensuring that the Council operates secure and reliable financial and accounting systems. Audit Cotswolds' undertake the role of auditing these systems to give the assurance needed.
- (f) The Council has a Medium Term Financial Strategy, which is reviewed and approved annually to take into account new information, changing circumstances and new priorities; this is used to inform reports to Members. Detailed forecasts are also produced as part of the annual budget process. These represent strategic objectives and service priorities through which financial and operational performance are monitored.
- 8. Undertaking the core functions of an Audit Committee, as defined in CIPFA's Audit Committee's – Practical Guidance for Local Authorities.**
- (a) The Council has a standalone Audit Committee which meets on a quarterly basis (or as required in exceptional circumstances) where reports from both Internal and External Audit are considered as well as risk and associated matters.
- (b) The role of the Audit Committee is defined within the Constitution together with the responsibilities of the Chairman, Councillors and Lead officers.
- (c) The Audit Committee provides a broad based audit role across all areas of the Council. The committee promotes and ensures effective internal control and independent assurance mechanisms, including: Internal Audit; External Audit; Risk Management; Annual Statement of Accounts; Corporate Governance Framework.
- (d) It approves internal and external audit plans, the annual accounts, and the Code of Corporate Governance; it also reviews and recommends to Cabinet for approval the Risk Management Policy.

- (e) The Chairman of the Audit Committee has direct access to the Section 151 officer and the Head of Internal Audit (Audit Cotswolds).

**9. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.**

- (a) The system of internal financial control is based on a coherent accounting and budgeting framework including Financial Regulations, Contract Standing Orders, Scheme of Delegation and accountability.
- (b) The Medium-term Financial Strategy covers both revenue and capital spend which provides a framework for the planning and monitoring of resource requirements. These also link in with the business development proposals and Project Assessment Tool (PAT).
- (c) The Asset Management Plan and Capital Strategy aims to ensure that investment is linked to strategic objectives. Bids for capital and other asset management funding require an effective 'business case' and a PAT linked to strategic objectives and progress in delivering key projects is formally monitored by the Senior Leadership Team, Councillor's and Commissioners. The Asset Management Plan also ensures that assets are only retained for effective business purposes.
- (d) Financial stewardship in respect of both capital and revenue proposals are reviewed and challenged by the Budget Support Working Group, and considered regularly by the Strategic Leadership Team. Service\Cost Centre Managers also consider their respective budgets on a regular basis. This is supported and challenged by the Bridging the Gap program, an established budget monitoring process by managers and Finance staff and the electronic distribution of budget monitoring reports to all managers.
- (e) Grant Thornton were commissioned to undertake a forensic investigation of the Art gallery and Museum project to identify the reasons why and how the overspend arose. The results of the investigation were reported by Grant Thornton to Audit Committee on the 29 January 2015. This report concluded with a range of recommendations relating to various aspects of the project all of which were accepted by the Senior Leadership Team and an action plan was put in place to deliver compliance. Reference to this has been added to the Significant Issues Action as part of this report.
- (f) One of the grant Thornton recommendations related to an internal control process, this was to consider how the Council operates its purchase order system on capital projects to ensure that any significant revision to a project budget is communicated to the appropriate persons immediately. Since that recommendation was made the process for raising and approving purchase orders for capital and revenue expenditure has been made mandatory to ensure that commitments can be properly accounted for, in accordance with the council's financial regulations.
- (g) The s151 officer has requested that compliance checks in relation to the Purchase Order management system instigated across the organisation in 2015 to ensure that this process is being followed. This has been added to the Significant Issues Action Plan as part of this report.
- (h) In addition to the Grant Thornton report into the Art gallery and Museum overspend the Audit committee commissioned Audit Cotswolds to undertake a further more detailed review into *Why* the failings occurred. This will be reported back to Audit Committee before September 2015.
- (i) Directors are required to produce an Annual Statement of Internal Control for their Divisions which include statements about risk and the internal control framework. Any significant issues



arising from the annual assessment are reported to Audit Committee. This is supported by Internal Audit who deliver targeted assurance and cyclical audits and help embed risk management and other management initiatives.

**10. Arrangements for whistle-blowing and for receiving and investigating complaints from the public.**

- (a) The Counter Fraud, Corruption and Bribery Policy, and the Whistle Blowing Policy are owned and revised periodically by Internal Audit and GOSS HR. The policies are available on the council's website, intranet and direct from GOSS HR or Internal Audit.
- (b) If an employee has concerns about any manager or director they are encouraged to contact the GOSS HR Manager who will undertake an independent investigation.
- (c) The Council has a three stage complaints procedure which is managed by the Customer Relations Team for dealing with customer complaints and provides the means for customers to feedback concerns or issues. The process and on-line form are available on the Council's website or at Municipal office.
- (d) Complaints are investigated and analysed and reported back to managers along with the actions taken.

**11. Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training.**

- (a) All Members have an induction and training program, corporate training needs are identified through the Democratic Services Team.
- (b) The Member Development Program provides a structured approach to member development to ensure all members are supported in their role.
- (c) The Council has strongly supported staff development which is delivered by GOSS Learning and Development Team, through programs such as Institute of Leadership and Management.

**12. Arrangements for establishing clear channels of communication with all sections of the local community and stakeholders, ensuring accountability and encouraging open consultation.**

- (a) Consultation events are held with public and voluntary services, Cheltenham Business partnership and The Cheltenham Partnership. Other consultation and feedback surveys are also undertaken as required throughout the year.
- (b) The Council has published a Statement on Community Involvement which sets out the opportunities by which the public and organisations can engage with the planning system, including the procedures and methods we use to consult on planning applications.
- (c) The website also has a dedicated webpage providing information about current and past consultation events on subjects affecting the budget, licensing and major capital expenditure.
- (d) The Council's website also has a 'Report It' facility where the public can report issues concerning the delivery of services or make complaints. They can also access over 50 on line forms and documents enabling quicker, more effective, service delivery.

- (e) The website provides access to information on the Councillor's, directors and senior managers together with a description of their portfolios, roles, responsibilities and contact details.
- (f) The Council also uses and funds the Cheltenham Fiesta which is a free event that brings together many of the town's voluntary organisations enabling them to raise and promote their profile of working with the council.
- 13. Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.**
- (a) The Council's Code of Corporate Governance is reviewed annually by the Audit Committee and is available on its website.
- (b) The Leader of Cheltenham Borough Council is a Board member of Gloucestershire Local Enterprise Partnership (LEP) whose key aim is to support growth and the creation of private sector jobs in the area. The partnership covers the district council areas of Cheltenham, Cotswold, Forest of Dean, Gloucester, Stroud and Tewkesbury.
- (c) The Cheltenham Development Task Force brings together the private, public and voluntary sectors in partnership, as a way to progress the challenges and opportunities to improve the town for its citizens and businesses. The Task Force is led by its Managing Director who is an employee of Cheltenham Borough Council. The Council's Chief Executive chairs the Task Force Risk and Accountability Group which monitors the management of the Task Force key strategic risks. These risks are managed by the Task Force Managing Director who ensures that any risks scoring over 16 which impact on CBC are brought to the attention of the Senior Leadership Team.
- (d) Appropriate governance arrangements in respect of service specific partnerships are approved by Cabinet or Council and published on the website. These include the Gloucestershire Waste Partnership, Gloucestershire Airport Ltd, The Cheltenham Trust, Audit Cotswolds, One Legal, ICT, Building Control and GO which manages the delivery of the Council's Finance and HR support services.
- 14. Review of effectiveness**
- (a) Cheltenham Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Executive Board who have responsibility for the development and maintenance of the governance environment, the Head of Audit Cotswold's (Internal Audit) annual report, and also by comments made by the External Auditors and other review agencies and inspectorates.
- (b) Overall responsibility for the governance framework, including the system of internal control rests with the Council Leader and Chief Executive and they receive reports from the Section 151 Officer on financial issues and the Monitoring Officer on legal issues as and when appropriate. This includes regular budget monitoring information and the Medium Term Financial Strategy.
- (c) The Council carries out its review of the effectiveness of the framework on an annual basis. All executive directors and directors complete an Annual Statement of Assurance which outlines the key control areas to which their division should comply. The outcome of this assessment is considered by the Senior Leadership Team who approve any appropriate action.

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- (d) There are two significant Issues carried forward to this year's action plan from 2014/15;
1. To review, business continuity plans to ensure that they are robust enough to mitigate the identified Service Delivery risks for the Council and its partner organisations (CBC responsibility)
  2. Provide annual refresher training for all members and staff on information security (ICTSS responsibility) and to  

Undertake a review of operational processes related to maintaining a register which identifies the training needs that relate to child protection and safeguarding for each appropriate post in the Council. (Partnership Team Leader).
- (e) The Councils approved Code of Corporate governance was reviewed in March 2014 by the Audit committee and it has established a Corporate Governance Group with Terms of Reference that include the considering of the outcome from the Annual Assurance review.
- (f) In addition to the internal review of the effectiveness of the governance framework we also drew on evidence from Commissioning and Client Officers in respect of compliance with agreements with Ubico, Cheltenham Borough Homes, ICT Shared Services, the GOSS Partnership and Gloucestershire Airport.
- (g) A new process for recording declarations of interest from employees was introduced in 2014 with a 98 % compliance (long-term sick and maternity leave accounted for the 2%). Applications for accepting any gift, hospitality and sponsorship need to be approved by the appropriate line manager before they can be accepted; and a register of these applications is held centrally and reported to SLT.
- (h) In addition to this there is also an annual review of Internal Audit by the Section 151 Officer which reviews compliance with the CIPFA Code of Practice and the effectiveness of the audit service. 2014-15 saw the fifth year of operation of the Audit Cotswold partnership between Cheltenham Borough Council and Cotswold District Council. As in previous years the service undertook certain assurance work on behalf of the Council to give assurance to the external auditors as part their audit opinion. The external auditors raised no concerns about the standard of work performed by the Audit Cotswolds' Partnership. No major issues were identified and the service has maintained the level of assurance it is able to provide to management.
- (i) Cheltenham Borough Council operates a Leader and Cabinet system of governance and the Council's Constitution is continually reviewed throughout the year by the Democratic Services Manager. The Constitution defines the responsibilities of the Council, the Leader, Overview and Scrutiny Committee, Audit Committee and Statutory Officers. This also includes the Council Functions, Committee Functions, Officer Non-Executive Functions and Executive Functions as well as Codes of Conduct.
- (j) All members are inducted into the importance and processes of good governance and have informal and if required, formal ways of raising governance issues with the Monitoring Officer, Chief Executive and s151 Officer. Additional training is provided to members of the Audit Committee based upon need.
- (k) The Cabinet is the part of the Authority which is responsible for most day-to-day decisions.
- (l) The Cabinet has to make decisions which are in line with the Council's Budget and Policy Framework, unless urgency procedures are applicable or Council approves the departure.

## STATEMENT OF ACCOUNTS 2014/15

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Cabinet Members may make individual executive decisions and these are set out in the Constitution and guidance provided to Cabinet Members.

- (m) The Audit Committee and Overview and Scrutiny Committee operate to provide assurance and call the Executive to account, through decisions in the forward plan, performance management and risk and the use of 'call in' where appropriate. Both Committees have their own work plan and there are briefings with the chairman to consider agenda items prior to every meeting.
- (n) Risk is embedded in culture of the organisation and supports the decision making process at Council and Cabinet and can therefore be challenged through the Cabinet, Audit Committee and Overview and Scrutiny.
- (o) The Standards Committee continues to be part of the successful operation of the council's governance, maintaining and promoting high standards of conduct with Members and Co-opted Members of the Borough Council.
- (p) There is also the whistle blowing mechanism which can be used to raise concerns which can include governance matters.
- (q) The council's s151 officer holds regular meetings with the Head of Internal Audit to discuss all on-going and planned work and any issues which arise. The Head of Internal Audit reports to the Audit Committee setting out work undertaken and the planned work for the year. This will include reporting on audits and work undertaken where there are concerns over practice or systems of internal control and sets out how these will be addressed.

### 15. Internal Audit

- a. The Audit Cotswolds' partnership is managed by the Head of Audit Cotswolds' whose role has been defined in the s101 agreement and a job description; both of which help to ensure that the requirements of the CIPFA 'Role of the Head of Internal Audit' standard are delivered.
- b. The Audit Cotswolds' partnership began in 2009 with an agreement between Cheltenham Borough Council and Cotswold District Council to combine their Audit services. West Oxfordshire District Council then joined the partnership in 2010. The partnership is constituted under a s101 agreement. It also delivers internal audit functions for GO Shared Service, Cheltenham Borough Homes, UBICO and The Cheltenham Trust.
- c. The Council's Internal Audit Plan, which is risk based, is agreed following consultation with senior officers across the council it is agreed annually with the s151 officer and approved by the Council's Audit Committee. This provides the basis for the review of internal control and governance within the Council and includes the following: -
  - Annual reviews of the Council's key financial systems by Internal Audit against known and evolving risks;
  - Cyclical reviews by Internal Audit of internal controls in operation within each service area against known and evolving risks based on a detailed risk assessment which considers the strategic and operational risks identified in the Corporate Risk Register; and
  - includes consideration of materiality, sensitivity and previous audit and inspection findings;

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- Work in relation to the prevention of fraud and corruption and an allowance for the investigation of any potential irregularities identified either from audit work or through the Council's whistle-blowing policy;
  - Assurance advice and support to key projects and programs to ensure safeguards are applied when implementing new systems of working;
  - Value for Money work in relation to assessing the efficiency, economy and effectiveness of the Council's operations and recommending improvements as necessary;
  - Achievement of the Audit Plan is reported to the Audit Committee; this report also includes an opinion and assurance about the system of internal control throughout the Council;
  - Regular meetings were also held between the s151 officer and a representative of the Cotswolds' Audit Partnership to discuss specific issues that have arisen
- d. Changes to the Department of Work and Pensions, Benefit Fraud Investigation requirements – Single Fraud Investigation Service (SFIS) have led to Cabinet agreeing an evolutionary approach for the establishment of a Counter Fraud Unit to be managed by the internal audit provider Audit Cotswolds. This will entail the s151 officer putting in place an agreement with Cotswold District Council (as host authority for Audit Cotswolds) to enable the establishment of the Counter Fraud Unit.

### 16. Significant governance Issues

- (a) The Annual Assurance Review and the work of the Audit Cotswolds' assurance work throughout the year have identified the following issues which need to be addressed;
- Introduce effective testing of the new ICT disaster recovery (DR) plan; (ICTSS responsibility)
  - Ensure service area disaster recovery and business continuity plans link to the DR plan (ICTSS and CBC shared responsibility)
  - To review business continuity plans to ensure that they are robust enough to mitigate the identified service delivery risks for the Council and its partner organisations (carried forward from 2014/15) (CBC responsibility)
  - Review of operational processes related to maintaining a register which identifies the training needs that relate to child protection and safeguarding for each appropriate post in the Council. (carried forward from 2014/15) (Partnership Team Leader)
  - Hold a register of acknowledgements for all employees, casual staff, volunteers and elected members that they have read and understood the Safeguarding Children and Vulnerable Adults handbook. (carried forward from 2014/15) (Partnership Team Leader)
  - Purchase Order Management System compliance (S151 officer).
- (b) A Significant Issues Action Plan\* has been developed to address these issues Appendix 3.

Action	Deadline as per AGS	Action planned and EoY position	Lead officer
To review, develop and test ICT Business Continuity Plan to ensure that it is robust enough to mitigate the identified risks for the Council and its partner organisations	March 2015	<p>Deliver ICT Business Continuity back up arrangements through ICT shared service with FoDDC that have been tried and tested.</p> <p><b>March 2015 position.</b> Business Continuity plans for the ICT Shared Service have been reviewed by South West Audit Partnership (SWAP).</p> <p>Senior officers from both authorities are reviewing the arrangements for individual authorities and developing a shared approach to Business Continuity.</p> <p>ICTSS installed and tested a back-up generator at the Coleford site this has been installed commissioned and tested.</p> <p>ICT SS commissioned a Disaster recovery/ Business Continuity action plan for ICTSS</p> <p><b>Action Plan 2015/16</b> Close this Issue and manage within three new work streams</p>	Director of Corporate Resources
<p><b>Work stream 1</b></p> <ul style="list-style-type: none"> <li>Deliver effective testing of the new ICT disaster recovery (DR) plan; (ICTSS responsibility)</li> </ul>	TBA	ICTSS to brief Audit Committee June 2015	Director Resources
<p><b>Work stream 2</b></p> <ul style="list-style-type: none"> <li>Ensure service area disaster recovery and business continuity plans link to the DR plan (ICTSS and CBC shared responsibility)</li> </ul>	TBA	Service specific Business Continuity Plans will be updated during 2015/16 to align with the Corporate Business Continuity Plan and the ICTSS Disaster Recovery Plan once the ICTSS Disaster Recovery Plan has been finalised.	Director Resources

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<b>Action</b>	<b>Deadline as per AGS</b>	<b>Action planned and EoY position</b>	<b>Lead officer</b>
<p><b>Work stream 3</b></p> <ul style="list-style-type: none"> <li>To review business continuity plans to ensure that they are robust enough to mitigate the identified service delivery risks for the Council and its partner organisations (carried forward from 2014/15) (CBC responsibility)</li> </ul>	TBA	Consult with directors and service managers to ensure that all Service specific Business Continuity Plans are updated to align with the Corporate Business Continuity Plan and the ICTSS Disaster Recovery Plan	Director Resources
<p><b>Safeguarding Children and Vulnerable Adults</b></p> <ol style="list-style-type: none"> <li>Review of operational processes related to maintaining a register which identifies the training needs that relate to child protection and safeguarding for each appropriate post in the Council.</li> <li>Hold a register of acknowledgements for all employees, casual staff, volunteers and elected members that they have read and understood the Safeguarding Children and Vulnerable Adults handbook.</li> </ol>	September 2015	<p>The Learning and organisational Development Team will upload the suitable declarations to the Learning gateway and the appropriate declaration for the 'level' of training needed by each member of staff will be added to their development plans by the service manager</p> <p><b>December position</b> The manager reports that the declaration process is in place and that training records are being pulled together but are not complete.</p> <p>A self-assessment to comply with s11 in respect of its safeguarding practices and processes is being undertaken by the Service manager. The result of this will be considered by the Corporate Governance Group</p> <p><b>Action Plan 2015/16</b></p>	Strategy and Engagement Manager
<p><b>Car Parking</b> An internal Audit Assurance report has identified a number of issues relating to the management of the car parking services impacting on income and operational effectiveness</p>	September 2015	<p><b>December position</b></p> <p>Cabinet has made budgetary provision for investment in car parking equipment,</p> <p>In addition, the service is reviewing the effectiveness of the Automatic Number Plate Recognition (ANPR) system in Regent Arcade car park and the experience of customers through feedback monitoring.</p> <p>The outcome of the review was reported to Cabinet in February 2015, with recommendations regarding any further proposed investment.</p> <p><b>Action Plan 2015/16</b> Invitation to Tender documents for a Pay</p>	Head of Public Protection

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<b>Action</b>	<b>Deadline as per AGS</b>	<b>Action planned and EoY position</b>	<b>Lead officer</b>
		<p>and Display solution for the Regent Arcade Car Park have been sent out to 5 interested companies under an ESPO Framework. Closing date for applications is 26th June. On site survey meetings will take place within this time frame as and when requested. It is hoped that replacement will take place in October/ November 2015.</p> <p>The Tender process for a new Pay by Phone contract has been completed and a new contract will be drawn up in due course.</p>	
<p><b>Purchase Order Management System compliance</b></p>	<p>September 2015</p>	<p>Internal Audit to undertake compliance testing of the Purchase Order management System and to report findings to Audit Committee</p>	<p>Director of Resources</p>

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

Signed ..... Andrew North Chief Executive

Signed..... Steve Jordan, Leader

Date.....



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHELTENHAM BOROUGH COUNCIL**

We have audited the financial statements of Cheltenham Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Cheltenham Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Section 151 Officer and auditor**

As explained more fully in the Statement of the Section 151 Officer's Responsibilities, the Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Section 151 Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword and the Group's explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Cheltenham Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended;

## STATEMENT OF ACCOUNTS 2014/15

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- give a true and fair view of the financial position of the Group as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

### **Opinion on other matters**

In our opinion, the information given in the explanatory forewords for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

#### ***Respective responsibilities of the Authority and the auditor***

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### ***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

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The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Cheltenham Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

### **Certificate**

We certify that we have completed the audit of the financial statements of Cheltenham Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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

Director

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

23rd September 2015