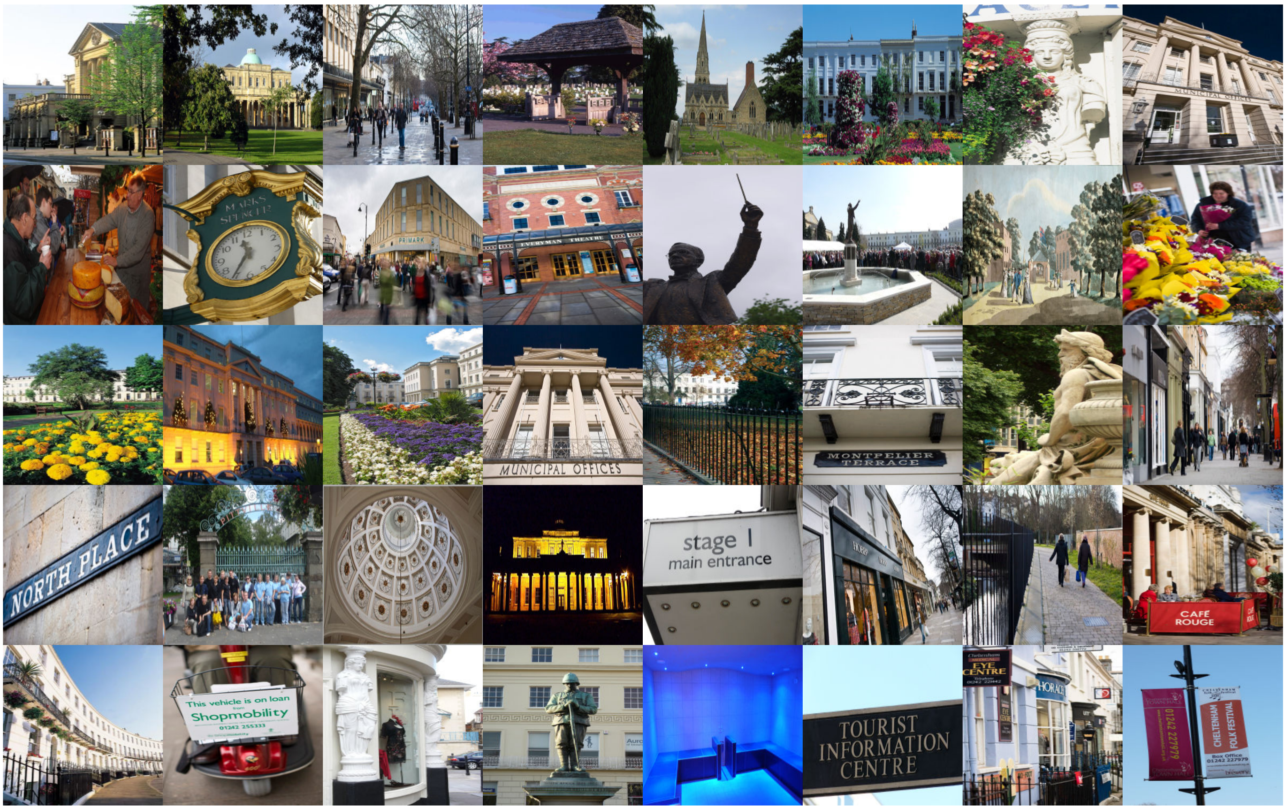
CHELTENHAM BOROUGH COUNCIL

Statement of Accounts

2010/11



CHELTENHAM
BOROUGH COUNCIL

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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 2010/11 Municipal Year	
Mayor:	Councillor A Regan
Deputy Mayor:	Councillor B Driver
Cabinet in 2010/11	
Leader of the council	Councillor S Jordan
Cabinet Member Corporate Services	Councillor C Hay
Cabinet Member Sport and Culture	Councillor A McKinlay
Cabinet Member Built Environment	Councillor J Rawson
Cabinet Member Finance and Community Development	Councillor J Webster
Cabinet Member Housing and Safety	Councillor K Sudbury
Cabinet Member Sustainability	Councillor R Whyborn
Chairman of Committees in 2010/11	
Licensing Committee	Councillor D Seacome
Planning Committee	Councillor L Surgenor
Economy and Business Improvement Overview and Scrutiny Committee	Councillor M Stennett
Environment Overview and Scrutiny Committee	Councillor P Hall
Social and Community Overview and Scrutiny Committee	Councillor D Smith
Audit Committee	Councillor A Wall
Appointments Committee	Councillor R Hay
Standards Committee	Mr S. Lainé (Independent Member)
Chief Officers in 2010/11	
Chief Executive	Mr. A North
Strategic Director	Mr. G Lewis
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 2010/11	
Appointed Auditor:	KPMG LLP
Address:	100 Temple Street, Bristol,BS1 6AG
Bankers in 2010/11	
Bankers:	Lloyds TSB
Address:	130 High Street, Cheltenham, GL50 1EW

CHELTENHAM PROFILE

Cheltenham is one of Britain's finest spa towns, set in a sheltered position between the rolling Cotswold Hills and the Severn Vale. It has a population of 116,242 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 Art Gallery and Museum has national recognition as a museum with an outstanding collection and funding has now been secured to build a new extension that will open in April 2013.

However, despite Cheltenham being a relatively affluent place, this wealthy image can obscure the fact that we have areas of poverty and deprivation. The Indices of Deprivation 2010 show a band of deprivation that runs East/West from Springbank, Hesters Way, St. Peters, St. Pauls and Oakley with the three deprivation hotspots of Hesters Way, St. Marks and St. Pauls.

The council was one of the first local authorities to gain the Investors in People award in 1995 and has retained it for 16 years and considers itself to be an employer of choice. It has an extensive apprenticeship scheme helping to develop its workforce. It also has a Leadership Development programme for directors and senior managers to help deliver the organisational change.

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

There are a number of challenges facing Cheltenham including bridging the funding gap, delivery of 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 council including the Town Hall, Pittville Pump Room and Art Gallery and Museum. It also has a share in the Regent Arcade shopping centre. These properties help provide the council with a funding stream to support its services provided to the public.

POLITICAL STRUCTURE

The council has 40 elected members and holds elections every two years for which 50% of the seats are put up for re-election. Following the elections in May 2010 overall political control went to the Liberal Democrats.

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

PERFORMANCE MANAGEMENT

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

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

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

"Working together to create a great future for Cheltenham"

Our Corporate Strategy 2010-2015 was agreed in March 2010 and its associated action plan for 2011/12 was agreed in March 2011. This sets out the council's objectives for the next three years:

- 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.

The importance of performance management

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

The annual report provides an assessment of our performance against our business plan targets as set out in "Our plans for 2010/11".
The report also includes reference to our use of resources assessment and our annual audit letter, all of which provide a useful summary of progress over the past year.

Overall the council performed well during 2010/11. We continued to get recognition for our high standards, good performance, sound financial management and value for money. The external auditors carried out a Value for Money audit in respect of financial resilience and concluded that it provided good assurance on the council's arrangements to secure value for money on its use of resources.

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

Performance during 2010/11

In the 2010/11 business plan we identified 43 milestones to track our progress. We completed 86% of our business plan actions with only 6 (14%) not being completed in the year, all of which will be deferred into 2011/12.

In the 2010/11 business plan we identified 41 key indicators to track our progress. Out of these 66% were on or above target. Overall we perform well, deliver value for money and monitor our performance well. The increasing pressures on our resources and the impact of the recession mean that we have been unable to deliver improvements consistently across all of our service areas. We have therefore moved to fewer high-level objectives and are clearer about our priorities, that reflect community needs and provide a framework for community outcomes. Some of these outcomes will be delivered by the council, but for many will involve working in partnership with other organisations.

The purpose of this explanatory forward is to provide electors, local taxpayers, members of the authority and other interested parties with an easy to understand guide to the most significant matters reported in the accounts. It provides an explanation in overall terms of the authority's financial position and assists in the interpretation of the accounting statements, including the Group Accounts. The statements should inform readers of the cost of services provided by the council in the year 2010/11 and the council's assets and liabilities at the year end.

INTRODUCTION

The Accounts for the year ending 31st March 2011 have been prepared and published in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 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 now compliant with these standards.

The following statements are included:

Statement of Responsibilities for the Statement of Accounts	Sets out the respective responsibilities of the authority and the Director of Resources for the accounts.
Comprehensive Income and Expenditure Statement	This reports the net cost for the year of ***all*** the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. This now incorporates the previous Statement of Recognised Gains and Losses.
Balance Sheet	This summarises the overall financial position of the council at 31st March 2011, showing its assets, liabilities and reserves.
Movement in Reserves Statement	This details the movement in the year of all the authority's' reserves and replaces the Statement of Movement in General Fund Balance.
Cash Flow Statement	This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
Group Accounts	These bring together the accounts of Cheltenham Borough Council, Cheltenham Borough Homes and Gloucestershire Airport Ltd, in which the council has a 50% shareholding.
Housing Revenue Account	A separate account, required by law, which shows income and expenditure associated with the provision of council housing**.**
Collection Fund	Reflects the statutory requirement to maintain a separate Collection Fund which shows the transactions in relation to non-domestic business rates and the council tax, indicating how the amounts collected are distributed to Gloucestershire County Council, Gloucestershire Police Authority and Cheltenham Borough Council.
Annual Governance Statement	This sets out how the council is meeting its obligations and the improvements it intends to make to its systems of internal control and corporate governance arrangements.

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

COUNCIL SPENDING

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

GENERAL FUND REVENUE BUDGET

In February 2010, the council set a net budget of £16.731m for spending on General Fund Services (excluding spending on council housing), of which £1.118m was to be financed by government grant, £7.701m from non domestic rates and £7.912m from local council tax payers. The table below compares the financial outturn with the budget as detailed in the council's budget book, followed by a brief explanation of the financial aspects of the council's activities, drawing attention to the main characteristics of the council's financial position. This represents the council's management accounts that are included in the Comprehensive Income and Expenditure Statement on page 21, in accordance with the Code.

SERVICES	**Original Budget 2010/11 £**	**Revised Budget 2010/11 £**	**Outturn 2010/11 £**	**Variance 2010/11 £**
Strategic Management	406,050	374,900	238,935	(135,965)
Assistant Chief Executive	3,496,300	3,092,800	2,908,373	(184,427)
Built Environment	31,200	1,407,900	1,495,292	87,392
Business Change	17,000	755,400	647,102	(108,298)
Community Services	387,300	1,218,400	1,217,371	(1,029)
Customer Access & Service Transformation	562,400	342,500	335,229	(7,271)
Financial Services	1,385,400	1,350,000	1,325,824	(24,176)
Human Resources & Organisation Dev'pment	(33,200)	0	(11,280)	(11,280)
Operations	7,217,300	6,142,600	5,749,482	(393,118)
Programmed Maintenance (revenue)	811,000	751,600	510,179	(241,421)
Wellbeing & Culture	4,108,000	4,973,800	4,770,867	(202,933)
Bad debt provision	40,000	40,000	45,626	5,626
Target savings	(520,000)	(50,000)	0	50,000
TOTAL NET SERVICE EXPENDITURE	**17,908,750**	**20,399,900**	**19,233,000**	**(1,166,900)**
Capital charges	(757,600)	(1,838,700)	(1,838,841)	(141)
Interest and investment income	293,600	(72,700)	(2,477,932)	(2,405,232)
Use of balances and reserves	(685,353)	(1,717,303)	1,854,942	3,572,245
Area Based Grant	(28,500)	(40,300)	(40,283)	17
NET BUDGET	**16,730,897**	**16,730,897**	**16,730,886**	**(11)**
FINANCED BY:				
Business Growth Incentive Scheme (LABGI)				
Revenue Support Grant	(1,118,206)	(1,118,206)	(1,118,206)	0
National Non-Domestic Rate	(7,700,653)	(7,700,653)	(7,700,653)	0
Collection Fund Contribution	(33,500)	(33,500)	(33,489)	11
Council Tax	(7,878,538)	(7,878,538)	(7,878,538)	0
	(16,730,897)	**(16,730,897)**	**(16,730,886)**	**11**

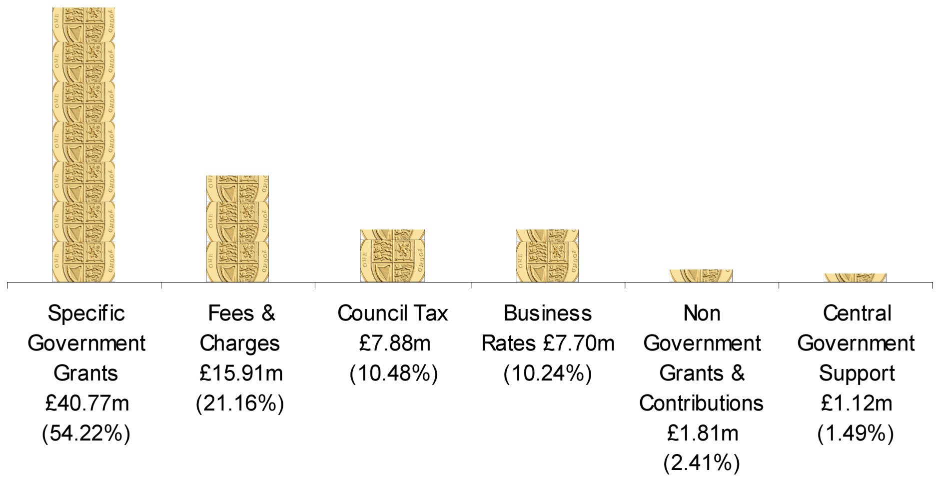
The council is required to analyse the expenditure for the year 2010/11 in a standard way in order to enable comparisons to be made between different local authorities and other organisations. This representation of the above position is contained in the form of the Comprehensive Income and

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.

During 2010/11 the council continued with the process of formal monitoring of budgets which are reported to cabinet on a quarterly basis in line with best practice and on the recommendation of the Audit Commission. This has assisted in strengthening the sound management of the council's finances and provides a mechanism to ensure that any budgetary problems are identified and rectified as soon as possible during the year.

WHERE THE MONEY CAME FROM

The following chart provides an analysis of our main sources of income this year for the General Fund (i.e. it excludes income in respect of the Housing Revenue Account). The Government provides our main source of income in the form of general and specific grants. The Government also determines the amount of business rates we receive through pooling arrangements (total collected 2010/11 £47.8m, of which £7.7m is retained as part of the council's accounts).



BUDGET SAVINGS

The council's track record of strong financial management was maintained during 2010/11 which resulted in council services being delivered within revised budget, with an overall residual saving made in 2010/11 of £174,086. 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 on page 8. The following summary identifies the major variances between the revised budget and the actual outturn as follows:

	Overspend / (Underspend) £
Shortfall of Income	360,655
Additional Employee costs	4,873
Other expenditure savings	(590,477)
Treasury Management –Shortfall of interest	50,863
Net Saving	**(174,086)**

WHERE THE MONEY WENT

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

GROUP DIRECTORATES	Original Budget 2010/11 £	Revised Budget 2010/11 £	Outturn 2010/11 £	Variance 2010/11 £
Priority 1 – Enhancing & Protecting our Environment	7,143,500	6,864,100	6,246,797	(617,303)
Priority 2 – Strengthening our Economy	710,500	783,850	717,870	(65,980)
Priority 3 – Strengthening our Communities	3,405,100	5,150,000	4,964,375	(185,625)
Priority 4 – Enhancing the Provision of Arts & Culture	2,431,800	2,824,100	2,676,551	(147,549)
Priority 5 – Ensuring we provide Value for Money Services that effectively meet the needs of our Customers	4217,850	4,777,850	4,627,407	(150,443)
TOTAL NET SERVICE EXPENDITURE	**17,908,750**	**20,399,900**	**19,233,000**	**(1,166,900)**
Capital charges	(757,600)	(1,838,700)	(1,838,841)	(141)
Interest and investment income	293,600	(72,700)	(2,477,932)	(2,405,232)
Use of balances and reserves	(685,353)	(1,717,303)	1,854,942	3,572,245
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Collection Fund Contribution	(33,500)	(33,500)	(33,489)	11
Council Tax	(7,878,538)	(7,878,538)	(7,878,538)	0
	(16,730,897)	**(16,730,897)**	**(16,730,886)**	**11**

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

Priority 1 - Enhancing & Protecting our Environment
Total net spend of £6.25m
Core net spending included:
- £840k on Parks & Gardens
- £82k on Allotments
- £1.25m on Refuse Collection
- £843k on Street Cleansing
- £785k on Recycling Schemes
- £210k on Strategic Planning
- £221k on provision of Public Conveniences
- £1.696m on Concessionary Travel Schemes (£2.17m gross)
- £85k on Shopmobility
- £1.69m surplus on Off-Street Parking
- £116k on Food Safety
- £136k on Pollution Control
- £76k on Pest Control
- £49k on Animal Welfare
- £380k on Health & Safety at Work

Priority 2 – Strengthening our Economy
Total net spend of £0.72m.
Core net spending included:
- £356k on Tourist Information Centre
- £195k on Business and Economic Development
- £32k on Town Centre Management
- £38k on Twinning
- £45k on Christmas in Cheltenham

Priority 3 – Strengthening Our Communities
Total net spend of £4.96m.
Core net spending included:
- £64k on Disabled Facilities Grants
- £338k on Homelessness
- £241k on Housing Standards
- £98k on Housing Grants
- £164k on Single Advice Contract with the Citizen's Advice Bureau
- £135k on Community Planning
- £44k on Community Pride
- £37k on Youth Initiatives
- £110k on the Holiday Recreation Programme
- £1.699m on Leisure Services
- £56k Healthy Lifestyles
- £1.16m on Sports & Open Spaces
- £87k on Sports Development
- £279k on Crime and Disorder
- £135k on CCTV and Town Centre safety

Priority 4 - Enhancing the Provision of Arts & Culture
Total net spend of £2.68m.
Core net spending included:
- £821k on Art Gallery & Museum
- £845k on Town Hall
- £342k on Pittville Pump Room
- £169k on Everyman Theatre
- £189k on Arts Grants / Enabling

Priority 5 - Ensuring we provide Value for Money Services that effectively meet the needs of our customers
Core net spending included:
- £1.13m on Corporate Management
- £598k on Council Tax Collection
- £641k on Democratic Processes
- £370k on Election Expenses
- £101k on Civic Expenses

TREASURY MANAGEMENT / BORROWING FACILITIES

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

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

In October 2008, a number of local authorities had deposits in various Icelandic banks with a range of payment due dates. In the week beginning 6th October 2008, a number of Icelandic banks went into administration. Cheltenham Borough Council had £11m invested with three of these banks, the full details of which are shown in Note 27 of the notes to the Financial Statements on pages 64 to 69.

Interest rates have remained constant throughout the year at 0.5%, with no Bank of England interest rate changes during the period 1st April 2010 to 31st March 2011.

The conclusion of the year's activity was that the council paid £1,209,976 in borrowing costs which was £2,624 less than budgeted for the year; earned £228,577 on investments which was £7,477 more than budgeted (this excluded interest on the written down value of the Icelandic investments, details of which are shown in note 27) and received £441,736 from the Housing Revenue Account for the use of its balances, which was £60,964 less than budgeted. The overall impact was an additional cost to the General Fund of £50,863 compared to the revised budget.

However, when taking into account the accounting transactions required in respect of Icelandic investments, the overall treasury management position for 2010/11 is favourable to the council's general fund by £252,404 when compared to the 2010/11 revised budget. The under spend has been credited to an earmarked reserve, pending the final decision by the Icelandic Supreme Court on the priority status of local authority deposits. Should the decision confirm that such deposits do have priority status then this reserve will be used in future years to repay debt or alternatively, should they ultimately be deemed not to have such status, meet the resulting increased impairment charge.

PENSION LIABILITY

The council is required to account for retirement benefits when committed, even if this is many years in the future, in accordance with 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 31st March 2011, was £38,071,000, which was a decrease of £32,334,000 over the figure for 31st March 2010 of £70,405,000. This is principally due to the fact that the financial assumptions as 31st March 2011 are more favourable than they were at 31st March 2010. The mortality assumptions have also been strengthened to reflect improvements in life expectancy. All else being equal, these factors serve to decrease the value of the liabilities and thus have a positive impact on the IAS19 pension position.

BUSINESS GROWTH INCENTIVE SCHEME

The Business Growth Incentive scheme is a grant, which is not ring-fenced, that is awarded to councils that have successfully encouraged enterprise and employment in their areas. In 2009/10, the council received £55,197, used for community development and supporting the local economy. This scheme has now finished, with no further funding received in 2010/11.

ACCOUNTING POLICIES

The council has reviewed its accounting policies during the year and revised them in accordance with the 2010/11 Code of Practice in Local Authority Accounting. The policies are detailed in note 1 to the accounts (pages 25 to 37) and the changes in accounting policies are detailed in note 1(xxvii) on pages 37 to 38.

In addition a number of presentational changes have been made:

- The Income and Expenditure Account has been renamed the Comprehensive Income and Expenditure Statement as it now incorporates (at the bottom) the previous Statement of Recognised Gains and Losses (STRGL), so that it shows the total gains and losses incurred by the Authority in the year.
- Changes have been made to the service groupings (as recommended by the Service Reporting Code of Practice (SeRCOP) 2011/12) and the items below cost of services have been grouped together, supported by detailed notes.
- The Balance Sheet Fixed Assets (other than Investment Property and Intangible Assets) have been reclassified as Property, Plant and Equipment (PPE).
- Capital Grants Deferred have been transferred to the Capital Adjustment Account and Capital Grants Unapplied included as part of usable reserves. Reserves have been classified as either Usable (if they represent available resources) or Unusable (if they cannot be used).
- New categories for debtors and creditors, analysing payments in advance, provisions for bad debts and receipts in advance across the various categories.

CHANGES IN STATUTORY FUNCTIONS

Duty to involve local people

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

Informing - providing information about the exercise of the particular function;
consulting - about the exercise of the particular function; and/or
involving - in another way.

Petitions

The new statutory duty to respond to petitions and to establish, publicise and comply with a scheme for handling petitions (including electronically through websites) came into force on 15 June 2010 and e-petition requirements came into force on 15 December 2010. This is set out in Part 1, Chapter 2, of the Local Democracy, Economic Development and Construction Act 2009. The 2009 Act requires councils to establish a scheme for responding to the petitions they receive. Under the scheme anyone who lives, works or studies in the district can sign or organise a Petition and trigger a response from the council.

Additional powers to regulate venues

The Policing and Crime Act 2009 came into effect on 6th April 2010. Among other measures it will allow local authorities in England to adopt additional powers to regulate lap dancing clubs and similar venues. The council has adopted the amended provisions that introduced a new category of sex establishment, namely Sexual Entertainment Venues (SEV).

CAPITAL EXPENDITURE

In 2010/11 the council spent £6.960m on capital projects and grants, compared with the revised budget of £7.115m.

Included in the expenditure for the year was £2.623m on major repairs and maintenance of council houses, £0.350m on disabled adaptations within the council housing stock, £0.630m on private sector disabled facility grants and adaptation support grants, £0.375m on other grants mainly for private sector housing improvements, and £0.110m on housing enabling through partnership working with Registered Social Landlords (RSL's) and Cheltenham Borough Homes (CBH) which included the Brighton Road redevelopment scheme.

The major variances between the revised budget and outturn position are in respect of the new dry stone walling project on Leckhampton Hill which is being financed from external contributions, the ongoing procurement of the replacement cremators, and delays in progress of the transformational improvement programme at St Pauls and the Neighbourhood works programme at Scott and Edward Wilson Houses due to the financial failure of two contractors.

Like most local authorities, the council has been paying for a proportion of its capital expenditure from the proceeds of the sale of its assets. As a result of the downward trend in the economy and housing market specifically, this source of financing has been significantly reduced and only £0.485m of capital receipts were available to finance capital expenditure in 2010/11. The remaining sources of finance were Government Grants £0.844m, developer contributions and partnership funding £0.894m, with the £3.811m coming from revenue financing.

During 2010/11 the council committed to take out £0.926m of new borrowing to finance the investment required in the Green Waste Scheme (e.g. bins, vehicles etc.). It also continues to 'internally' borrow from cash balances and reserves to fund the capitalisation direction as detailed above.

During the year the council sold 5 dwellings under the 'right to buy' scheme, 2 properties were sold on the open market for redevelopment and 7 properties plus land at Brighton Road, and land at St. Pauls, was disposed to Cheltenham Borough Homes for redevelopment following Secretary of State approval.

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.

FUTURE PLANS

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

Commissioning

The council has a number of projects in progress since a "commissioning way of working" was adopted in 2010, and the senior management structure re-configured to align behind the approach. These projects include the Art Gallery and Museum refurbishment, Leisure and Culture commissioning review of services (to improve current delivery), Joint Waste (a project to join up waste functions across the county, and more specifically for Cheltenham a potential shared waste company with a partner district council). GO Shared Services (an ERP system and HR, Payroll, Finance, Procurement functions shared with Cotswold DC, Forest of Dean DC, West Oxfordshire DC). Other major projects include the Joint Core Strategy, Built Environment, and the Cheltenham Development Task Force. These provide the opportunity to work together to create a great future for Cheltenham, as well as making a significant contribution to the council's financial gap. A commissioning programme has been proposed moving forward, with two more potential projects to include Green Environment and Housing. Sequencing projects and programmes to ensure optimum use of skills and resources will be critical.

Civic Pride

The establishment of the Cheltenham Development Task Force in January 2010 has resulted in a step change in the progressing of key sites, identified in the Central Area Ambition leaflet.
Key amongst these sites has been North Place & Portland Street. Whilst the adopted design principles were very laudable the detailed requirements were proving undeliverable from a financial appraisal perspective so it was decided to revisit the brief to generate greater flexibility but at the same time maintain the high standards demanded by the public through the consultation process. The revised Supplementary Planning Document incorporating these changes was approved by full council in December 2010 and in parallel with this works had been undertaken to reduce or eliminate known site risks. This included investigations into ground conditions and archaeological evaluation exercises.
This suite of detailed information enabled CBC to promote the 5 acre site to the market in January 2011.
The process is complex and regulated by European legislation but suffice to say that significant interest has been received and the programme should see a preferred bidder identified by the end of 2011.

This will deliver a scheme consisting of a minimum 300 space car park, at least 100 accommodation units (of which 40% will be affordable), a bus node and public square. In addition it is anticipated to yield a financial receipt that can be re-invested (subject to council approval) in implementing further steps, such as Boots Corner.

In addition to this major scheme a range of other initiatives have been progressing with both investor and public partner led schemes. These include a bid to the Department of Transport for funding to close Boots Corner to through traffic; proposals to connect the Brewery to the High Street; initial discussions relating to future improvements to St. Mary's churchyard and other public realm improvements

The expressions of investor interest as shown by Jamie Oliver's new restaurant, the new office proposal at Honeybourne Place and other schemes suggest that the council can be optimistic in its future plans.

Gloucestershire Airport – runway project

In the autumn of 2009, the council agreed to facilitate borrowing to finance the runway safety project at Gloucestershire Airport. This will provide a safer runway with a computerised instrument landing system

(ILS) which will enable the airport to attract more profitable corporate business, increase the profitability for the airport and the council, a shareholder in the company.

Various legal issues delayed the start of the project; these were all resolved by April 2011 and the building contractors began on site at the end of the same month. The construction works are progressing well, with ongoing monitoring by the shareholders. It is anticipated the project with be completed by February 2012, with the ILS installation planned for the summer of 2012.

Bridging the Gap

The council's Medium Term Financial Strategy (MTFS) is a five year projection of its longer term finances which indicates a funding gap between the income raised through council tax and government support and the cost of providing services at current levels.

In response to the economic crisis, the coalition Government indicated that the public sector will see a significant reduction in government support in order to reduce the level of national debt. So far, the council has been notified of a cash cut of £1.7m (c24%) over the 2 year period 2011/12 and 2012/13. The council's MTFS is now predicted to be in excess of £5.3m over the period 2011/12 to 2016/17.

In response to this, the council has created a programme of activity called 'Bridging the Gap (BtG)' which develops ideas for meeting the funding gap. So far, the 'Bridging the Gap' programme has been very successful and delivered savings and additional income to bridge the £1.2m funding gap in 2010/11 and £2.8m for 2011/12.

The council has entered into shared service arrangements with Tewkesbury Borough Council to provide legal services and building control services as well as working in partnership with Cotswold District Council and West Oxford District Council in the management of audit services. In addition, having gone through a joint recruitment process, the council is in the process of building an Enterprise Resource Planning System with Cotswold, West Oxford and the Forest of Dean district councils which will provide a single finance, payroll, HR and procurement system. This will deliver significant savings, reduce duplication of effort, provide service resilience and will facilitate the creation of a shared service covering finance, payroll, HR and procurement between the councils. The aim is to streamline how we do things, make better use of technology and deliver savings so that these services can cost as little as possible whilst at the same time being as efficient as possible.

The council has reduced the costs of its property portfolio through increasing income and reducing costs through energy efficiency programmes; reviewed the level of fees and charges and disposed of properties it no longer needs to provide services.

Through its commissioning programme, the council is looking at alternative delivery models for providing services including the third sector, creation of separate trading companies and Trusts.

The average level of council tax paid by Cheltenham's residents for services provided by the council (based upon a band D equivalent in 2010/11) was £187.12. Given the impact of the financial climate on residents, the ability to significantly raise council tax to maintain services is limited. Therefore, the BtG programme has enabled the council to drive down costs and maintain services and make a contribution to helping to keep its share of the overall level of council tax increases to a minimum.

Art Gallery & Museum redevelopment scheme

In July 2008 the council made a commitment to contribute £2 million to the redevelopment of the Art Gallery & Museum (in addition to the £0.5 million earmarked from the sale of the former Axiom building). The new development will transform Cheltenham Art Gallery & Museum by greatly increasing its exhibition and display space and other facilities. Notable features include a large temporary exhibition gallery, additional space for collections, and for the first time, a dedicated space for the Art Gallery & Museum's extensive education, outreach, lifelong learning and arts development work. The design also includes improved and fully-accessible visitor facilities, including lifts, shop and café and the re-location of the Tourist Information Centre. Phase I & II of the fundraising campaign has resulted in fundraising for the project reaching £5.38m which includes £750k from the Heritage Lottery Fund. Whilst the council has underwritten the current funding shortfall of £919k Phase 3 of the fundraising campaign was launched in May in order to reach the projects total funding target of £6.3m. The AG&M was shut on 1st April for decanting, ahead of work due to commence on site in July 2011. The new AG&M is scheduled to re-open in the spring of 2013.

St. Paul's Regeneration and other social housing schemes

In April 2009, the council confirmed Cheltenham Borough Homes (CBH) as a new development partner for the construction of new social housing. CBH is recognised as providing excellent management services to the tenants of the council and has been accredited as an investment partner by the Homes and Communities Agency (HCA). Secretary of State approval was secured and land at Brighton Road and St Paul's was transferred to CBH in 2010/11 for the development of new affordable housing. These developments commenced during the year with financial support from both the HCA and the council. CBH have also bid for further HCA funding, as part of the Bromford Housing Consortium, to progress the redevelopment of St Pauls Phase 2 and other sites.

HRA Self Financing

The government has confirmed that the HRA subsidy system will be scrapped in April 2012 and replaced by a self financing regime. This change will be enabled by a one-off debt settlement for each local authority still owning housing stock. Cheltenham will take on additional debt but cease to pay negative subsidy to the government. It is anticipated that this change will be beneficial to the authority, giving additional resources to address local housing needs, including the improvement of existing stock and the development of new units.

Flood relief work

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

In addition, the council has obtained Defra funding to carry out a number of other flood risk management schemes:

- £820k grant aid - Warden Hill Flood Relief Works. These works are nearing completion and will provide an improved standard of protection to over 130 properties.
- £102k grant aid – Property level flood protection (Whaddon area). This recently awarded funding will go towards the cost of flood protection of up to 24 properties in Whaddon. This type of funding is used where major engineering schemes are unlikely to occur in the near future or are not currently feasible.
- £59k grant aid – Hearne Brook catchment study. This funding has enabled the flooding problem to be analysed and potential solutions proposed and costed. Consequently, an application for further Defra funding (£641k) is currently being prepared which may lead to further works in 2012/2013.

The council is also working in partnership with the County Council in the production of a Cheltenham Surface Water Management Plan. The plan has identified a number of surface water flooding "hot spots" for a more detailed analysis and will be looking at the various flood risk management options. This may lead to future funding opportunities.

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

Everyman theatre

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

At the budget setting meeting in February 2010, the council approved a one-off capital grant of £250,000, funded from the capital reserve in 2011/12, subject to a reduction in annual grant over a 6 year period and the granting of a new lease, plus a £1m loan with interest subject to a robust business case. This provides an opportunity to reduce longer term funding for the theatre by enabling it to become a more attractive venue with a more resilient business case for its long term survival. During 2010/11, the business case was signed off and the details of the loan mechanism were agreed by the councils section 151 officer.

EXCEPTIONAL ITEMS

Former Managing Director v Council dispute

Expenditure of £187k was incurred during 2009/10 in respect of the dispute between the council and the former Managing Director, Mrs Laird, including £95k for the subsequent independent public interest report prepared by KPMG LLP. During January to April 2009 the council's case against its former Managing Director, Mrs Christine Laird, for damages for negligent and/or fraudulent misrepresentation was heard in the High Court. On 15th June 2009 the Court dismissed the council's claim and also Mrs. Laird's counter-claim for damages and entitlement to benefits received by the council. The council was instructed to pay 65% of Mrs. Laird's costs and a provision of £520,000 was set aside in 2009/10 to cover the future payment of these costs. A £150,000 payment on account was made to Mrs Laird in 2009/10, leaving a provision of £370,000, pending the final bill from Mrs Laird.

In 2010/11 a payment of £342k was made to Mrs Laird, in settlement of the court costs, leaving unused provision of £28k. This unused provision has been transferred from the provision to form part of the Comprehensive Income and Expenditure Statement and is included in the Exceptional Items net income of £25k.

Icelandic Banks

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

In 2009/10, based on revised information relating to the likely amounts to be recovered from the banks and the likely repayment dates, a further impairment charge of £0.335 million was made.

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

At 31st March 2011 the position was reassessed and an impairment adjustment of £2.714 million was credited to the Comprehensive Income and Expenditure Statement for 2010/11. This reduction in the impairment arose mainly as a result of the decision by an Icelandic court that local authority deposits in Glitnir bank hf were deemed to have priority status, resulting in a 100% likely recovery rate. (The authority had previously assumed such deposits did not have priority status, in line with the decision of the winding up board, resulting in a recovery rate of just 29%). The decision is however subject to appeal to the Icelandic Supreme Court.

Of the impairment credit, £230,000 has been used to reduce the council's borrowing (Capital Financing Requirement), which had increased with the use of the capitalisation direction. The remaining £2.484 million, together with the interest due of £0.303 million has been credited to an earmarked reserve, pending the final decision by the Icelandic Supreme Court on the priority status of local authority deposits. Should the decision confirm that such deposits do have priority status then this reserve will be used in future years to repay debt or alternatively, should they ultimately be deemed not to have such status, meet the resulting increased impairment charge.

Of the original amounts invested, repayments of £1.628 million were received by 31st March 2011, with a further £154,000 being received in May 2011.

EVENTS AFTER THE BALANCE SHEET DATE

The decision made by the Icelandic court that local authority deposits in Glitnir Bank Hf have priority status was made on 1st April 2011. As the decision related to the authority's investments in the bank that existed on 31st March 2011 the accounts have taken this decision into account, as outlined above.

The concessionary fares function transferred to the control of Gloucestershire County Council on 1st April 2011. All future costs associated with this scheme will be included in the accounts for the County Council from this date. Consequently the cost of the scheme for 2009/10 and 2010/11 has been shown separately on the face of the Comprehensive Income and Expenditure Account.

FURTHER INFORMATION

Further information about the accounts is available from the Financial Services Division, Cheltenham Borough Council, Municipal Offices, Promenade, Cheltenham. This is part of the council's policy of providing full information about the council's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The accounts were available for inspection by appointment between 12th July and 8th August 2011 at the Municipal Offices and the appointed day whereby local government electors for the area may exercise their rights under Sections 15 and 16 of the Audit Commission Act 1998 to question the auditor about or make objections to the accounts for the year ended 31st March 2011 was designated as 9th August 2011.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities:

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources.

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

- to approve the statement of accounts

Director of Resources (Section 151 Officer):

The Director of Resources is responsible for the preparation of the authority's Statement of Accounts which, in terms of the Code, is required to give a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March, 2011.

In preparing this Statement of Accounts, the Director of Resources 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 Director of Resources has also:-

- kept proper accounting records which were up to date;

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

The Statement of Accounts for 2010/11 provides a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2011.

.... Mark Sheldon Date:..........................

Director of Resources (Section 151 Officer)

……………………………. Date:………………….

Chair of Audit Committee, 21 September 2011

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.

2009/10 Restated				2010/11		
Gross expenditure £'000	**Gross income £'000**	**Net expenditure £'000**		**Gross expenditure £'000**	**Gross income £'000**	**Net expenditure £'000**
			Continuing Operations			
9,318	(8,337)	981	Central Services to the public	9,743	(8,482)	1,261
22,901	(3,180)	19,721	Cultural and related services	10,604	(3,737)	6,867
8,764	(3,588)	5,176	Environment & Regulatory services	7,724	(4,231)	3,493
3,291	(1,926)	1,365	Planning services	3,630	(1,657)	1,973
6,383	(5,835)	548	Highways and Transport services	4,814	(6,174)	(1,360)
24,044	(17,228)	6,816	Local Authority housing (HRA)	60,565	(17,057)	43,508
33,585	(32,109)	1,476	Other housing services	34,068	(33,167)	901
3,054	(422)	2,632	Corporate & Democratic core	2,668	(311)	2,357
1,964	(150)	1,814	Non Distributed costs	(11,026)	(150)	(11,176)
113,304	**(72,775)**	**40,529**	**Total Cost of Continuing Operations excluding Concessionary Fares transferred to Gloucestershire County Council 1 April 2011**	**122,790**	**(74,966)**	**47,824**
2,167	(540)	1,627	Concessionary Fares	2,337	(642)	1,695
115,471	**(73,315)**	**42,156**	**Cost of Services**	**125,127**	**(75,608)**	**49,519**
480	(298)	182	Other operating expenditure *(note 13)*	1,328	(281)	1,047
8,201	(6,220)	1,981	Financing and Investment Income and Expenditure *(note 14)*	4,492	(1,350)	3,142
335	-	335	Exceptional item- Impairment losses on Icelandic bank deposits *(note 9)*	(2,714)	-	(2,714)
187	-	187	Exceptional item - CBC v. Laird case *(note 9)*	(25)	-	(25)
-	(17,336)	(17,336)	Taxation and non-specific grant income *(note 15)*	-	(17,519)	(17,519)
124,674	**(97,169)**	**27,505**	**(Surplus) or Deficit on the provision of services**	**128,208**	**(94,758)**	**33,450**
		30,322	(Surplus) / Deficit on revaluation of non-current assets (*note 34)*			(1,265)
		32,097	Actuarial (gains) losses on pension fund assets / liabilities *(note 42)*			(21,417)
		62,419	**Other Comprehensive Income and Expenditure**			**(22,682)**
		89,924	**Total Comprehensive Income and Expenditure**			**10,768**

BALANCE SHEET

This statement shows the value as at the balance sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the authority 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 authority 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 2009 Restated £'000	31 March 2010 Restated £'000		Note	31 March 2011 £'000
334,535	282,220	Property, Plant & Equipment	22	231,147
25,501	22,608	Investment Property	23	22,223
315	234	Intangible Assets	25	448
12,978	10,560	Long Term Investments	27	3,793
232	201	Long Term Debtors	27	183
373,561	**315,823**	**Long Term Assets**		**257,794**
7,144	2,368	Short term Investments	27	12,301
-	-	Assets held for sale	26	3,084
102	117	Inventories	28	124
7,277	6,009	Short term Debtors	29	4,679
17	22	Cash and cash equivalents	30	914
14,540	**8,516**	**Current assets**		**21,102**
(164)	(464)	Bank overdraft	30	(1,022)
(20,447)	(17,912)	Short term borrowing	27	(13,607)
(11,766)	(7,100)	Short term creditors	31	(8,945)
(690)	(535)	Provisions	32	(96)
(33,067)	**(26,011)**	**Current Liabilities**		**(23,670)**
(26,900)	(26,900)	Long term borrowing	27	(26,900)
(189)	(83)	Capital grants receipts in advance	20	(83)
(37,081)	(70,405)	Other long term liabilities	42	(38,071)
(64,170)	**(97,388)**	**Long term liabilities**		**(65,054)**
290,864	**200,940**	**Net Assets**		**190,172**
(16,794)	(14,989)	Usable Reserves	33	(19,546)
(274,070)	(185,951)	Unusable Reserves	34	(170,626)
(290,864)	**(200,940)**	**Total Reserves**		**(190,172)**

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year in the different reserves held by the authority, 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 authority'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**
Balance at 31 March 2009	2,717	12,961	311	-	-	805	**16,794**	274,070	**290,864**
Movement in Reserves during 2009/10									
Surplus or (deficit) on the provision of services	(21,352)	-	(6,153)	-	-	-	**(27,505)**	-	**(27,505)**
Other comprehensive Income & expenditure							**-**	(62,419)	**(62,419)**
Total comprehensive Income & Expenditure	(21,352)	-	(6,153)	-	-	-	**(27,505)**	(62,419)	**(89,924)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	18,382	-	7,423	-	-	(105)	**25,700**	(25,700)	**-**
Net decrease before transfers to reserves	(2,970)	-	1,270	-	-	(105)	**(1,805)**	(88,119)	**(89,924)**
Transfers to/from earmarked reserves (Note 33)	2,699	(2,699)	-	-	-	-	**-**	-	**-**
Increase / (decrease) in 2009/10	(271)	(2,699)	1,270	-	-	(105)	**(1,805)**	(88,119)	**(89,924)**
Balance at 31 March 2010	**2,446**	**10,262**	**1,581**	**-**	**-**	**700**	**14,989**	**185,951**	**200,940**
Movement in Reserves during 2010/11									
Surplus or (deficit) on the provision of services	11,279		(44,729)				**(33,450)**		**(33,450)**
Other comprehensive Income & expenditure							**-**	22,682	**22,682**
Total comprehensive Income & Expenditure	11,279	-	(44,729)	-	-	-	**(33,450)**	22,682	**(10,768)**
Adjustments between accounting basis and funding basis under regulations (Note 7)	(10,276)		46,821	1,162	300	-	**38,007**	(38,007)	
Net decrease before transfers to reserves	1,003	-	2,092	1,162	300	-	**4,557**	(15,325)	**(10,768)**
Transfers to/from earmarked reserves (Note 33)	(782)	782					**-**		
Increase / (decrease) in 2010/11	221	782	2,092	1,162	300	-	**4,557**	(15,325)	**(10,768)**
Balance at 31 March 2011	**2,667**	**11,044**	**3,673**	**1,162**	**300**	**700**	**19,546**	**170,626**	**190,172**

CASH FLOW STATEMENT

The cash flow statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the authority'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 authority.

2009/10 Restated £'000		2010/11 £'000	2010/11 £'000
	Operating activities		
(7,017)	Council Tax receipts	(7,148)	
(1,646)	Revenue Support Grant	(1,118)	
(7,129)	National non-domestic rate receipts from national pool	(7,701)	
(38,283)	DWP grants for benefits	(39,534)	
(847)	Other government grants	(870)	
(6,654)	Rents (after rebates)	(6,761)	
(19,352)	Sales of goods and rendering of services	(21,351)	
(646)	Interest receipts	(50)	
(25)	Dividends received	(25)	
(81,599)	**Cash inflows generated from operating activities**		(84,558)
18,785	Cash paid to and on behalf of employees	18,174	
19,443	Housing Benefit paid	20,246	
153	Precepts paid	160	
238	Payments to the Capital Receipts Pool	-	
31,942	Cash paid to suppliers of goods and services	30,051	
1,269	Interest paid	1,293	
10,746	Other payments for operating activities	6,620	
82,576	**Cash outflows generated from operating activities**		76,544
977	**Net cashflows from operating activities**		(8,014)
	Investing activities		
5,053	Purchase of property, plant and equipment, investment property and intangible assets	5,591	
(663)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,101)	
(7,065)	Proceeds from the sale of short and long term investments	(118)	
(544)	Other receipts from investing activities	3	
(3,219)	**Net cashflows from Investing activities**		3,375
	Financing activities		
(173,190)	Cash receipts of short and long term borrowing	(110,545)	
175,727	Repayments of short- and long-term borrowing	114,850	
2,537	**Net cash flows from financing activities**		4,305
295	**Net increase (-) / decrease in cash and cash equivalents**		**(334)**
(147)	Cash and cash equivalents at beginning of the year		(442)
(442)	**Cash and cash equivalents at the end of the year (note 30)**		**(108)**

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i) GENERAL PRINCIPLES

The Statement of Accounts summarises the council's transactions for the 2010/11 financial year and its position at the year-end of 31st March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003 (as amended), which require the accounts to be prepared in accordance with proper accounting practice. The Statement has been prepared primarily in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (The 'Code') and the Service Reporting Code of Practice 2011 (SERCOP),* supported by International Financial Reporting Standards (IFRS).

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

ii) ACCOUNTING CONCEPTS

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

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

- 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.

iii) 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.

iv) 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 statement 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 33 to the financial statements on page 76.

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.

v) GRANTS AND CONTRIBUTIONS

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

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

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

vi) 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 Authority. 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 Authority 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 Authority 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 Authority 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.

vii) 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: 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.

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

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

  - Actuarial gains and losses: 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 42 to the financial statements on pages 84 to 89.

vii) 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.

viii) 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 2011/12. 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.

ix) 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 Authority 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 Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority 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.

x) 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.

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 authority 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.

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

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

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

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

Impairment

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

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

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

Where an impairment loss is 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. 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 as 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 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.

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.

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 draft componentisation policy.

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.

xi) 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 authority 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.

xii) REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

This represents expenditure that may be capitalised under statutory provisions but does not result in the creation of non-current assets for the authority. Such expenditure incurred during the year is charged to the relevant service line in the Comprehensive Income and Expenditure Statement in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses the charge, so that there is no impact on council tax.

xiii) LEASES

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

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

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

The Authority does not have any finance leases as lessee or lessor under the criterion set out in International Financial Reporting Standards (IFRS).

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant and equipment. Charges are made to Service revenue accounts on a straight-line basis over the life of the lease.

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

xiv) FINANCIAL INSTRUMENTS

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority become 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 Authority 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 Authority 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.

xv) INVENTORIES AND LONG TERM CONTRACTS

Inventories (previously known as stocks and work-in-progress) 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.

xvi) 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.

xvii) 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 Authority's cash management.

xviii) 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 Authority's financial performance.

xix) CONTINGENT LIABILITIES

A contingent liability arises where an event has taken place that gives the authority 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 Authority. 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.

xx) CONTINGENT ASSETS

A contingent asset arises where an event has taken place that gives the authority 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 authority.

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.

xxi) 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 Authority'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.

xxii) 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 effort.

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

xxiii) 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.

xxiv) JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

Jointly controlled operations are activities undertaken by the Authority 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 Authority 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 Authority 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 Authority 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 Authority only accounts and are not separate entities for Group account purposes.

xxv) 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, in which the council has a 50% shareholding (the remaining 50% of shares are owned by Gloucester City Council) and Cheltenham Borough Homes (CBH) in which the council has 100% shareholding. The accounts of CBH include those of Cheltenham Borough Homes Services Ltd, a wholly owned subsidiary of Cheltenham Borough Homes Limited. Gloucestershire Airport has been treated as a jointly controlled entity (joint venture) and CBH 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 and CBH are valued at historic cost. For the purposes of the Group Accounts, the airport's PPE have been revalued at current value in order to bring them in line with the council's accounting policies. A formal valuation with a valuation date of 1st April 2007 was undertaken by an external valuer in 2007/08.

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

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

Leasing – 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.

xxvi) INTEREST ON INVESTMENT AND BORROWING

Interest is credited or debited to the General Fund and the Housing Revenue Account based on the level of their Usable Reserves. The amounts are calculated using the average rate or a consolidated rate of interest earned by the council, in accordance with statutory provisions.

xxvii) CHANGES IN ACCOUNTING POLICIES

The 2010/11 Code incorporates changes to accounting policy so that the accounts are for the first year fully IFRS compliant.

The specific changes in policies for 2010/11 are as follows:

- Accrual in Income and Expenditure of 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. This charge is reversed out in the Movement in Reserves statement to a new account, the Accumulating Compensated Absences Adjustment Account.

- Leases have been reassessed and reclassified (as required) in accordance with IFRS criteria.

- Capital grants and contributions have been credited to the Comprehensive Income and Expenditure Statement where any conditions attached to them have been, or are reasonably certain to be met, or if not to Capital Grants Receipts in Advance. Previously they were credited directly to Capital Grants Unapplied if not used or to Capital Grants Deferred if used, from where they were amortised to the Income and Expenditure Account.

- Any assets classified as for sale have been transferred from Property, Plant and Equipment to a current or non-current Assets Held for Sale Account on the Balance Sheet.

- Investment property has been separated from Property, Plant and Equipment. Impairments and gains and losses arising on revaluation of Investment property are charged or credited to the Comprehensive Income and Expenditure Statement (Financing and Investment Income and Expenditure line) and reversed out in the Movement in Reserves Statement to the Capital Adjustment Account. Previously gains were credited to the reserve or to income and expenditure.

- Cash equivalents now include deposits with less than three months to maturity, which were previously included in Short Term Investments.

Prior year adjustments to 2009/10 have been made to reflect the changes in accounting policy. In the case of the Balance Sheet prior year adjustments have also been made to the 31st March 2009 figures, representing the opening balances for 2009/10.

2. Transition to International Financial Reporting Standards (IFRS)

The statement of accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based code has resulted in the restatement of some of the amounts presented in the Statement of Accounts for 2009/10. The material differences are as follows.

Short term accumulating compensated absences

These refer to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the authority. They comprise holiday pay and excess hours built up under the flexitime system operated by some employees.

Employees build up an entitlement to paid holidays as they work. Under the code the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the authority is required to accrue for any leave earned but not taken at 31st March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean that local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulating Compensated Absences account until the benefits are used.

Accruing for short term absences has resulted in the following changes being made to the 2008/09 and 2009/10 financial statements.

Opening 1st April 2009 Balance Sheet

	2008/09 Statement £'000	**Adjustments made £'000**	**2008/09 Restated £'000**
Short term Creditors	(11,674)	(93)	(11,767)
Accumulated Absences Account	-	93	93

31st March 2010 Balance Sheet

	2009/10 Statement £'000	**Adjustments made £'000**	**2009/10 Restated £'000**
Short term Creditors	(7,019)	(81)	(7,100)
Accumulated Absences Account	-	81	81

2009/10 Comprehensive Income and Expenditure Statement

Cost of services	**2009/10 Statement - Gross expenditure £'000**	**Adjustments made £'000**	**2009/10 Gross Expenditure Restated £'000**
Central Services to the Public	9,106	(1)	9,105
Cultural, Environmental, regulatory and Planning Services	38,682	-	38,682
Highways and Transport services	8,486	1	8,487
Local Authority Housing (HRA)	24,044	-	24,044
Other housing services	33,789	-	33,789
Corporate and Democratic Core	3,017	(12)	3,005
Non Distributed Costs	1,964	-	1,964
Total	**119,088**	**(12)**	**119,076**

Leases

Under the code leases of property are accounted for as separate leases of land and buildings. Previously 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 finance 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 has changed and it is possible leases of property, plant and equipment previously treated as operating leases are finance leases under the code.

The government has issued regulations and statutory guidance in relation to accounting for finance leases. Under these arrangements, the annual charge to the general fund (where the authority is the lessee) will be unchanged. Where the authority is the lessor the regulations allow the authority to continue to treat any income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The authority does not have any leases where the accounting treatment has changed and all leases at 1st April 2009 have been deemed to be operating leases.

Government Grants

Under the code grants and contributions for capital schemes are recognised as income when they become receivable. Previously grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31st March 2009 has been transferred to the Capital Adjustment Account in the opening 1st April 2009 balance sheet.
- Amounts of government grants deferred were previously recognised as income in 2009/10 in line with the depreciation charge for the asset. These have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Usable grants (i.e. those either where no conditions applied or where the conditions have been met) received in 2009/10 have been credited to the Comprehensive Income and Expenditure Statement. Previously no income was recognised in respect of these grants, which were shown within the Grants Unapplied Account on the balance sheet.
- Following the change in accounting policy the grants have been recognised in full and transferred from the Comprehensive Income and Expenditure Statement to the Capital Adjustment Account (where used to finance capital expenditure) or to the Capital Grants Unapplied Account (where yet to be used).
- The capital grants unapplied account has been reclassified as a usable reserve. Previously it was shown as a long term liability on the balance sheet. Those grants classified as capital grants Receipts in Advance remain on the balance sheet as long or short term liabilities (i.e. creditors).

This has resulted in the following changes to the 2009/10 financial statements:

Opening 1st April 2009 balance sheet

	2008/09 statement £'000	**Adjustments made £'000**	**2008/09 Restated £'000**
Government grants deferred Account	(8,724)	8,724	-
Capital Adjustment Account	(269,739)	(8,724)	(278,463)

31st March 2010 balance sheet

	2009/10 statement £'000	Adjustments made £'000	2009/10 Restated £'000
Government grants deferred Account	(8,583)	8,583	-
Capital Adjustment Account	(237,232)	(8,583)	(245,815)

Comprehensive Income and Expenditure Statement 2009/10 comparative figures

	2009/10 Statement Gross Income	Removal of grants deferred	Removal of REFCUS* grants	Removal of previous years' grants	Usable Grants received and used in 2009/10 Including REFCUS grants	Usable Grants received but not used in 2009/10	2009/10 Restated Gross Income
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central Services to the Public	8,285						8,285
Cultural, Environmental, regulatory and Planning Services	9,402	(577)		(23)			8,802
Highways and Transport services	6,339	(14)					6,325
Local Authority Housing (HRA)	17,228	-	(293)		293		17,228
Other housing services	32,443	(13)	(982)	(70)	777		32,155
Corporate and Democratic Core	422						422
Non Distributed Costs	150						150
Financing and Investment income	852						852
Taxation and non-specific grant income	16,680				259	397	17,336
Total	**91,801**	**(604)**	**(1,275)**	**(93)**	**1,329**	**397**	**91,555**

* REFCUS – Revenue Expenditure Financed from Capital Under Statute

Changes in fair values of Investment Properties

Previous accounting policy required revaluations of Investment Property to be adjusted through the Revaluation Reserve in the first instance. The code requires changes to fair value to be taken to surplus or deficit on the provision of services (and then reversed out to the Capital Adjustment Account). In 2009/10 all downward revaluations were taken to the provision of services in the Comprehensive Income and Expenditure Statement, so no restatement was required in respect of these.

Upward revaluation of Investment properties were however originally credited to the Revaluation Reserve in 2009/10. The Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement for 2009/10 and Revaluation Reserve balance have therefore been restated to take of these, which totalled £4.67 million. Of these £1.232 million related to the Housing Revenue Account, so the HRA has also been restated to take account of the gains in 2009/10.

These adjustments have resulted in an additional credit to the Comprehensive Income and Expenditure Statement and HRA in 2009/10. However, because the credit cannot for statutory reasons be credited to the General Fund or HRA balance, it has been reversed out to the Capital Adjustment Account via the Movement in Reserves Statement.

The opening balance sheet for 2009/10 (at 31st March 2009) has also been restated, removing £0.211 million of revaluation gains on investment properties in 2008/09 from the Revaluation Reserve to the Capital adjustment Account.

Service Reporting Code of Practice (SeRCOP)

The Best Value Code of Practice (BVACOP) has been updated and expanded for 2011/12 and renamed the Service Reporting Code of Practice (SeRCOP). Under the code, the council's services are analysed in the Comprehensive Income and Expenditure Statement on the basis of the SeRCOP. This has been adopted for 2010/11, with 2009/10 comparative figures, to provide a more detailed breakdown of the costs included in the Comprehensive Income & Expenditure Statement. The 2009/10 comparative figures, as updated for the changes in accordance with International Financial Reporting Standards (IFRS), shown above, are further updated in accordance with the SeRCOP, as shown in the table below.

2009/10	Gross expenditure under IFRS (see above) £'000	Gross income under IFRS (see above) £'000	Net expenditure under IFRS (see above) £'000	Gross expenditure Restated under SeRCOP £'000	Gross income Restated under SeRCOP £'000	Net expenditure Restated under SeRCOP £'000
Central Services to the public	9,105	(8,285)	820	9,318	(8,337)	981
Cultural, environment & planning	38,682	(8,802)	29,880	-	-	-
Cultural and related services	-	-	-	22,901	(3,180)	19,721
Environment & Regulatory services	-	-		8,764	(3,588)	5,176
Planning services	-	-		3,291	(1,926)	1,365
Highways and Transport services	8,487	(6,325)	2,162	8,550	(6,375)	2,175
Local Authority housing (HRA)	24,044	(17,228)	6,816	24,044	(17,228)	6,816
Other housing services	33,789	(32,155)	1,634	33,585	(32,109)	1,476
Corporate & Democratic core	3,005	(422)	2,583	3,054	(422)	2,632
Non Distributed costs	1,964	(150)	1,814	1,964	(150)	1,814
Cost of Services	**119,076**	**(73,367)**	**45,709**	**115,471**	**(73,315)**	**42,156**
Other Operating Expenditure:						
(Surpluses) / deficits on trading operations	651	(1,001)	(350)	290	(298)	(8)
(Gains) / losses on the disposal of fixed assets	(201)		(201)	(201)		(201)
Parish council precepts	153	-	153	153		153
Contribution to the housing capital receipts pool	238	-	238	238		238
Financing and Investment Income and Expenditure:						
Interest payable and similar charges	1,271	-	1,271	1,271		1,271
Interest and investment income	-	(852)	(852)		(852)	(852)
Investment properties	(4,666)		(4,666)	3,913	(5,368)	(1,455)
Pensions interest costs and return on assets	3,017	-	3,017	3,017		3,017
			-			-
Impairment Losses	335	-	335	335		335
Exceptional item - CBC v. Laird case	187	-	187	187		187
Taxation and non-specific grant income	-	(17,336)	(17,336)	-	(17,336)	(17,336)
Deficit on provision of services	**120,061**	**(92,556)**	**27,505**	**124,674**	**(97,169)**	**27,505**

3. Accounting Standards that have been issued but have not yet been adopted

Heritage assets

The Code of Practice on Local Authority Accounting 2011/12 (the Code) has introduced a change in accounting policy in relation to heritage assets, which will need to be fully adopted by the authority in 2011/12. However, the authority is required to make disclosure of the estimated effect of the new standard in the 2010/11 statements.

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. The heritage assets held by the authority are the collections of assets and artefacts either exhibited or stored at Cheltenham Art Gallery and Museum, the Pittville Pump Room, the Holst Birthplace Museum, the Municipal Offices and the Town Hall. The four principal collections are

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

None of the above are currently recognised in the financial statements as no information is held on the cost of the assets, although detailed records are kept by the curators of the museum, including insurance valuations.

The authority anticipates that it will be able to recognise its heritage assets on the balance sheet from 2011/12 using as its base the detailed insurance valuations (which are based on market values) for the collections. The authority is unlikely to be able to recognise the archaeological collection as obtaining valuations for these would involve a disproportionate cost of obtaining the information – this exemption is permitted by the Code. Further to this, the commencement of the construction works on the Art Gallery and Museum redevelopment has meant that the collections are currently being de-canted thus restricting access.

The authority estimates the value of the collections (excluding the archaeological collection) at 1st April 2009 at £14.54 million. As these assets have not yet been recognised in the balance sheet this will require a corresponding increase in the Revaluation Reserve. The authority considers that the assets will have indeterminate lives and does not consider it appropriate to charge depreciation.

Community Assets

Community assets 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 authority 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, which are held at historic cost on the balance sheet, where known. This means in most instances the assets are currently held at nil value.

4. Critical judgements used in applying accounting policies

In applying the accounting policies set out on pages 25 to 38, the authority has had to make certain judgments about balances and transactions which may be uncertain depending on future events. The only material critical judgement relates to the impairment of investments in Icelandic banks. It has been assumed that deposits with the Icelandic banks Glitnir and Landsbanki will have priority status, however this is subject to appeal to the Icelandic Supreme Court (note 27, pages 64 to 69 provides further information).

Leases have been reassessed and classified (as required) in accordance with the IFRS criteria. In making this assessment the council has deemed all existing leases as being operating leases.

The classification of non-current assets has been assessed and judgements made as to those held for investment purposes. As a result, there are no changes made to the classification compared to last year.

5. Assumptions made about the future and other major sources of estimation uncertainty

The accounts contain estimated figures that are based on assumptions made by the authority about future events that are uncertain. Estimates are made taking into account professional advice, historical experience, current trends and other factors.

The items in the balance sheet at 31st March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	**Uncertainties**	**Effect if actual results differ from assumptions**
Long and short term Investments – deposits in the Icelandic banks Glitnir Hf and Landsbanki Hf	The recoverable amounts shown on the balance sheet assume that the deposits have priority status on the winding up of the banks, consistent with a decision made by an Icelandic court on 1st April 2011. However this decision is subject to appeal to the Icelandic Supreme Court, which may decide the deposits do not have priority status.	If the appeal is successful the recoverable amounts shown on the balance sheet for these investments will be reduced by an estimated £4.8 million, with a corresponding impairment charge to the General Fund Balance. However the Authority has set aside a reserve of £2.8 million earmarked to cushion such a charge. A capitalisation direction would be sought to allow the remaining £2 million to be treated as capital expenditure, should this be necessary.
Assets Held for Sale	The assets are carried on the balance sheet at existing use value, however their use *may* be changed as part of the sale process, subject to planning approval.	A change in the assets' use may have a significant effect on their fair value and on the sale proceeds receivable, resulting in a revaluation gain. This cannot be quantified at this stage.

6. Material Items of Income and Expenditure not disclosed on the face of the statements

A credit pension adjustment in respect of past service costs of £12,414,000 is included within the non-distributed costs included in the cost of services within the Comprehensive Income & Expenditure Statement for 2010/11 (see pension note 42, page 84).

Impairments and investment losses of £18,112k in 2009/10 (£83k 2010/11) are included in the cost of services and the Financing and Investment income lines within the Comprehensive Income and Expenditure Statement.

7. Adjustments between Accounting Basis and Funding Basis under regulations

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 Authority to meet future capital and revenue expenditure.

7. Adjustments between accounting basis and funding basis under the regulations

2009/10 General Fund Balance £'000	2009/10 Housing Revenue Account £'000	2009/10 Capital Receipts Reserve £'000	2009/10 Major Repairs Reserve £'000	2009/10 Capital Grants Unapplied £'000	2009/10 Unusable Reserves £'000		2010/11 General Fund Balance £'000	2010/11 Housing Revenue Account £'000	2010/11 Capital Receipts Reserve £'000	2010/11 Major Repairs Reserve £'000	2010/11 Capital Grants Unapplied £'000	2010/11 Unusable Reserves £'000
						Adjustments to / from the Capital Adjustment Account						
						Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
(2,860)	(3,167)				6,027	Charges for depreciation and impairment of non-current assets	(2,754)	(3,212)				5,966
(18,448)	(9,746)				28,194	Revaluation losses on Property, Plant and Equipment	84	(46,062)				45,978
3,634	1,032				(4,666)	Movements in the market value of Investment Properties	-	-				-
(101)					101	Amortisation of Intangible Assets	(106)					106
563				105	(668)	Capital grants and contributions	589				136	(725)
(620)	283				337	Revenue Expenditure Funded from Capital Under Statute	(188)	(6)			(121)	315
(250)	(212)				462	Amounts of non-current assets written off on sale as part of the gain/loss on disposal	(385)	(2,580)				2,965
						Insertion of items not debited or credited to Comprehensive Income and Expenditure Statement						
441					(441)	Statutory provision for the financing of capital investment (Minimum Revenue Provision)	645					(645)
-					-	Voluntary provision for the financing of capital	230					(230)
311	951				(1,262)	Capital expenditure charged against the General Fund and HRA balances	852	133			(15)	(970)
(4,430)					4,430	Capitalisation of Revenue Expenditure	-					-
						Adjustments to / from the Capital Receipts Reserve						
337	326	(663)				Transfer of sale proceeds credited as part of the sale of non-current assets	653	1,828	(2,516)			35
		425			(425)	Use of capital receipts to fund capital		(32)	528			(496)
(238)		238				Contribution from capital receipts to finance payments to capital receipts pool	(415)		415			
		-			-	Use of capital receipts to fund premiums			411			(411)
(21,661)	(10,533)	-	-	105	32,089	**Carried forward**	(795)	(49,931)	(1,162)	-	-	51,888

2009/10 General Fund Balance £'000	2009/10 Housing Revenue Account £'000	2009/10 Capital Receipts Reserve £'000	2009/10 Major Repairs Reserve £'000	2009/10 Capital Grants Unapplied £'000	2009/10 Unusable Reserves £'000		2010/11 General Fund Balance £'000	2010/11 Housing Revenue Account £'000	2010/11 Capital Receipts Reserve £'000	2010/11 Major Repairs Reserve £'000	2010/11 Capital Grants Unapplied £'000	2010/11 Unusable Reserves £'000
(21,661)	(10,533)	-	-	105	32,089	**Brought forward**	(795)	(49,931)	(1,162)	-	-	51,888
						Adjustments to / from the Major Repairs Reserve (MRR)						
	3,101		(3,101)			Reversal of Major Repairs Allowance credited to the HRA		3,101		(3,101)		
			3,101		(3,101)	Use of the MRR to finance capital expenditure				2,801		(2,801)
						Adjustments to the Pensions Reserve						
(4,944)					4,944	Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement	7,597					(7,597)
3,717					(3,717)	Employers' pension contributions and payments direct to pensioners in the year	3,320					(3,320)
						Adjustments to / from the Financial Instruments Adjustment account						
221	9				(230)	Amount by which finance costs charged to Comprehensive Income and Expenditure Statement are different from those chargeable according to statute	146	9				(155)
4,285					(4,285)	Impairment of Financial Instruments	-					-
						Adjustments to the Collection Fund Adjustment Account						
(12)					12	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from that calculated according to statute	-					-
						Adjustments to / from the Accumulating Compensated Absences Adjustment Account						
12					(12)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is different from that chargeable according to statute	8					(8)
(18,382)	**(7,423)**	**-**	**-**	**105**	**25,700**	**Total Adjustments**	**10,276**	**(46,821)**	**(1,162)**	**(300)**	**-**	**38,007**

8. Changes in Operations and Discontinued Operations

During 2009/10 the council entered into shared service arrangements with Tewkesbury Borough Council to provide legal services and building control services, and with Cotswold District Council for the provision of internal audit services. These arrangements continued for the whole of 2010/11. Since these operations were set up as a means of sharing expenses they are classified as jointly controlled operations, and are accounted for in the authority-only accounts and are not entities for Group accounts purposes.

During 2010/11 the council, in partnership with Cotswold, Forest of Dean and West Oxfordshire District Councils and Cheltenham Borough Homes (CBH) purchased an Enterprise Resource Planning System, providing a single finance, payroll, Human Resources, and procurement system. This system is due to be implemented during 2011/12, with a move to a shared service for financial services for all five organisations from 2012/13. It is anticipated that that this may deliver significant savings, reduce duplication of effort, provide service resilience and lead to the potential for sharing other 'back office' services between the councils.

There were no discontinued operations during the year.

9. Exceptional Items

Former Managing Director v Council dispute

Expenditure of £187k was incurred during 2009/10 in respect of the dispute between the Council and the former Managing Director, Mrs Laird, including £95k for the subsequent independent public interest report prepared by KPMG LLP. During January to April 2009 the council's case against its former Managing Director, Mrs Christine Laird, for damages for negligent and/or fraudulent misrepresentation was heard in the High Court. On 15th June 2009 the Court dismissed the council's claim and also Mrs. Laird's counter-claim for damages and entitlement to benefits received by the council. The council was instructed to pay 65% of Mrs. Laird's costs and a provision of £520,000 was set aside in 2009/10 to cover the future payment of these costs. A £150,000 payment on account was made to Mrs Laird in 2009/10, leaving a provision of £370,000, pending the final bill from Mrs Laird.

In 2010/11, a payment of £342k was made to Mrs Laird, in settlement of the court costs, leaving unused provision of £28k. This unused provision has been transferred from the provision to form part of the Comprehensive Income and Expenditure Statement and is included in the Exceptional Items net income of £25k.

Icelandic Banks – Impairment Adjustment:

Early in October 2008, the Icelandic banks Landsbanki Islands Hf, Kaupthing and Glitnir Hf collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing, Singer & Friedlander went into administration. The authority had £11 million deposited across three of these banks with varying maturity dates and interest rates. The current situation with regards to the recovery of the sums deposited varies between each bank. Based on the latest information available, the authority considered it appropriate to make impairment adjustments to the carrying value of the investments on the balance sheet in 2008/09, 2009/10 and 2010/11. Full details are given in note 27, pages 64 to 69.

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:

2009/10 Restated						2010/11				
Income	Expenditure	Net (surplus)/ deficit	Contrib- ution to Revenue	(Surplus) / deficit		Income	Expenditure	Net (surplus)/ deficit	Contrib- ution to Revenue	(Surplus) / deficit
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
					Included within Net cost of Services					
(1,544)	812	(732)		(732)	Town Hall / pump room	(1,512)	741	(771)		(771)
(1,389)	4,092	2,703		2,703	Leisure@Cheltenham	(1,461)	3,049	1,588		1,588
(1,401)	1,676	275		275	Cemetery and Crematorium	(1,436)	812	(624)		(624)
(4,952)	4,912	(40)		(40)	Car Parks	(4,942)	3,226	(1,716)		(1,716)
(9,286)	**11,492**	**2,206**	**-**	**2,206**	**Total**	**(9,351)**	**7,828**	**(1,523)**	**-**	**(1,523)**
					Other Trading Activities					
(298)	290	(8)		(8)	Glos CC (schools)	(281)	239	(42)		(42)
(67)	31	(36)	36	-	TIC shop / agency	(76)	45	(31)	31	-
(30)	17	(13)	13	-	Art gallery/museum shop	(22)	8	(14)	14	-
(395)	**338**	**(57)**	**49**	**(8)**	**Total**	**(379)**	**292**	**(87)**	**45**	**(42)**

The net cost of corporate properties was previously included in culture, environment and planning services within the former Income & Expenditure account in the 2009/10 Statement of Accounts. The restated 2009/10 net costs under IFRS are now included as Investment Properties within the Financing and Investment income and expenditure line in the 2009/10 comparative Comprehensive Income and Expenditure Statement for 2010/11. This cost no longer forms part of Other Trading Activities in the above note.

Other trading activities generated a net surplus of £42k for 2010/11 (£8k net surplus 2009/10), which is included in Other Operating Expenditure within the Comprehensive Income & Expenditure Statement (see note 13, page 49).

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.

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

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

11 Expenditure on Publicity

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

	2010/11	2009/10
	£'000	£'000
Recruitment advertising	2	31
Other advertising	202	145
Information relating to regional government	-	-
Event promotion	83	97
TOTAL	**287**	**273**

12. Agency Services

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

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

2009/10 Expenditure	2009/10 Income	2009/10 Net Expenditure		2010/11 Expenditure	2010/11 Income	2010/11 Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
7	-	7	Routine Maintenance	-	-	-
317	195	122	Verges and highway trees	275	185	90
970	970	-	Car parking (on-street)	1,446	1,446	-
-	-	-	Enmainment works	-	-	-
569	499	70	Administrative costs	164	125	39
1,863	**1,664**	**199**	**Total**	**1,885**	**1,756**	**129**

13. Other operating Expenditure

2009/10 £'000		2010/11 £'000
(201)	(Gains) / losses on the disposal of fixed assets	516
(8)	(Surpluses) / deficits on trading operations	(42)
153	Parish council precepts	158
238	Contribution to the housing capital receipts pool	415
182	Total	1,047

14. Financing and Investment income and expenditure

2009/10 £'000		2010/11 £'000
1,271	Interest payable and similar charges	1,293
(852)	Interest and investment income	(620)
(1,455)	Income and Expenditure on Investment properties and changes in their fair value	164
3,017	Pensions interest costs and return on assets	2,305
1,981	Total	3,142

15. Taxation and non specific grant income

The council received general government grants totalling £1,159k for 2010/11 (£1,724k for 2009/10). These are included in the Comprehensive Income and Expenditure Statement and are not attributable to specific services.

2009/10 £'000		2010/11 £'000
(7,827)	Demand on the collection fund	(8,070)
(1,724)	General government grants	(1,159)
(7,129)	Non domestic rates	(7,701)
(656)	Capital grants and contributions	(589)
(17,336)		(17,519)

16. Members' Allowances

In 2010/11 the council paid £323,100 (2009/10 £326,603) in allowances to its 40 members. The expenditure reflects members' allowances approved by council for 2010/11. Full details of the Members' Allowances scheme for 2010/11 can be found on the council's website.

17. 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 2010/11		No of Employees 2009/10
	Total	Left during year	
£50,000 - £54,999 (note 2 below)	1	-	-
£55,000 - £59,999	-	-	6
£60,000 - £64,999	5	-	-
£65,000 - £69,999	2	-	1
£70,000 - £74,999	-	-	-
£75,000 - £79,999	-	-	-
£80,000 - £84,999	-	-	1
£85,000 - £89,999	1	-	3
£90,000 - £94,999 (note 1 below)	3	1	-
£95,000 - £99,999	-	-	-
£100,000 - £104,999	-	-	-
£105,000 - £109,999	-	-	-
£110,000 - £114,999	-	-	1
£115,000 - £119,999	-	-	-
£120,000 - £124,999	1	-	-
Total	**13**	**1**	**12**

Note 1: Band £90,000 - £94,999 - includes one employee who has fallen into this band as a result of redun

Note 2: 2010/11 includes an employee who has moved into the £50,000 - £54,999 bracket during the year.

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.

2010/11 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 2010/11	Pension contributions	Total Remuneration inc. pension contbns 2010/11
	£	£	£	£	£	£	£	£
Chief Executive	108,083	1,347		1,267	10,061	120,758	17,308	138,066
Assistant Director – Customer Access & Service Transformation	66,104	318	26,401	1,033		93,856	7,449	101,305
Executive Director	89,104	732		1,239		91,075	13,054	104,129
Executive Director	89,104	699		1,239		91,042	13,054	104,096
Civic Pride Managing Director	84,070	779		1,239		86,088	12,316	98,404
GO Shared ERP Programme Manager	65,391	308		909		66,608	9,580	76,188
Director Operations	63,533	552		1,239		65,324	8,571	73,895
Director Resources	62,437	571				63,008	9,078	72,086
Director People OD & Change	61,019	344		1,239		62,602	8,939	71,541
Director Commissioning	61,019	209		1,239		62,467	8,939	71,406
Director Built Environment	61,019			1,239		62,258	8,939	71,197
Director Wellbeing & Culture	58,505	683		1,239		60,427	8,571	68,998
ICT Infrastructure Manager	50,081	920		1,239		52,240	7,324	59,564
TOTAL	**919,469**	**7,462**	**26,401**	**14,360**	**10,061**	**977,753**	**133,122**	**1,110,875**

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

Note 2: Assistant Director – Customer Access & Service Transformation – left during 2010-11. The whole time salary is £58,505; additional payments in respect of paid leave.

Note 3: GO Shared ERP Programme Manager – jointly funded by CBC, Cotswold District Council, West Oxfordshire District Council and Forest of Dean District Council.

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

Note 1: 'Other payments' relate to Returning Officer fees paid in respect of European and Local elections.
Note 2: Group Director – Social and Community retired during 2009-10.
Note 3: Civic Pride Managing Director started his employment during 2009-10. The equivalent annual salary is £81,089.

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. Out of 50 Third Party Declaration forms issued to relevant members and officers, 50 were received. This equates to a 100% return rate (100% in 2009/10).

Central Government

Central Government has effective control over the general operations of the council - it is responsible for providing the statutory framework, within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits).

Members and Officers

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

Assisted organisations

The council provided financial assistance to 32 local bodies (35 in 2009/10) and voluntary organisations totalling £1,488,955 (£1,727,298 in 2009/10). It is the council's best value policy to have a Service Level Agreement in place for all grants exceeding £10,000, referred to as Conditional Offers of Grants.

Council employees are eligible to be members of the Local Government Pension Scheme, administered by Gloucestershire County Council. The total employer's contributions into the superannuation fund by the council were £3,320,000 in 2010/11 (£3,717,000 in 2009/10).

The total grants over £35,000 made during 2010/11 are as follows, together with the number of members who are officially appointed to serve on those organisations:

	Cash Grant £	Support Costs £	Total Grant £	No's of Members
Cheltenham Festivals Ltd	126,700	131,300	258,000	1
Everyman Theatre	148,800	26,073	174,873	1
Citizens Advice Bureau	154,931	8,700	163,631	
Cheltenham Arts Council	10,000	95,471	105,471	
Community Development	1,820	96,448	98,268	
Business & Economic Development Grants	74,969	0	74,969	
Playhouse Theatre	69,299	3,406	72,704	2
Racial Equality	6,639	46,513	53,152	
Care & Repair	35,400	15,217	50,617	
Whaddon Lynworth & Priors Neighbourhood	42,200	1,400	43,600	
Hester's Way Neighbourhood Project	42,200	1,400	43,600	
GCVS (Cheltenham Community & Voluntary Action Group)	34,000	4,300	38,300	
Youth Affairs	15,329	21,966	37,295	
	762,287	**452,194**	**1,214,480**	

Companies and joint ventures

The council has a 50% share in Gloucestershire Airport. The accounts have been consolidated into the Group Accounts, which are shown on pages 90 to 99. One member serves on the Airport's Board of Directors, over which the council has no control.

Gloucestershire Airport purchased goods and services from the council totalling £23,717 during 2010/11 (£22,531 in 2009/10). At 31st March 2011 £11,997 was owed by the Airport to the council (£11,437 at 31st March 2010).

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 99. Four councillors serve on the company's Board of Directors.

The council procured supplies and services totalling £8,995,324 from Cheltenham Borough Homes during 2010/11 (£8,261,464 in 2009/10), £307,200 (£832,399 in 2009/10) of which is included in the council's Balance Sheet and excluded from the Group Balance Sheet (see pages 90 to 99 and Note 43 to the Group Accounts on Page 95).

Cheltenham Borough Homes procured supplies and services from Cheltenham Borough Council of £841,517 during 2010/11 (£688,481 in 2009/10), £96,641 (£69,077 in 2009/10) of which is included in the council's Balance Sheet and adjusted for within the Group Balance Sheet (see pages 90 to 99 and Note 43 to the Group Accounts on Page 95).

On 31st March 2011, the council had 4 councillors who were members of the following parish councils:

Leckhampton with Warden Hill	1
Up Hatherley	1
Prestbury	1
Charlton Kings	1

19. External Audit Costs

The total audit fees payable to the council's external auditor and the Audit Commission in 2010/11 was £138,014 (£237,485 in 2009/10), made up as follows:

	2010/11 £	2009/10 £
Certification of grant claims and returns	26,232	25,185
Statutory inspection	(1,881)	8,320
Audit of accounts		
(including whole of government accounts)	68,903	67,176
Other work provided by the appointed auditor:		
- Use of resources / value for money work	37,460	37,874
- Consideration of public questions	*5,000	98,930
- National Fraud Initiative	2,300	0
Total	**138,014**	**237,485**

* The £5,000 spent on consideration of public questions was in respect of the follow up to the public enquiry into the former Managing Director's dispute (see note 9, page 47).

20. Grant Income

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

	2009/10 £'000	2010/11 £'000
Credited to Taxation and Non Specific grant income		
Revenue Support Grant	(1,646)	(1,118)
Local Authority Business Growth Incentive Scheme	(55)	-
Area Based Grant	(23)	(40)
Non Domestic Rates	(7,129)	(7,701)
Capital Grants and Contributions	(656)	(589)
Total	**(9,509)**	**(9,448)**
Credited to Services		
Planning Delivery Grant	(482)	-
Civic Pride Grant	(160)	-
Flood defence grants	(181)	(320)
Election grants	(186)	(105)
Concessionary Transport Scheme grant	(537)	(640)
Homelessness grants	(352)	(268)
Housing Benefits subsidy & Administration grants	(30,527)	(31,438)
Council Tax Benefits subsidy & Administration grants	(7,244)	(7,440)
NNDR – Cost of Collection grants	(203)	(198)
Recycling grants	-	(109)
Contaminated Land Grants	(191)	(148)
Art Gallery & Museum Grants	(26)	(99)
Other Grants	(265)	(131)
Other partnership funding and contributions	(306)	(331)
Total	**(40,660)**	**(41,227)**

No grants were credited during 2009/10 or 2010/11 to Capital Grants Receipts in Advance on the balance sheet.

21. Amounts reported for Resource Allocation Decisions (Segmental Reporting)

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) 2011/12. However decisions about resource allocations are taken by the council's Cabinet on the basis of budget reports analysed across divisions headed by Assistant Directors. These reports are prepared on a different basis from the accounting policies used in these financial statements. Specifically:

- charges for depreciation, 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 Assistant 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.

Segmental Analysis - General Fund Services 2010/11	Employees Costs	Other Service Expenses	Support Service Service	Total Expenditure	Fees & Other income	Gov't Grants	Total Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Strategic Management	706	473	(607)	572	(13)	(320)	(333)	239
Assistant Chief Executive	992	2,096	423	3,511	(470)	(133)	(603)	2,908
Built Environment	2,637	7,493	(41)	10,089	(7,946)	(648)	(8,594)	1,495
Community Services	911	776	2	1,689	(203)	(268)	(471)	1,218
Financial Services	1,877	289	(598)	1,568	(242)	0	(242)	1,326
CAST	2,856	39,021	(1,936)	39,941	(528)	(39,078)	(39,606)	335
Wellbeing and Culture	3,144	4,397	656	8,197	(3,376)	(50)	(3,426)	4,771
Human Resources & Org. Developmt	521	71	(565)	27	(38)	0	(38)	(11)
Operations	6,078	3,733	1,016	10,827	(4,803)	(275)	(5,078)	5,749
Programmed Maintenance (Revenue)	0	510	0	510	0	0	0	510
Business Change	81	88	580	749	(102)	0	(102)	647
Bad debt provision	0	46	0	46	0	0	0	46
	19,803	**58,993**	**(1,070)**	**77,726**	**(17,721)**	**(40,772)**	**(58,493)**	**19,233**

Segmental Analysis - General Fund Services 2009/10 comparative figures	Employees Costs	Other Service Expenses	Support Service Service	Total Expenditure	Fees & Other income	Gov't Grants	Total Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Strategic Management	1,129	376	(1,062)	443	(104)	(85)	(189)	254
Assistant Chief Executive	1,433	2,074	1,206	4,713	(409)	(87)	(496)	4,217
Built Environment	2,514	5,791	893	9,198	(7,491)	(1,188)	(8,679)	519
Community Services	1,957	1,204	(1,035)	2,126	(617)	(104)	(721)	1,405
Financial Services	1,940	289	(597)	1,632	(244)	0	(244)	1,388
CAST	2,826	37,879	(1,749)	38,956	(556)	(37,974)	(38,530)	426
Wellbeing and Culture	3,209	4,434	759	8,402	(3,306)	(112)	(3,418)	4,984
Human Resources & Org. Developmt	521	76	(619)	(22)	0	0	0	(22)
Operations	5,501	3,954	1,980	11,435	(4,619)	(231)	(4,850)	6,585
Programmed Maintenance (Revenue)	0	844	0	844	0	0	0	844
Business Change	67	317	0	384	(177)	0	(177)	207
Bad debt provision	0	38	0	38	0	0	0	38
	21,097	**57,276**	**(224)**	**78,149**	**(17,523)**	**(39,781)**	**(57,304)**	**20,845**

Reconciliation of Assistant Director Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement

2009/10 £000		2010/11 £000
20,845	**Net expenditure in the Segmental Service Analysis**	**19,233**
5,079	Net expenditure of services and support services not included in service analysis	30,294
87	Amounts included in analysis not included in cost of services in Comprehensive Income & Expenditure Statement	-113
16,145	Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the segmental analysis	105
42,156	**Cost of services in Comprehensive Income & Expenditure Statement**	**49,519**

Reconciliation to Subjective Analysis 2009/10 Comparative

Service Analysis £000	Services & Support Services not in analysis £000	Amounts not included in I & E statement cost of services £000	Amounts not reported in management decision making £000	Cost of Services £000	Corporate Amounts £000	Deficit on provision of services £000	
21,097				21,097		21,097	Employees costs
57,276				57,276		57,276	Other service exps
(224)				(224)		(224)	Support service costs
	53			53		53	Allocation of recharges
	(1,790)			(1,790)	3,017	1,227	Pension adjustments re IAS 19
		(187)		(187)	187	0	Exceptional items
	6,816			6,816		6,816	HRA Deficit
					153	153	Parish council precepts
					238	238	Contribution to the housing capital receipts pool
					1,271	1,271	Interest payable and similar charges
78,149	**5,079**	**(187)**	**0**	**83,041**	**4,866**	**87,907**	**Total Expenditure**
(17,523)				(17,523)		(17,523)	Fees & Other Income
(39,781)				(39,781)		(39,781)	Government Grants
			14,918	14,918		14,918	Impairments
			337	337		337	Revenue funded from capital under statute
			890	890		890	IFRS Adjustments
		(12)		(12)	(8)	(20)	Trading operations
		286		286	(1,455)	(1,169)	Investment properties
					(201)	(201)	Gains / (losses) on the disposal of fixed assets
					335	335	Investment losses
					(852)	(852)	Interest and investment income
					(17,336)	(17,336)	Taxation and non-specific grant income
(57,304)	**0**	**274**	**16,145**	**(40,885)**	**(19,517)**	**(60,402)**	**Total income**
20,845	**5,079**	**87**	**16,145**	**42,156**	**(14,651)**	**27,505**	**Deficit on the provision of services**

Reconciliation to Subjective Analysis 2010/11

	Service Analysis £000	Services & Support Services not in analysis £000	Amounts not included in I & E statement cost of services £000	Amounts not reported in management decision making £000	Cost of Services £000	Corporate Amounts £000	Deficit on provision of services £000
Employees costs	19,803				19,803		19,803
Other service exps	58,993				58,993		58,993
Support service costs	(1,070)				(1,070)		(1,070)
Allocation of recharges		8			8		8
Pension adjustments re IAS 19		(13,222)			(13,222)	2,305	(10,917)
Exceptional items			25		25	(25)	0
HRA Deficit		43,508			43,508		43,508
Parish council precepts						158	158
Contribution to the housing capital receipts pool						415	415
Interest payable and similar charges						1,293	1,293
Total Expenditure	**77,726**	**30,294**	**25**	**0**	**108,045**	**4,146**	**112,191**
Fees & Other Income	(17,721)				(17,721)		(17,721)
Government Grants	(40,772)				(40,772)		(40,772)
Impairments				(84)	(84)		(84)
Revenue funded from capital under statute				189	189		189
IFRS Adjustments					0		0
Trading operations			33		33	(42)	(9)
Investment properties			(171)		(171)	164	(7)
Gains / (losses) on the disposal of fixed assets						516	516
Investment losses						(2,714)	(2,714)
Interest and investment income						(620)	(620)
Taxation and non-specific grant income						(17,519)	(17,519)
Total income	**(58,493)**	**0**	**(138)**	**105**	**(58,526)**	**(20,215)**	**(78,741)**
Deficit on the provision of services	**19,233**	**30,294**	**(113)**	**105**	**49,519**	**(16,069)**	**33,450**

22. Property, Plant & Equipment

2009/10 Council dwellings £'000	2009/10 Other Land and buildings £'000	2009/10 Vehicles, Plant and equipment £'000	2009/10 Infra-structure assets £'000	2009/10 Community assets £'000	2009/10 Surplus assets £'000	2009/10 Assets under construction £'000	2009/10 Total £'000		2010/11 Council dwellings £'000	2010/11 Other Land and buildings £'000	2010/11 Vehicles, Plant and equipment £'000	2010/11 Infra-structure assets £'000	2010/11 Community assets £'000	2010/11 Surplus assets £'000	2010/11 Assets under construction £'000	2010/11 Total £'000
								Cost or valuation								
255,507	87,651	3,261	8,236	61	406	85	355,207	At 1 April	259,220	78,387	3,419	7,690	226	25	137	349,104
3,800	146	430	514	6	-	137	5,033	Additions	2,884	186	1,574	627	-	-	-	5,271
-	(543)	-		-	-	-	(543)	Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,062	99	-	-	-	-	-	1,161
-	(9,648)	-	-	95	-	-	(9,553)	Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	(108,549)	-	-	-	-	-	-	(108,549)
(179)	(250)	-	-	-	-	-	(429)	Derecognition - disposals	(2,580)	-	-	-	-	-	-	(2,580)
-	-	-	-	-	-	-	-	Assets reclassified to held for resale	-	(3,404)	-	-	-	-	-	(3,404)
92	1,031	(272)	(1,060)	64	(381)	(85)	(611)	Other Reclassifications	-	-	-	137	-	-	(137)	-
-	-	-	-	-	-	-	-	Other movements	-	105	-	-	-	-	-	105
259,220	**78,387**	**3,419**	**7,690**	**226**	**25**	**137**	**349,104**	**At 31 March**	**152,037**	**75,373**	**4,993**	**8,454**	**226**	**25**	**-**	**241,108**
								Accumulated Depreciation and Impairment								
(16,662)	(2,065)	(1,158)	(421)	-	(366)	-	(20,672)	At 1 April	(62,487)	(1,968)	(1,789)	(640)	-	-	-	(66,884)
(3,035)	(1,994)	(688)	(245)	-	-	-	(5,962)	Depreciation charge	(3,101)	(1,992)	(613)	(232)	-	-	-	(5,938)
-	-	-	-	-	-	-	-	Depreciation written out to the Revaluation Reserve	-	103	-	-	-	-	-	103
-	2,004	-	-	-	-	-	2,004	Depreciation written out to the surplus/ deficit on the provision of services	62,487	-	-	-	-	-	-	62,487
(33,123)	-	-	-	-	-	-	(33,123)	Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
(9,667)	-	-	-	-	-	-	(9,667)	Impairment losses / (reversals) recognised in the surplus / deficit on the provision of services	(28)	-	57	27	-	-	-	56
-	-	-	-	-	-	-	-	Derecognition - disposals	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	Assets reclassified to held for resale	-	320	-	-	-	-	-	320
-	87	57	26	-	366	-	536	Other Reclassifications	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	Other movements	-	(105)	-	-	-	-	-	(105)
(62,487)	**(1,968)**	**(1,789)**	**(640)**	**-**	**-**	**-**	**(66,884)**	**At 31 March**	**(3,129)**	**(3,642)**	**(2,345)**	**(845)**	**-**	**-**	**-**	**(9,961)**
196,733	**76,419**	**1,630**	**7,050**	**226**	**25**	**137**	**282,220**	**Net Book Value at 31 March**	**148,908**	**71,731**	**2,648**	**7,609**	**226**	**25**	**-**	**231,147**

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 Authority re-values its land and buildings every five years, the last formal revaluation for non-dwelling land and buildings being completed in 2009/10 with a re-valuation date of 1st April 2009. Valuations were carried out externally by GVA Grimley. 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 2010/11 with a revaluation date of 1st April 2010. 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.

Effects of changes in Estimates

In 2010/11 the authority re-valued its dwelling stock at 1st April 2010, with the result that its net book value was reduced by £46 million. As there was no balance on the revaluation reserve for these assets, all of the reduction in value has been charged to the Housing Revenue Account (HRA) and Comprehensive Income and Expenditure Statement. The valuation takes into account the social housing use of the stock (to reflect the secure tenancies), and the downward revaluation is wholly due to a reduction in the discount factor for social housing from 44% to 31%, as recommended by the latest government valuation guidance.

Componentisation

Under the Code, the Authority 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. During the year the council enhanced the Burial Chapel at the Crematorium, however this has not been treated as a separate component as the expenditure is below the de minimis level set by the Authority for components.

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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred by the Authority that has been financed by borrowing. The CFR is analysed in the second part of the note.

	2010/11 £'000	2009/10 £'000
Opening Capital Financing Requirement	**45,437**	**41,448**
Capital Investment		
Intangible Assets	320	20
Property, Plant and Equipment	5,270	5,033
Investment Properties	-	-
Revenue Expenditure Funded from Capital under Statute	1,250	1,398
	6,840	**6,451**
Capitalisation of Revenue Direction	-	4,430
Sources of Finance		
Capital Receipts	(500)	(414)
Government Grants	(844)	(810)
Capital Contributions and Partnership Funding	(803)	(929)
Lottery Funding	-	-
Revenue Financing		
Minimum Revenue Provision (MRP)	(645)	(441)
Voluntary Revenue Provision	(230)	-
HRA	(118)	(951)
Major Repairs Reserve	(2,797)	(3,036)
Revenue Reserves	(852)	(311)
	(6,789)	**(2,462)**
Closing Capital Financing Requirement	**45,488**	**45,437**
Explanation of movement in year		
Increase in underlying need to borrowing (supported by Government financial assistance)	-	-
Increase in underlying need to borrowing (unsupported by Government financial assistance)	926	4,430
MRP	(645)	(441)
Voluntary Revenue Provision	(230)	-
Increase in Capital Financing Requirement	**51**	**3,989**

Commitments under capital contracts

At 31st March 2011 the council was committed to completing all schemes within its capital programme. This included contractual commitments at 31st March 2011 of £1.58 million for works on properties (£1.044 million at 31st March 2010), £0.241 million for works on cycle paths and other infrastructure (£0.372 million), £15,000 for insulation works (£50,000), £11,000 for CCTV in car parks (£11,000) and £12,000 for digital TV connection upgrades in council houses (£12,000), a total of £1.859 million (£1.489 million at 31st March 2010). Most of this is anticipated to be incurred by 31st March 2012.

23. 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.

2009/10 £'000		2010/11 £'000
702	Rental income from Investment Property	729
4,666	Gain on revaluation	-
(3,913)	Direct Operating Expenses	(893)
1,455	**Net gain / (loss)**	**(164)**

There are no restrictions on the authority'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 authority has no contractual obligations to purchase, construct, enhance or develop investment property, however some lease agreements require the council to repair and maintain properties.

2009/10 £'000		2010/11 £'000
25,501	**Balance at 1st April**	**22,608**
	Additions:	
-	Purchases	-
-	Subsequent expenditure	-
-	Disposals	(385)
(2,968)	Net gains / (losses) from fair value adjustments	-
75	Transfers	-
-	Other changes	-
22,608	**Balance at 31st March**	**22,223**

All the properties were recently re-valued during 2009/10 with a re-valuation date of 1st April 2009, so the carrying value approximates to their fair value. Valuations were carried out externally by GVA Grimley, using the methodologies and bases of estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

24. Assets held under leases

The Authority as Lessee

The council's policy in the past has been to acquire vehicles, plant and equipment through leasing arrangements. In 2010/11 recycling vehicles, caddies and bins were not leased but purchased and funded by prudential borrowing and revenue contributions.

Leases can fall into one of two categories:

(i) Finance Leases
No new finance lease arrangements were entered into and no leasing payments were made in 2010/11 or 2009/10.

(ii) Operating Leases
Leasing payments, which all relate to vehicles, plant and equipment leased before 2010/11, amounted to £367,374 (£503,720 in 2009/10). Outstanding obligations as at 31st March 2011 amounted to £570,623 (£929,236 as at 31st March 2010). Further details are shown below.

Operating lease payments (including Buyouts) committed as at 31st March, 2011	**£'000**
2011/12	240
2012/13	184
2013/14	87
2014/15	44
2015/16	16
Total	**571**

The Authority as Lessor

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 2010/11 leases of property are accounted for as separate leases of land and buildings. Previously 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 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 has changed and it is possible leases of property, plant and equipment previously treated as operating leases are finance leases under the code.

The authority does not have any leases where the accounting treatment has changed and all leases in existence from 1st April 2010 onwards have been deemed to be operating leases. In restating the 2009/10 financial statements under IFRS, leases in place from 1st April 2009 have also been reviewed and determined to continue to be classed as operating leases, as defined by the Code.

The council received £1,291,175 in rental income in 2010/11 on its granted leases from commercial and Housing Revenue Account land and buildings (£1,155,533 in 2009/10).

The future minimum lease payments receivable under non-cancellable leases in future years are £5.3m.

25. 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:

2009/10 Restated		2010/11 Software

Software £'000		£'000
	Balance at 1st April :	
447	- Gross carrying amounts	466
(132)	- Accumulated amortisation	(232)
315	**Net carrying amount at start of year**	**234**
20	Expenditure in year	320
(101)	Amortisation in Year	(106)
234	**Balance at 31st March**	**448**
	Comprising:	
466	- Gross carrying amounts	786
(232)	- Accumulated amortisation	(338)
234		**448**

During 2010/11 the council, in partnership with Cotswold, Forest of Dean and West Oxfordshire District Councils and Cheltenham Borough Homes (CBH) purchased an Enterprise Resource Planning System, providing a single finance, payroll, Human Resources, and procurement system. This system is due to be implemented during 2011/12, with a 'go live' date for Cheltenham of 1st April 2012. Expenditure of £0.212 million was incurred during the year, being Cheltenham's share of the ongoing cost of procurement and development.

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

26. Assets Held for Sale

	Current 31st March 2011 £'000	31st March 2010 £'000
Balance outstanding at start of year	-	-
Assets newly classified as held for sale		
- Property, Plant and Equipment	3,084	-
- Intangible Assets	-	-
- Investment Property	-	-
Revaluation losses	-	-
Revaluation gains	-	-
Impairment losses	-	-
Assets declassified as held for sale	-	-
Fair value of assets sold	-	-
Other movements	-	-
Balance outstanding at year end	**3,084**	**-**

The assets held for sale at 31st March 2011 mainly comprise car parks designated for redevelopment. They are carried at their existing use value and were re-valued during 2009/10.

During the year the authority sold £2.376 million in Housing Revenue Account (HRA) land and property for housing development. Of this, £1.076 million was transferred to Cheltenham Borough Homes (CBH) at Nil value (as permitted by the Secretary of State) for the provision of social housing. Consequently this amount has been charged to the HRA and Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement as a loss on disposal. Since CBH is a wholly owned company of the council there is no loss shown in the Group Accounts.

There are no non-current assets held for sale at 31st March 2011.

27. Financial Instruments

Overall Investments

Categorised according to the period remaining to maturity or until payment is received	31st March 2011 £'000	31st March 2010 Restated £'000
Long Term (over 1 year)		
Loans and Receivables – Icelandic banks	3,357	5,292
– Other banks	1	4,833
	3,358	10,125
Available-for-sale financial assets	-	-
Unquoted equity investments	435	435
Financial assets at fair value through profit and loss	-	-
	3,793	**10,560**
Current or Short Term (less than 1 year)		
Loans and Receivables – Icelandic banks	4,757	357
– Other banks	7,544	2,011
	12,301	2,368
Available-for-sale financial assets	-	-
Unquoted equity investments	-	-
Financial assets at fair value through profit and loss	-	-
	12,301	**2,368**

The loans and receivables comprise deposits in UK and Icelandic–owned banks. Their fair values equate approximately to the carrying values at the balance sheet date, which are shown at amortised cost. The amortised cost of the investments represents their cost, less any impairment charges. Impairment adjustments have been made to the deposits with the Icelandic-owned banks, which are detailed below.

The unquoted equity investment of £435,222 (shown at cost), consists of shares held in Gloucestershire Airport (see Group Accounts, pages 90 to 99), for which a fair value cannot reliably be measured. This is because the range of reasonable fair value estimates could be significant due to the runway development project, currently underway. 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 the UK subsidiaries of the banks, Heritable and Kaupthing, Singer & Friedlander went into administration. The authority had £11 million deposited across three of these banks with varying maturity dates and interest rates as follows:

Bank	Date invested	Maturity date	Amount invested	Interest

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

All amounts invested with these banks are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the council will be determined by the administrators and receivers. Of the original amounts invested, repayments of £1.628 million have been received to 31st March 2011 (see section on Kaupthing, Singer & Friedlander below).

The current situation with regards to the recovery of the sums deposited varies between each bank. In 2008/09 the authority made impairment adjustments for the deposits, based on the latest information available at the time. The impairment charges were reviewed at 31st March 2010 and again at 31st March 2011, based on the latest information and guidance, and as a result further adjustments were made in 2009/10 and 2010/11. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators and receivers, it is likely that further adjustments will be made to the accounts in future years.

Kaupthing, Singer and Freidlander Ltd (KS&F)

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

The latest creditor progress report issued by the administrators in April 2011 indicate a return to creditors in the range of 78p to 86p in the £. Claims are based on the principal and interest accrued up to 7th October 2008. To 31st March 2011 payments of 53p in the £ (comprising principal and interest) have been received as follows:

Date	Distribution p in the £	Amount £'000
July 2009	20	614
December 2009	10	307
April 2010	5	154
July 2010	10	307
December 2010	8	246
	53	**1,628**

A further distribution of 5p in the £ (£154,000) was received in May 2011.

In 2008/09 the authority decided to recognise impairments based on it recovering 60p in the £ (the minimum indicated amount at the time) in equal annual instalments up to October 2012 (the date at the time up to when the High Court had permitted the administration to be extended).

In 2009/10 the estimated recoverable amount increased to between 65p to 78p in the £, so for the purpose of calculating the impairment adjustment for that year the authority assumed the mid-point in the range (i.e. 71p in the £), in accordance with accounting guidance at the time. It was assumed repayments would be received evenly at six monthly intervals, from July 2010 to January 2013.

For the purpose of calculating the impairment adjustment in 2010/11 the authority has assumed the mid point in the range of 78p to 86p in the £ (i.e. 82p), in accordance with current accounting guidance. As 53p in the £ had already been received by 31st March 2011, with a further 5p in May 2011, it has been assumed the remaining 24p will be received evenly at six monthly intervals, from January 2012 to January 2013. The increase in the recoverable amount, together with no significant change in the repayment profile, results in a reduced impairment adjustment for these deposits in 2010/11 of £0.327 million.

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

Landsbanki Islands Hf

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

The winding up board recognised local authority claims as having priority status under Icelandic law, however other creditors filed objections to this decision. The Reykjavik District Court subsequently issued a judgement verdict on 1st April 2011 confirming that local authorities' claims qualified for priority under Article 112 of the Icelandic Bankruptcy legislation. However this decision is subject to appeal to the Icelandic Supreme Court, with a final decision expected in the Autumn of 2011.

The latest administrators' report and other relevant information continue to indicate a recovery of 94.85% for claims that have priority status. Claims are based on principal and interest accrued up to 22nd April 2009, in accordance with Act 44/2009, which has recently been passed in Iceland. As the loans matured after 22nd April 2009, interest can only be claimed up to that date at the contractual rate.

Recovery is subject to the following uncertainties and risks:

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

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

In 2009/10 more up to date information indicated a recovery rate of 94.85%, assuming the deposits had priority status. Repayments were expected to be made at annual intervals between October 2011 and October 2018 (with nearly 20% in 2018). The significant extension in the repayment profile, offset partly by the increased recovery rate, resulted in an increased impairment adjustment for the deposits in 2009/10.

For 2010/11 a recovery rate of 94.85% has again be used, again assuming the deposits have priority status, with repayments assumed to be made between December 2011 and December 2018. The slight extension of the repayment profile has resulted in an increased impairment adjustment for the deposits of £35,600 for 2010/11.

Failure to ultimately secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the bond remains at its current value. Therefore if preferential creditor status is not ultimately achieved the recoverable amount may only be around 38p in the £ and the impairment charged to the Comprehensive Income and Expenditure Statement would be significantly greater, increasing by around £2.4 million, based on current information.

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

Glitnir Bank Hf

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

In contrast to the decision made by the Landsbanki winding up board, the Glitnir resolution committee recognised local authority claims as general unsecured claims, rather than priority claims under the Icelandic Banking Act. This indicated an expected recovery rate of around 29% for claims that did not have priority status. However The Reykjavik District Court (the 'Court') subsequently issued a verdict on 1st April 2011 confirming that local authorities' claims qualified for priority under Article 112 of the Icelandic Bankruptcy legislation. This indicates a recovery rate of 100% for local authorities, with repayments anticipated to be in December 2011. The court decision is however subject to appeal to the Icelandic Supreme Court, with a final decision expected in the Autumn of 2011.

Under Act 44/2009, which recently came into force in Iceland, claims can include interest up to 22nd April 2009, and at a penalty rate in cases where the maturity date of the investment was before 22nd April 2009. However the Court has deemed this penalty rate to be the contractual rate of interest.

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

*Confirmation on appeal that deposits (including those made by local authorities) have preferential creditor status. The affected local authorities have received legal advice that the deposits have priority status under Icelandic law.

*The impact of exchange rate fluctuations on the value of assets recovered and on the settlement of the authority's claim, which may be denominated in currencies other than sterling (although at present the effect of this is not expected to be material).

The authority decided to recognise an impairment in 2009/10 based on it recovering 31% of the principal and interest due up to 22nd April 2009 (including interest at a penalty rate of 22%). In the absence of further information at the time, a repayment date of July 2010 was assumed.

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

For 2010/11 the authority has recognised the decision of the Court and assumed that local authority deposits have priority status, giving a recovery rate of 100%, with repayment assumed to be December 2011. This results in a reduced impairment adjustment of £2.423 million for this deposit in 2010/11.

Failure to ultimately secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. If preferential creditor status is not ultimately achieved the recoverable amount is likely to be around 29p in the £ and the impairment charged to the Comprehensive Income and Expenditure Statement would be significantly greater, increasing by around £2.4 million, based on current information. In any event, interest accruing from 23rd April 2009 until repayment would rank as an unsecured claim and is unlikely to be recoverable.

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

The accounting entries made in respect of the banks are therefore as follows. All impairments have been recognised as at the balance sheet date of 31st March 2011.

Bank	Interest rate %	Amount invested £'000	Add Interest due to 31st March 2011 £'000	Less Impairments 2008/09 -2009/10 £'000	Less Repayments (including interest) to 31st March 2011 £'000	Less Impairment 2010/11 £'000	Carrying amount at 31st March 2011 £'000
Kaupthing, Singer & Friedlander	5.30	2,000	150	740	1,072	-215	553
Kaupthing, Singer & Friedlander	5.86	1,000	119	389	556	-111	285
Landsbanki Islands Hf	5.29	2,000	242	628	-	14	1,600
Landsbanki Islands Hf	5.31	2,000	243	630	-	14	1,599
Landsbanki Islands Hf	5.40	1,000	158	329	-	7	822
Glitnir Bank Hf	5.56	3,000	486	2,654	-	-2,423	3,255
Total		**11,000**	**1,398**	**5,370**	**1,628**	**-2,714**	**8,114**

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 £4.757 million, have been classified as short term, leaving £3.357 million recoverable in the long term.

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

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

Bank	Amount invested £'000	Interest rate %	Interest credited in 2007/08 £'000	Interest credited in 2008/09 £'000	Interest credited in 2009/10 £'000	Interest credited in 2010/11 £'000	Total interest credited £'000
Kaupthing, Singer & Friedlander	2,000	5.30	-	75	44	31	150
Kaupthing, Singer & Friedlander	1,000	5.86	17	59	25	18	119
Landsbanki Islands Hf	2,000	5.29	-	73	86	83	242
Landsbanki Islands Hf	2,000	5.31	-	74	86	83	243
Landsbanki Islands Hf	1,000	5.40	16	54	45	43	158
Glitnir Bank Hf	3,000	5.56	216	166	59	45	486
Total	**11,000**		**249**	**501**	**345**	**303**	**1,398**

In 2008/09 the authority made use of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009 to defer the impact of the impairments on the General Fund, and the impairment of £5,035 million charged to the Comprehensive Income & Expenditure Statement in that year was reversed out to the Financial Instruments Adjustment account. Under the regulations the authority had to transfer the loss back to the General Fund no later than 31st

March 2011. As the authority received a capitalisation direction in 2009/10, allowing it to spread the cost over a number of years, the loss (less interest) was transferred back to the General Fund in 2009/10.

The reversal of the £5.035 million loss (less the £0.750 million interest) to the General Fund was wholly offset in 2009/10 by the capitalisation direction received of £4.430 million, which allowed the net loss to be spread over a number of years.

In 2010/11 the reduced impairment adjustment of £2.714 million, together with the interest receivable of £300k, has been credited to the Comprehensive Income and Expenditure Statement, in accordance with proper accounting practice. Since it represents an adjustment to the impairments previously charged to capital and financed by borrowing, £230,000 of this credit has been used to repay debt via a Voluntary Revenue Provision. The remaining £2.484 million has been transferred to an earmarked reserve, pending the final decision by the Icelandic Supreme Court on the priority status of local authority deposits. Should the decision confirm that such deposits do have priority status then this reserve will be used in future years to repay debt or alternatively, should they ultimately be deemed not to have such status, meet the resulting increased impairment charge.

Legislation does not permit an impairment of an investment to be charged to the Housing Revenue Account (HRA).

Debtors

	Short term		**Long term**	
	31st March 2011 £'000	**31st March 2010 £'000**	**31st March 2011 '£'000**	**31st March 2010 £'000**
Loans and Receivables	4,679	6,009	183	201

Further details of short term debtors are given in note 29, page 74. Long term debtors include mortgages for house purchase loans and car loans to staff.

Borrowing

	Range of Interest Rates Payable %	31st March 2011	31st March 2010
		£'000	£'000
Long Term (over 1 year)			
Financial liabilities at amortised cost			
- Public Works Loan Board (PWLB) loans	4.35% - 4.875%	11,000	11,000
- Bank loans	3.82% - 4.95%	15,900	15,900
Financial liabilities at fair value through profit and loss		-	-
		26,900	**26,900**

	31st March 2011	31st March 2010
Analysis of PWLB loans by maturity:		
2-5 years	2,000	2,000
6-10 years	-	-
More than 10 years	9,000	9,000
	11,000	**11,000**
Analysis of Bank loans by maturity		
2-5 years	-	-
6-10 years	-	-
More than 10 years	15,900	15,900
	15,900	**15,900**

	31st March 2011	31st March 2010
Current or Short term (less than 1 year)		
Financial liabilities at amortised cost		
- Bank loans	245	244
- Building Society loans	5,002	1,200
- Other local authority loans	8,006	15,809
- Other temporary borrowing	354	659
Total financial liabilities at fair value through profit and loss	-	-
	13,607	**17,912**

Creditors

	Short term		Long term	
	31st March 2011	31st March 2010	31st March 2011	31st March 2010
	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost	8,945	7,100	-	-

Further details of short term creditors are given in note 31, page 75.

Reclassifications

There were no reclassifications of financial instruments during the year.

Income, Expense, gains and losses

	2010/11 Financial Liabilities measured at amortised cost	2010/11 Financial Assets: Loans and receivables	Total	2009/10 Financial Liabilities measured at amortised cost	2009/10 Financial Assets: Loans and receivables	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	1,210	-	1,210	1,220	-	1,220
Impairment losses	-	(2,714)	(2,714)	-	335	335
Fee expense	10	37	47	15	15	30
Total expense in Surplus or Deficit on the Provision of Services	**1,220**	**(2,677)**	**(1,457)**	**1,235**	**350**	**1,585**
Interest Income	-	(229)	(229)	-	(462)	(462)
Interest Income accrued on impaired financial assets	-	(303)	(303)	-	(345)	(345)
Total income in Surplus or Deficit on the Provision of Services	**-**	**(532)**	**(532)**	**-**	**(807)**	**(807)**
(Net gain)/loss for the year	**1,220**	**(3,209)**	**(1,989)**	**1,235**	**(457)**	**778**

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:

- 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 2011 is £12,041,926 (£11,777,266 at 31st March 2010) compared to the carrying value of £11,000,000 at 31st March 2011 (£11,000,000 at 31st March 2010). The fair value is higher than the carrying amount because the authority's portfolio includes fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the authority would have to pay if it requested early repayment of the loans.

For all other long term borrowing the fair value equates to £15,835,439 at 31st March 2011 (£15,878,950 at 31st March 2010) compared to the carrying value of £15,900,000 at 31st March 2011 (£15,900,000 at 31st March 2010).

The fair value of all short term borrowing is 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 has adopted CIPFA's *Treasury Management in the Public Services: Code of Practice* and has set treasury management prudential indicators to control key financial instrument risks in accordance with CIPFA's prudential code.

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

- credit risk – the risk that other parties might fail to pay amounts due to the authority
- liquidity risk – the possibility that the council might not have funds available to meet its commitment to make payments

- market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates

The authority's overall risk management is carried out by the central treasury team under policies approved by the council in the treasury management strategy approved in February 2010. The council provides written policies for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the authority's customers. Deposits during the 2010/11 were made with financial institutions that were rated independently with all three agencies, Fitch, Moody's and Standard & Poor's credit rating and met the council's lending criteria as approved in its Investment Policy 2010/11.

The policy dictates the maximum amount of lending that can be held with any one institution, set in accordance with the institutions' credit rating and the guidance of the council's treasury advisors, Arlingclose. The maximum investment that can be made with an approved counterparty was £7 million in 2010/11. No credit limits were exceeded during the year.

Liquidity risk

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

Market risk

The authority 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 2010/11, this would have had the following effect:

	Amount outstanding (weighted average) in year	**Average actual interest rate**	**Actual Interest paid / (receivable)**	**Projected interest rate**	**Projected interest paid / (receivable)**	**Variation**
	£'000	**%**	**£'000**	**%**	**£'000**	**£'000**
Borrowing						
Fixed rate	26,900	4.32	1,162	4.32	1,162	-
Variable rate	11,800	0.44	48	1.44	170	122
	38,700	**3.13**	**1,210**	**3.44**	**1,332**	**122**
Lending						
Fixed rate	2,600	5.93	(154)	5.93	(154)	-
Variable rate	4,800	1.47	(75)	2.47	(119)	(44)
	7,400	**3.04**	**(229)**	**3.69**	**(273)**	**(44)**

Net loss / (gain) on surplus / deficit for year	**981**	**1,059**	**78**

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 authority 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 authority 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 authority has no financial assets or liabilities denominated in foreign currencies so has no exposure to loss arising from movements in exchange rates. However the recoverable amount relating to the impaired Icelandic bank deposits may be affected by exchange rate fluctuations, since the assets of the banks may not be denominated in Sterling. The impact is not deemed material, however the deposits with Landsbanki Islands Hf have a higher risk to movements in exchange rates as the repayments are expected to be received over a longer period than Glitnir Bank Hf deposits.

28. Inventories

	Consumable Stores		Maintenance materials		Total	
	31st March 2011 £'000	31st March 2010 £'000	31st March 2011 £'000	31st March 2010 £'000	31st March 2011 £'000	31st March 2010 £'000
Balance outstanding at start of year	**87**	**82**	**30**	**20**	**117**	**102**
Purchases	807	743	57	41	864	784
Recognised as expenses in year	(791)	(737)	(65)	(31)	(856)	(768)
Written off balances	(1)	(1)	-	-	(1)	(1)
Reversals of write offs in previous years	-	-	-	-	-	-
Balance outstanding at year end	**102**	**87**	**22**	**30**	**124**	**117**

29. Short Term Debtors

	31st March 2011 £'000	31 March 2010 Restated £'000
Amounts falling due in one year		
Central Government Bodies	1,206	1,533

Other Local Authorities	865	1,064
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals-		
- Council Taxpayers	157	137
- Cheltenham Borough Homes	97	69
- Housing Rents	225	234
- Sundry Debtors	2,129	2,972
Total	**4,679**	**6,009**

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

30. Cash / Cash Equivalents and Bank Overdraft

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

	31st March 2011 £'000	31st March 2010 £'000
Cash held by the Authority	14	22
Bank current accounts	-	-
Short term deposits	900	-
Cash and cash equivalent assets	**914**	**22**
Cash and cash equivalent liabilities - bank overdraft	**(1,022)**	**(464)**
Net Cash and cash equivalents per Cash flow Statement	**(108)**	**(442)**

The bank overdraft represents the bank figure within the council's accounts and differs from the actual bank balance by cash in transit and cheques and BACS payments outstanding.

31. Short Term Creditors

	31st March 2011 £'000	31st March 2010 Restated £'000
Central Government Bodies	2,847	829
Other Local Authorities	1,497	1,310
NHS bodies	-	-
Public corporations and trading funds	386	223
Other entities and individuals-		
- Council Taxpayers	72	67
- Cheltenham Borough Homes	307	832
- Housing Rents	117	95
- Sundry Creditors	3,719	3,744
	8,945	**7,100**

32. Provisions

	Balance at 1st April £'000	Additional provisions made in Year £'000	Amounts used in Year £'000	Unused Amount Reversed £'000	Balance at 31st March £'000

General Fund Insurance	165	-	69	-	96
Legal claims	370	-	342	28	-
2010/11	**535**	**-**	**411**	**28**	**96**
2009/10	**690**	**-**	**155**	**-**	**535**

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.

The Legal Claims provision was set up in 2009/10 to cover additional court costs and legal fees arising from the judgement made by the High Court against the council in the Cheltenham Borough Council v. Mrs Laird case. The final claim has now been settled and the unused amount of the provision has been transferred to the Comprehensive Income and Expenditure Statement, included in Exceptional Items.

33. 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 23. Movements in the earmarked reserves shown on the statement are detailed below.

	Balance at 31 March 2009 £'000	**Transfers out 2009/10 £'000**	**Transfers in 2009/10 £'000**	**Balance at 31 March 2010 £'000**	**Transfers out 2010/11 £'000**	**Transfers in 2010/11 £'000**	**Balance at 31 March 2011 £'000**
Earmarked Reserves							
General Fund							
Capital Reserve	**3,055**	(36)		**3,019**	(2,326)	1,111	**1,804**
Equalisation Reserves	**928**		315	**1,243**	(1,133)	2,931	**3,041**
Repairs & Renewals Reserve	**1,901**	(371)		**1,530**	(920)	858	**1,468**
Reserves for Commitments	**1,209**	(951)		**258**	(258)	303	**303**
Other earmarked reserves	**5,868**	(1,656)		**4,212**	(1,350)	1,566	**4,428**
	12,961	**(3,014)**	**315**	**10,262**	**(5,987)**	**6,769**	**11,044**
HRA							
Housing Repairs Account	-	(3,621)	3,621	-	(3,769)	3,769	-
Other earmarked reserves	-	-	-	-	-	-	-
	-	**(3,621)**	**3,621**	**-**	**(3,769)**	**3,769**	**-**

Purpose of reserves

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

Equalisation Reserves – to smooth out fluctuations in expenditure from year to year as a result of cyclical events, for example bi-annual local elections. Also to cushion the impact of fluctuating activity levels (for example Benefit payments) or movements in interest rates. Includes £2.787 million held pending a final decision on the preferential status of local authority deposits in Icelandic banks (see note 27 on pages 64 to 69).

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 redevelopment of the Art Gallery and Museum, risk management initiatives, vehicles and equipment, and Civic Pride match funding.

34. Unusable Reserves

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

Reserve	31st March 2009 Restated £'000	31st March 2010 Restated £'000	31st March 2011 £'000	Purpose of Reserve
Revaluation Reserve	40,230	8,933	8,836	Store of gains on revaluation of non-current assets not yet realised through sales
Capital Adjustment Account	278,674	250,693	202,577	Store of capital resources set aside to meet past expenditure
Financial Instruments Adjustment Account	(7,969)	(3,454)	(2,889)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments
Collection Fund Adjustment Account	105	93	93	Balancing account to allow for differences in statutory requirements and proper accounting practices for council tax surpluses/deficits
Pensions Reserve	(37,081)	(70,405)	(38,071)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet
Deferred Capital Receipts Reserve	204	172	152	Capital receipts to be received in future years e.g. from mortgage repayments

Accumulating Compensated Absences Adjustment Account	(93)	(81)	(72)	Balancing account to allow for differences in statutory requirements and proper accounting practices for staff leave and additional hours not taken at the year end
Total Unusable Reserves	**274,070**	**185,951**	**170,626**	

Revaluation Reserve

	2010/11 £'000	2009/10 £'000 Restated
Balance at 1st April	**8,933**	**40,230**
Revaluation gains on non-current assets	1,265	3,343
Downward revaluation of assets and impairments	-	(33,666)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**10,198**	**9,907**
Difference between fair value and historic cost depreciation	(298)	(974)
Accumulated gains on assets sold	(1,064)	-
Amount written off to the Capital Adjustment Account	**(1,362)**	**(974)**
Balance at 31st March	**8,836**	**8,933**

The Revaluation Reserve contains gains arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are re-valued downwards or impaired, 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.

Capital Adjustment Account

	2010/11 £'000	2009/10 £'000 Restated
Balance at 1st April	**250,693**	**278,674**
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	(5,966)	(5,961)
• Revaluation losses on Property, Plant and Equipment	(45,979)	(24,291)
• Amortisation of intangible assets	(106)	(101)
• Revenue expenditure funded from capital under statute	(1,250)	(1,408)
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2,965)	(430)
• Revenue expenditure charged to capital – Capitalisation Direction for Icelandic bank losses	-	(4,430)
	194,427	242,053
Adjusting amounts written out of the Revaluation Reserve	1,362	974

Net written out amount of the cost of non-current assets consumed in the year	**195,789**	**243,027**
Capital Financing applied in the year:		
• Use of Capital Receipts Reserve to finance new capital expenditure	500	425
• Use of the Major Repairs Reserve to finance new capital expenditure	2,797	3,035
• 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	1,646	1,739
• Statutory provision for the financing of capital investment charged against the General Fund Balance	645	441
• Voluntary provision for the financing of capital investment charged against the general fund balance	230	-
• Capital expenditure charged against the general fund and HRA balances	970	1,262
	202,577	249,929
Movements in the market value of Investment properties debited or credited to the Comprehensive Income and Expenditure Statement	-	764
Balance at 31st March	**202,577**	**250,693**

The Capital Adjustment Account accumulates, on the debit side, the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments, or written off on disposal. On the credit side it accumulates the resources that have been set aside to finance capital expenditure. 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 Authority 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	**2010/11 £'000**	**2009/10 £'000**
Balance at 1st April	**(3,454)**	**(7,969)**
Premiums / discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-
Premiums / discounts incurred in previous years charged against the General Fund Balance	154	230
Repayment of premiums from capital receipts	411	-
Impairment of Icelandic banks	-	5,035
Interest from Icelandic banks	-	(750)
Balance at 31st March	**(2,889)**	**(3,454)**

This account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains according to 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 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.

In 2010/11 two outstanding premiums were extinguished using capital receipts received from asset sales, thus reducing the annual charge to the General Fund Balance.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009 allowed authorities to defer the impact on the General Fund Balance of the impairment of investments in Icelandic banks (see note 27), which the authority decided to take advantage of in full in 2008/09. The regulations also require, however, that where an investment is impaired, any related interest credited to the Comprehensive Income and Expenditure Statement, but not received, must be reversed out in determining the movement on the general fund balance for the year. These adjustments were managed by transfers to the Financial Instruments Adjustment Account from the General Fund Balance in the Movement in Reserves Statement in 2008/09.

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

Collection Fund Adjustment Account

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

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

	2010/11 £'000	2009/10 £'000
Balance at 1st April	**93**	**105**
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	-	(12)
Balance at 31st March	**93**	**93**

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.

2010/11 £'000	2009/10 £'000

Balance at 1st April		**(81)**		**(93)**
Settlement or cancellation of accrual made at the end of the preceding year	81		93	
Amounts accrued at the end of the year	(72)		(81)	
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		9		12
Balance at 31st March		**(72)**		**(81)**

Pensions Reserve

Further information is shown within Note 42, pages 84 to 89.

Deferred Capital Receipts Reserve

This represents capital receipts receivable in future years, for example from mortgage repayments, which are not usable until they are received.

35 Impairment Losses

At 31st March 2011 the situation with regard to the recovery of deposits placed with Icelandic banks was reassessed based on the latest information and guidance. Mainly as a result of a court decision made in Iceland on 1st April 2011 that these deposits have priority status, a credit adjustment of £2.714 million was made to the exceptional items - impairment losses line on the face of the Comprehensive Income and Expenditure Statement in 2010/11, reducing the impairment losses made in previous years. The carrying value of the financial assets (classified as long and short term investments) has consequently been increased by the same amount to reflect the increased estimated recoverable amounts for these deposits. Note 27 on pages 64 to 69 gives further details.

In 2010/11 the authority re-valued its dwelling stock as at 1st April 2010, with the result that its net book value was reduced by £46 million. As there was no balance on the revaluation reserve for these assets, all of the loss on revaluation has been charged to the Housing Revenue Account (HRA) and Comprehensive Income and Expenditure Statement. As such a loss cannot by statute be charged to the HRA Balance, it has been reversed out to the Capital Adjustment Account in the Movement in Reserves Statement.

36. Termination Benefits

The Authority terminated the contracts of 19 employees in 2010/11 (9 in 2009/10) as part of a rationalisation within a number of service areas. Total costs incurred were £326,307 (£610,201 in 2009/10), of which £250,343 (£529,320) related to early retirement costs and £75,964 (£80,881) redundancy payments. These costs have been charged to the relevant service line shown within the Comprehensive Income and Expenditure Statement.

37. Contingent Liabilities

The council has a potential liability in respect of the run off of Municipal Mutual Insurance to the value of £474,018.56 (£474,018.56 at 31st March 2010). This will only materialise if the assets of the company do not cover the insurance claims yet to be settled, the likelihood and timing of which is unknown at this stage.

The council has impaired its investments with Landsbanki Islands Hf and Glitnir Hf to reflect the likely amounts to be recovered. However it has been assumed in both cases that local authority deposits have preferential creditor status under Icelandic law. Although this was confirmed by Reykjavik District Court on 1st April 2011, the decision is subject to appeal to the Icelandic Supreme Court.

Failure to ultimately secure preferential creditor status would have a significant impact upon the amount of the deposits that is recoverable, and the impairment charge to the Comprehensive Income and Expenditure Statement, which would increase by around £4.8 million based on current information. To mitigate against this risk the authority has earmarked £2.788 million to cover any resulting increased impairment in future years.

On 17th August 2010 statutory instrument 2010 No.1812 came into force, amending the existing local land charges rules by removing the ability for authorities to charge for personal searches in respect of one or more parcels of land. As such a fee was incompatible with the Environmental Information Regulations 2004(a), which came into force in January 2005, potentially this might result in back claims for overpaid amounts in previous years.

38. Contingent Assets

There are no known material contingent assets at this time.

39. 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 the accounts are signed by the Chief Finance Officer. On this basis, the date beyond which there can be no reasonable expectation that events could have been taken into account by the authority is 13th September 2011. This is the date after which any events are not recognised in the audited accounts for the year 2010/11.

40. Events after the Balance Sheet Date

The decision made by the Reykjavik District Court in Iceland that local authority deposits in Glitnir Bank Hf have priority status was made on 1st April 2011. As the decision related to the authority's investments in the bank that existed on 31st March 2011 the accounts have taken this decision into account, resulting in an impairment credit adjustment to the Comprehensive Income and Expenditure Statement. Further details are given in note 27 on pages 64 to 69.

The concessionary fares function transferred to the control of Gloucestershire County Council on 1st April 2011. All future costs associated with this scheme will be included in the accounts for the County Council from this date. Consequently the cost of the scheme for 2009/10 and 2010/11 has been shown separately on the face of the Comprehensive Income and Expenditure Statement.

41. Trust Funds

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

	Balance at 1st April 2010	Receipts in Year	Payments in Year	Balance at 31st March 2011
	£	£	£	£
Captain Wild	63,739	-	-	63,739
Major Mason	444	8	-	452
Miss Privett	14,720	65	(7,456)	7,329
Phyllis Kay	1,861	-	-	1,861
Leslie Young	1,425	-	-	1,425
Garden of Remembrance	17,701	548	(7,517)	10,732
	99,890	**621**	**(14,973)**	**85,538**

The purpose of each of the funds is as follows:

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

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

	Balance at 1st April 2010	Receipts in Year	Payments in Year	Balance at 31st March 2011	Capital Value of fund at 31st March 2011
	£	£	£	£	£
Turner Long	11,324	2,275	(2,900)	10,699	65,093
Caroline Strickland	11,349	17,434	(11,882)	16,901	61,402
Hay Trust	16,335	42,171	(27,500)	31,006	111,392
Walker Memorial	2,709	745	(1,200)	2,254	19,765
	41,717	**62,625**	**(43,482)**	**60,860**	**257,652**

The capital value of the Trust funds is based on the share values at 31st March 2011. The purpose of each of the funds is as follows:

- Turner Long — Annuities to indigent men and women over 50 years of age
- Caroline Strickland — Support to Almshouses - Hales Road
- Hay Trust — Support to Almshouses - Naunton Park
- Walker Memorial — Annuities to indigent men and women over 50 years of age

42. Defined Benefit Pension Scheme

Participation in the Pensions Scheme

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

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

Transactions Relating to Post-Employment Benefits

In accordance with the requirements of International Accounting Standard 19 – *Employee Benefits* (IAS19), the operating costs of providing retirement benefits to employees are included in the Comprehensive Income and Expenditure Statement. The costs of retirement benefits are recognised in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out in the Movement in Reserves Statement.

The employers' contributions to the pension fund of £3,320,000 (£3,717,000 in 2009/10) have been replaced by the current service (pensions) costs, being the increase in the present value of the defined benefit scheme's liabilities expected to arise from employee service in the current period. These are included in the cost of services and total £2,464,000 for 2010/11 (£1,346,000 in 2009/10).

Past service costs represent discretionary benefits awarded on early retirement, to include added years and unreduced pension benefits awarded under the rule of 85. The total past service costs are negative £12,414,000 for 2010/11 (£96,000 costs in 2009/10) and are included in the cost of services as non-distributed costs.

The effect of the change in the use of the retail prices index (RPI) to the Consumer Prices index

(CPI) in calculations on future pension increases has resulted in a negative past service cost item in the Comprehensive Income and Expenditure Statement in 2010/11.

Curtailments show the cost of the early payment of pensions benefits of employees made redundant in the previous financial year. These are included in the cost of services as non-distributed costs and total £48,000 for 2010/11 (£485,000 for 2009/10).

The expected return on employer assets is based on the long-term future expected investment return on assets as at 31st March 2011. This is £5,013,000 for 2010/11, representing 41.3% of pensionable pay (£3,059,000 in 2009/10, being 24.5%) and is included in the Financing and investment income and expenditure within the Comprehensive Income and Expenditure Statement.

The interest charged on pension scheme liabilities reflects the expected increase during the period in the present value of the scheme liabilities because the benefits are one year closer to settlement. This is £7,318,000 for 2010/11, representing 60.3% of pensionable pay (£6,076,000 for 2009/10, being 48.6%) and is included in the Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement.

The overall effect on the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year is summarised in the following table:-

Comprehensive Income and Expenditure Statement	**2010/11 £'000**	**2009/10 £'000**
Cost of Services:		
current service cost	(2,464)	(1,346)
past service costs	12,414	(96)
curtailments	(48)	(485)
Financing and Investment income and Expenditure:		
expected return on scheme assets	5,013	3,059
interest on pension scheme liabilities	(7,318)	(6,076)
Total post employment benefit charged to the deficit on the provision of services	**7,597**	**(4,944)**
Movement in Reserves Statement:		
reversal of net charges made to the deficit for the provision of services for post employment benefits in accordance with IAS 19	7,597	4,944
Actual amount charged against the General Fund Balance for pensions in the year:		
employer contributions payable to scheme	(3,320)	(3,717)

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial gains of £21,417,000 (£32,097,000 losses in 2009/10) are included in Other Comprehensive Income and Expenditure, within the Comprehensive Income and Expenditure Statement. The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to 31st March 2011 is £22,048,000 (£43,465,000 cumulative losses to 31st March 2010).

Assets and Liabilities in relation to Post-Employment Benefits

In accordance with IAS 19, the council has to disclose its share of assets and liabilities related to pension schemes for its employees. The underlying assets and liabilities for retirement benefits attributable to the authority at 31st March are as follows:

	31st March 2011 £'000	31st March 2010 £'000	Net Increase /(Decrease) £'000
Fair value of scheme Assets (A)	**70,405**	**72,946**	**(2,541)**
Present value of Scheme Liabilities	(106,958)	(141,452)	34,494
Present value of Unfunded Liabilities	(1,518)	(1,899)	381
Total value of Liabilities (B)	**(108,476)**	**(143,351)**	**34,875**
Net Pension Asset/(Liability) (A-B)	**(38,071)**	**(70,405)**	**32,334**

(A) Fair value of scheme Assets	31st March 2011 £'000	31st March 2010 £'000	Net Increase /(Decrease) £'000
1st April	**72,946**	**51,561**	**21,385**
Expected return on assets	5,013	3,059	1,954
Contributions by members	818	830	(12)
Contributions by the employer	3,320	3,717	(397)
Actuarial gains / (losses)	(7,073)	17,730	(24,803)
Unfunded benefits paid	(94)	(90)	(4)
Benefits paid	(4,525)	(3,861)	(664)
Closing fair value of assets	**70,405**	**72,946**	**(2,541)**

(B) Present value of Liabilities	31st March 2011 £'000	31st March 2010 £'000	Net Increase /(Decrease) £'000
1st April	**143,351**	**88,642**	**54,709**
Current service cost	2,464	1,346	1,118
Interest on obligation	7,318	6,076	1,242
Contributions by members	818	830	(12)
Past service costs	(12,414)	96	(12,510)
Losses (gains) on curtailments	48	485	(437)
Actuarial losses / (gains)	(28,490)	49,827	(78,317)
Estimated Unfunded benefits paid	(94)	(90)	(4)
Estimated Benefits paid	(4,525)	(3,861)	(664)
Closing value of liabilities	**108,476**	**143,351**	**(34,875)**

Expected returns on assets reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £5,748,000 (2009/10 £27,789,000).

Basis for estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 1st April 2010.

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

	31st March 2011	31st March 2010
Mortality Assumptions:		
Longevity at 65 for current pensioners - men	21.7	22.7
Longevity at 65 for current pensioners - women	23.6	26.1
Longevity at 65 for future pensioners - men	23.5	24.8
Longevity at 65 for future pensioners - women	25.8	28.3
Rate of inflation (CPI)	2.8%	3.8%
Pension increase rate	2.8%	3.8%
Rate of increase in salaries	4.6%	5.3%
Rate of discounting scheme liabilities	5.5%	5.5%
Expected return on assets	6.7%	6.9%
Take-up of option to convert annual pension into retirement grant for pre April 2008 service	50.0%	50.0%
Take-up of option to convert annual pension into retirement grant for post April 2008 service	75.0%	75.0%

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

Assets at 31st March 2011				Restated Assets at 31st March 2010		
Value		Expected long term return		Value		Expected long term return
£'000	%	%		£'000	%	%
47,876	68	7.5	Equities	48,874	67	7.8
16,897	24	4.9	Bonds	17,507	24	5.0
4,224	6	5.5	Property	4,377	6	5.8
1,408	2	4.6	Cash	2,188	3	4.8
70,405	**100**		**Total**	**72,946**	**100**	

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

Scheme History

Amounts for current and previous accounting periods	Year to 31st March 2011 £'000	Year to 31st March 2010 £'000	Year to 31st March 2009 £'000	Year to 31st March 2008 £'000	Year to 31st March 2007 £'000
Fair value of employers assets	70,405	72,946	51,561	65,549	69,438
Present value of liabilities	(108,476)	(143,351)	(88,642)	(90,626)	(104,277)
Surplus / (Deficit)	**(38,071)**	**(70,405)**	**(37,081)**	**(25,077)**	**(34,839)**

The liabilities show the underlying commitments that the council has in the long-term to pay retirement benefits. The net liability of £38.1m has a substantial impact on the net worth of the council as recorded in the Balance Sheet, although the overall balance remains positive at £200.9m. Statutory arrangements for funding the pension deficit mean that the financial position of the Authority remains healthy.

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

The total contributions expected to be made to the Local Government Pension Scheme in 2011/12 is £3,108,000.

History of Experience Gains and losses

The actuarial gains identified as movements on the pension reserve in 2010/11 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2011:

Amounts for current and previous accounting periods	Year to 31st March 2011 £'000	Year to 31st March 2010 £'000	Year to 31st March 2009 £'000	Year to 31st March 2008 £'000	Year to 31st March 2007 £'000
Experience gains / (losses) on Assets	(7,073)	17,730	(19,148)	(8,548)	(80)
Actuarial gains / (losses) on Assets	(7,073)	17,730	(19,148)	(8,548)	(80)
Fair value of employers assets	70,405	72,946	51,561	65,549	69,438
Experience gains / (losses) as a percentage of fair value of Assets	**(10.0)%**	**24.3%**	**(37.1%)**	**(13.0%)**	**(0.1%)**
Actuarial gains / (losses) as a percentage of fair value of Assets	**(10.0)%**	**24.3%**	**(37.1%)**	**(13.0%)**	**(0.1%)**

Amounts for current and previous accounting periods	Year to 31st March 2011 £'000	Year to 31st March 2010 £'000	Year to 31st March 2009 £'000	Year to 31st March 2008 £'000	Year to 31st March 2007 £'000
Experience Gains/(Losses) on Liabilities	13,268	(53)	(55)	1,657	(1)
Actuarial gains / (losses) on liabilities	28,490	(49,827)	7,951	18,488	6,053
Present value of liabilities	(108,476)	(143,351)	(88,642)	(90,626)	(104,277)
Experience gains / (losses) as a percentage of present value of Liabilities	**12.2%**	**(0.0%)**	**(0.1%)**	**1.8%**	**(0.0%)**
Actuarial gains / (losses) as a percentage of present value of Liabilities	**26.3%**	**(34.7%)**	**9.0%**	**20.4%**	**5.8%**

GROUP ACCOUNTS

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

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

Cheltenham Borough Homes Limited has been categorised as a subsidiary company of Cheltenham Borough Council and its interests have been consolidated in accordance with IAS 27.

IAS 27 requires income and expenditure, assets and liabilities to be consolidated on a line-by-line basis. The operating income and expenditure has been included within the local authority housing (HRA) line before net cost of service. Taxation has been disclosed as a separate line before net operating expenditure, although it should be noted that Cheltenham Borough Homes has been granted exemption from Corporation Tax.

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

Gloucestershire Airport Limited has been categorised as a joint venture company as the decisions regarding the operating and financial policies of the company require the consent of all parties. Its assets and liabilities have been consolidated with the council’s in accordance with IAS 31.

IAS 31 requires the Gross Equity Method to be used when consolidating joint ventures. Under this method, the council’s share of the operating result of the Airport is reported gross (i.e. gross turnover and expenditure) as a separate line before net cost of service within the Group Comprehensive Income and Expenditure Statement. Taxation has been disclosed as a separate line before net operating expenditure.

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

PRIOR YEAR ADJUSTMENTS

The Group accounts have been restated to take into account the changes made in the council’s single entity accounts as a result of changes in accounting policy, mainly as a result of the full implementation of International Financial Reporting Standards (IFRS) (see accounting policies, page 37).

STATEMENT OF ACCOUNTING POLICIES FOR THE GROUP ACCOUNTS

These are set out on pages 25 to 37 and note 1(xxv) page 37.

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.

2009/10 Restated				2010/11		
Gross expenditure	Gross income	Net expenditure		Gross expenditure	Gross income	Net expenditure
£'000	£'000	£'000		£'000	£'000	£'000
			Continuing Operations			
9,318	(8,337)	981	Central Services to the public	9,743	(8,482)	1,261
22,901	(3,180)	19,721	Cultural and related services	10,604	(3,737)	6,867
8,764	(3,588)	5,176	Environment & Regulatory services	7,724	(4,231)	3,493
3,291	(1,901)	1,390	Planning services	3,630	(1,657)	1,973
6,383	(5,835)	548	Highways and Transport services	4,814	(6,174)	(1,360)
23,834	(17,228)	6,606	Local Authority housing (HRA)	60,594	(17,057)	43,537
33,585	(32,109)	1,476	Other housing services	34,068	(34,151)	(83)
3,054	(422)	2,632	Corporate & Democratic core	2,668	(311)	2,357
1,964	(150)	1,814	Non Distributed costs	(11,026)	(150)	(11,176)
113,094	**(72,750)**	**40,344**	**Total Cost of Continuing Operations excluding Concessionary Fares transferred to Gloucestershire County Council 1 April 2011**	**122,819**	**(75,950)**	**46,869**
2,167	(540)	1,627	Concessionary Fares	2,337	(642)	1,695
115,261	**(73,290)**	**41,971**	**Cost of Services**	**125,156**	**(76,592)**	**48,564**
480	(298)	182	Other operating expenditure *(note 52)*	252	(281)	(29)
8,377	(6,224)	2,153	Financing and Investment Income and Expenditure	4,596	(1,354)	3,242
335	-	335	Exceptional item- Impairment losses on Icelandic bank deposits *(note 9)*	(2,714)	-	(2,714)
187	-	187	Exceptional item - CBC v. Laird case *(note 9)*	(25)	-	(25)
-	(17,336)	(17,336)	Taxation and non-specific grant income *(note 15)*	-	(17,519)	(17,519)
124,640	**(97,148)**	**27,492**	**(Surplus) or Deficit on the provision of services**	**127,265**	**(95,746)**	**31,519**
		74	Share of Surplus or deficit of Joint Ventures			(362)
		(14)	Tax expenses of Joint ventures			17
		27,552	**Group (Surplus) or Deficit**			**31,174**
		30,331	(Surplus) / Deficit on revaluation of non-current assets			(1,283)
		37,829	Actuarial (gains) losses on pension fund assets / liabilities *(note 49)*			(28,431)
		-	Share of other comprehensive income and expenditure of Joint Ventures			-
		68,160	**Other Comprehensive Income and Expenditure**			**(29,714)**
		95,712	**Total Comprehensive Income and Expenditure**			**1,460**

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 (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 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 2009 Restated £'000	31 March 2010 Restated £'000		Note	31 March 2011 £'000
334,675	282,492	Property, Plant & Equipment	48	234,315
25,501	22,608	Investment Property	23	22,223
315	234	Intangible Assets	25	448
12,543	10,125	Long Term Investments	50	3,358
22,176	21,368	Investments in Joint Ventures	50	22,052
284	249	Long Term Debtors	27	233
395,494	**337,076**	**Long Term Assets**		**282,629**
7,144	2,368	Short term Investments	27	12,301
-	-	Assets held for sale	26	3,084
102	117	Inventories	28	124
7,290	6,064	Short term Debtors	45	4,916
161	96	Cash and cash equivalents	46	1,976
14,697	**8,645**	**Current assets**		**22,401**
(164)	(464)	Bank overdraft	46	(1,022)
(20,447)	(17,912)	Short term borrowing	27	(13,607)
(11,618)	(6,983)	Short term creditors	47	(10,753)
(690)	(535)	Provisions	32	(96)
(32,919)	**(25,894)**	**Current Liabilities**		**(25,478)**
(26,900)	(26,900)	Long term borrowing	27	(26,900)
(189)	(83)	Capital grants receipts in advance	20	(83)
(38,479)	(76,852)	Other long term liabilities	49	(38,037)
(65,568)	**(103,835)**	**Long term liabilities**		**(65,020)**
311,704	**215,992**	**Net Assets**		**214,532**
(16,030)	(8,445)	Usable Reserves	51	(20,122)
(295,674)	(207,547)	Unusable Reserves	53	(194,410)
(311,704)	**(215,992)**	**Total Reserves**		**(214,532)**

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 authority's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement.

	Total Authority Usable Reserves	Authority's share of Usable Reserves of subsidiaries and Joint Ventures	**Total Group Usable Reserves**	Total Authority Unusable Reserves	Authority's share of Unusable Reserves of subsidiaries and Joint Ventures	**Total Group Unusable Reserves**	**Total Group Reserves**
	£'000	£'000	**£'000**	£'000	£'000	**£'000**	**£'000**
Balance at 31 March 2009	**16,794**	**(764)**	**16,030**	**274,070**	**21,604**	**295,674**	**311,704**
Movement in Reserves during 2009/10							
Surplus or (deficit) on the provision of services	(27,505)	(47)	(27,552)	-		-	(27,552)
Other comprehensive Income & expenditure	-		-	(62,419)	(5,741)	(68,160)	(68,160)
Total comprehensive Income & Expenditure	(27,505)	(47)	(27,552)	(62,419)	(5,741)	(68,160)	(95,712)
Adjustments between company reserves (Note 52)		(5,733)	(5,733)		5,733	5,733	-
Adjustments between accounting basis and funding basis under regulations (Note 7)	25,700		25,700	(25,700)		(25,700)	-
Net decrease before transfers to reserves	(1,805)	(5,780)	(7,585)	(88,119)	(8)	(88,127)	(95,712)
Transfers to/from earmarked reserves (Note 33)	-			-			-
Increase / (decrease) in 2009/10	(1,805)	(5,780)	(7,585)	(88,119)	(8)	(88,127)	(95,712)
Balance at 31 March 2010	**14,989**	**(6,544)**	**8,445**	**185,951**	**21,596**	**207,547**	**215,992**
Movement in Reserves during 2010/11							
Surplus or (deficit) on the provision of services	(31,280)	106	(31,174)			-	(31,174)
Other comprehensive Income & expenditure	-		-	22,682	7,032	29,714	29,714
Total comprehensive Income & Expenditure	(31,280)	106	(31,174)	22,682	7,032	29,714	(1,460)
Adjustments between company and authority reserves (Note 52)	(2,170)		(2,170)		2,170	2,170	-
Adjustments between company reserves (Note 52)		7,014	7,014		(7,014)	(7,014)	-
Adjustments between accounting basis and funding basis under regulations (Note 7)	38,007		38,007	(38,007)		(38,007)	-
Net decrease before transfers to reserves	4,557	7,120	11,677	(15,325)	2,188	(13,137)	(1,460)
Transfers to/from earmarked reserves (Note 33)	-						
Increase / (decrease) in 2010/11	4,557	7,120	11,677	(15,325)	2,188	(13,137)	(1,460)
Balance at 31 March 2011	**19,546**	**576**	**20,122**	**170,626**	**23,784**	**194,410**	**214,532**

GROUP CASH FLOW STATEMENT

The cash flow statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group 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 Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the Group'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 authority.

2009/10 Restated £'000		2010/11 £'000	2010/11 £'000
	Operating activities		
(7,017)	Council Tax receipts	(7,148)	
(1,646)	Revenue Support Grant	(1,118)	
(7,129)	National non-domestic rate receipts from national pool	(7,701)	
(38,283)	DWP grants for benefits	(39,534)	
(847)	Other government grants	(1,604)	
(6,654)	Rents (after rebates)	(6,761)	
(17,558)	Sales of goods and rendering of services	(19,946)	
(650)	Interest receipts	(54)	
(25)	Dividends received	(25)	
(79,809)	**Cash inflows generated from operating activities**		(83,891)
23,509	Cash paid to and on behalf of employees	23,105	
19,443	Housing Benefit paid	20,246	
153	Precepts paid	160	
238	Payments to the Capital Receipts Pool	-	
25,259	Cash paid to suppliers of goods and services	22,645	
1,269	Interest paid	1,293	
10,746	Other payments for operating activities	6,510	
80,617	**Cash outflows generated from operating activities**		73,959
808	**Net cashflows from operating activities**		**(9,932)**
	Investing activities		
5,293	Purchase of property, plant and equipment, investment property and intangible assets	7,505	
(663)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,101)	
(7,065)	Proceeds from the sale of short and long term investments	(118)	
(544)	Other receipts from investing activities	(981)	
(2,979)	**Net cashflows from Investing activities**		**4,305**
	Financing activities		
(173,190)	Cash receipts of short and long term borrowing	(110,545)	
175,727	Repayments of short- and long-term borrowing	114,850	
2,537	**Net cash flows from financing activities**		**4,305**
366	**Net increase (-) / decrease in cash and cash equivalents**		**(1,322)**
(2)	Cash and cash equivalents at beginning of the year		(368)
(368)	**Cash and cash equivalents at the end of the year (note 46)**		**954**

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.

43. Cheltenham Borough Homes Limited

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 on 1st April 2003 with a seven year contract with the council to manage and maintain its 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 assets at 31st March 2011 of £529,273 (net liabilities of £5,880,173 at 31st March 2010) and a trading loss of £283,554 in the year to 31st March 2011 (compared to a profit of £38,248 in the year to 31st March 2010). The net liabilities have reduced mainly due to the acquisition of assets under construction (part funded by social housing grant and land donated by Cheltenham Borough Council), resulting in increased tangible fixed assets of £0.7 million, and a reduced pension liability of £6.4 million, resulting mainly from actuarial gains.

The net assets of Cheltenham Borough Homes are valued at cost (in accordance with company accounting rules) and may not therefore reflect their market value. The directors consider it appropriate to prepare the accounts on a going concern basis which assumes the company will be able to meet its liabilities as they fall due. The accounts of the company do not show any contingent liabilities or assets at 31 March 2011. The council's commitment to meet losses is limited to the shares that it holds.

The accounts of Cheltenham Borough Homes Ltd and Cheltenham Borough Homes Services Ltd for the year ending 31st March 2011 can be obtained from the Company Secretary at the company's registered office – Cheltenham House, Clarence Street, Cheltenham, Gloucestershire, GL50 3RD.

The council's group accounts combine those of Cheltenham Borough Homes Ltd. (including CBHS Ltd) with the council's own ('single-entity') accounts and the authority's share of Gloucestershire Airport Ltd, adjusting for differences in accounting policy (these are detailed in the accounting policies on pages 25 to 37 and note 1(xxv) on page 37). CBH Ltd has been treated as a wholly-owned subsidiary of the council, so has been consolidated on a line by line basis, in accordance with IAS 27. Inter-organisation debtors and creditors have been eliminated.

44. 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. 2774189). The audited accounts of the company show net assets at 31st March 2011 of £876,338 (compared to net liabilities of £457,031 at 31st March 2010) and an after tax profit of £690,369 for the year to 31st March 2011 (loss of £120,386 to 31st March 2010). The main reason net liabilities have reduced is due to a significant decrease in the net pension deficit, resulting mainly from an actuarial gain of £0.643 million.

The accounts have received an unqualified audit opinion and do not show any contingent liabilities or assets at 31 March 2011. 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 net assets as follows:

	Gloucestershire Airport Limited	**Council's share of the Airport's assets**
	£	**£**
	2010/11	**2010/11**
Turnover	3,984,547	1,992,273
Profit on ordinary activities before taxation	725,597	362,798
Tax on profit on ordinary activities	35,228	17,614
Profit for the financial year after taxation	690,369	345,184
	31 March 2011	**31 March 2011**
Fixed Assets	2,112,913	1,056,456
Current Assets	1,055,827	527,913
Liabilities due within one year	627,402	313,701
Liabilities due after one year	-	-

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

The Airport did not pay any dividends in the year to 31st March 2011. 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.

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The accounts of Gloucestershire Airport Ltd for the year ending 31st March 2011 can be obtained from the Managing Director at the company's registered office - The Tower Building, Staverton, Nr Cheltenham, Gloucestershire, GL51 6SR.

The council's group accounts combine its share of the Airport's accounts with those of CBH Ltd and the council's own ('single-entity') accounts, adjusting for differences in accounting policy (these are detailed in the accounting policies on pages 25 to 37 and note 1(xxv) on page 37). For the purposes of the group accounts Gloucestershire Airport has been treated as a jointly controlled entity (or Joint Venture) and has been consolidated in accordance with IAS 31.

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

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

This upward revaluation results in an increase in Unusable Reserves in the group accounts compared to the council's own accounts of £21.6 million, of which £15.1 relates to operational property (so included in the Revaluation Reserve) and £6.5 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 £0.5 million, based on a life of 30 years.

There is no requirement to adjust for transactions carried out and balances held between the council and Gloucestershire Airport Limited. The cash flows of the Airport are also not required to be included in the Group Cash flow Statement.

In the autumn of 2009, the council agreed to facilitate borrowing to finance the runway safety project at Gloucestershire Airport. This will provide a safer runway with a computerised instrument landing system (ILS) which will enable the airport to attract more profitable corporate business, increase the profitability for the airport and the council, a shareholder in the company. Various legal issues delayed the start of the project; these were all resolved by April 2011 and the building contractors began on site at the end of the same month. The construction works are progressing well, with ongoing monitoring by the shareholders. It is anticipated the project with be completed by February 2012, with the ILS installation planned for the summer of 2012.

45. Short term debtors

These are as stated in note 29 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.

46. Cash and Cash Equivalents

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

	31st March 2011 £'000	31st March 2010 £'000
Cash held by the Authority and subsidiaries	14	22
Bank current accounts of the Authority and subsidiaries	1,062	74
Short term deposits	900	-
Cash and cash equivalent assets	**1,976**	**96**
Cash and cash equivalent liabilities - bank overdraft	**(1,022)**	**(464)**
Net Cash and cash equivalents per Cash flow Statement	**954**	**(368)**

47. Short term Creditors

	31st March 2011 £'000	31st March 2010 £'000
Central Government Bodies	3,245	1,121
Other Local Authorities	1,497	1,310
NHS bodies	-	-
Public corporations and trading funds	1,091	223
Other entities and individuals-		
- Council Taxpayers	72	67
- Housing Rents	117	95
- Sundry Creditors	4,731	4,167
	10,753	**6,983**

48. Group Property, Plant & Equipment

2009/10 Council dwellings £'000	2009/10 Other Land and buildings £'000	2009/10 Vehicles, Plant and equipment £'000	2009/10 Infra-structure assets £'000	2009/10 Community assets £'000	2009/10 Surplus assets £'000	2009/10 Assets under construction £'000	2009/10 Total £'000		2010/11 Council dwellings £'000	2010/11 Other Land and buildings £'000	2010/11 Vehicles, Plant and equipment £'000	2010/11 Infra-structure assets £'000	2010/11 Community assets £'000	2010/11 Surplus assets £'000	2010/11 Assets under construction £'000	2010/11 Total £'000
								Cost or valuation								
255,507	87,803	3,761	8,236	61	406	85	355,859	At 1 April	259,220	78,552	3,967	7,690	226	25	282	349,962
3,800	159	512	514	6	-	282	5,273	Additions	2,884	192	1,628	627	-	-	2,930	8,261
-	(543)	-		-	-	-	(543)	Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,062	99	-	-	-	-	-	1,161
-	(9,648)	-	-	95	-	-	(9,553)	Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	(108,549)	-	-	-	-	-	-	(108,549)
(179)	(250)	(34)	-	-	-	-	(463)	Derecognition - disposals	(2,580)	-	(17)	-	-	-	-	(2,597)
-	-	-	-	-	-	-	-	Assets reclassified to held for resale		(3,404)	-	-	-	-	-	(3,404)
92	1,031	(272)	(1,060)	64	(381)	(85)	(611)	Other Reclassifications	-	-	-	137	-	-	(137)	-
-	-	-	-	-	-	-	-	Other movements	-	105	-	-	-	-	-	105
259,220	**78,552**	**3,967**	**7,690**	**226**	**25**	**282**	**349,962**	**At 31 March**	**152,037**	**75,544**	**5,578**	**8,454**	**226**	**25**	**3,075**	**244,939**
								Accumulated Depreciation and Impairment								
(16,662)	(2,172)	(1,563)	(421)	-	(366)	-	(21,184)	At 1 April	(62,487)	(2,103)	(2,240)	(640)	-	-	-	(67,470)
(3,035)	(2,022)	(768)	(245)	-	-	-	(6,070)	Depreciation charge	(3,101)	(1,999)	(700)	(232)	-	-	-	(6,032)
-	-	-	-	-	-	-	-	Depreciation written out to the Revaluation Reserve	-	103	-	-	-	-	-	103
-	2,004	-	-	-	-	-	2,004	Depreciation written out to the surplus/ deficit on the provision of services	62,487	-	-	-	-	-	-	62,487
(33,123)	-	-	-	-	-	-	(33,123)	Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
(9,667)	-	-	-	-	-	-	(9,667)	Impairment losses / (reversals) recognised in the surplus / deficit on the provision of services	(28)	-	57	27	-	-	-	56
-	-	34	-	-	-	-	34	Derecognition - disposals	-	-	17	-	-	-	-	17
-	-	-	-	-	-	-	-	Assets reclassified to held for resale	-	320	-	-	-	-	-	320
-	87	57	26	-	366	-	536	Other Reclassifications	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	Other movements	-	(105)	-	-	-	-	-	(105)
(62,487)	**(2,103)**	**(2,240)**	**(640)**	**-**	**-**	**-**	**(67,470)**	**At 31 March**	**(3,129)**	**(3,784)**	**(2,866)**	**(845)**	**-**	**-**	**-**	**(10,624)**
196,733	**76,449**	**1,727**	**7,050**	**226**	**25**	**282**	**282,492**	**Net Book Value at 31 March**	**148,908**	**71,760**	**2,712**	**7,609**	**226**	**25**	**3,075**	**234,315**

49. Other Long term liabilities

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 42 on pages 84 to 89 and for CBH in their accounts. Due to an actuarial gain of £6.7 million during the year the CBH accounts show a pension asset at 31st March 2011 of £34,000 (liability of £6.446 million at 31st March 2010).

50. Long term investments

These differ from note 27 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 £22.052 million.

51. Usable Reserves

These are detailed in the Group Movement in Reserves Statement.

52. Group Movements in the Movement in Reserves Statement

Adjustments are required between company and authority usable and unusable reserves for

- a transfer of land valued at £1.076 million from the council to CBH at nil value for social house building. Shown as a loss on disposal in the single entity Comprehensive Income and Expenditure Statement (other operating expenditure line) this has been removed from the equivalent line in the Group statement
- the receipt by CBH of social housing capital grant. This has been credited to the Other Housing Services line within the Group Comprehensive Income and Expenditure Statement and transferred to the Capital Adjustment Account in the Group Balance Sheet, as it has been used to finance new housing properties under construction by CBH
- a capital grant of £110,000 from the council to CBH to finance housing new build. This has been removed in the Group Comprehensive Income and Expenditure Statement as it is internal to the Group.

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

53. Unusable Reserves

Reserve	31st March 2009 Restated £'000	31st March 2010 Restated £'000	31st March 2011 £'000
Revaluation Reserve	55,334	24,029	23,950
Capital Adjustment Account	285,174	257,193	211,247
Financial Instruments Adjustment Account	(7,969)	(3,454)	(2,889)
Collection Fund Adjustment Account	105	93	93
Pensions Reserve	(37,081)	(70,405)	(38,071)
Deferred Capital Receipts Reserve	204	172	152
Accumulating Compensated Absences Adjustment Account	(93)	(81)	(72)
Total Unusable Reserves	**295,674**	**207,547**	**194,410**

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.

	2010/11 £'000	2009/10 £'000
Expenditure		
Repairs and maintenance	(3,770)	(3,621)
Supervision and management	(5,919)	(5,768)
Rents, rates, taxes and other charges	(36)	(54)
Negative HRA Subsidy payable	(1,119)	(1,162)
Depreciation and impairment of non-current assets	(49,274)	(11,615)
Debt management costs	(46)	(43)
Movement in the allowance for bad debts	(139)	(193)
Revenue expenditure charged to capital under statute	(6)	(11)
Rent rebates subsidy limitation	(130)	(218)
Total Expenditure	**(60,439)**	**(22,685)**
Income		
Dwelling rents	15,824	15,812
Non-dwelling rents	421	346
Charges for services and facilities	503	461
Contributions towards expenditure	309	609
Total Income	**17,057**	**17,228**
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	**(43,382)**	**(5,457)**
HRA services' share of Corporate and Democratic Core	(126)	(127)
Net Cost for HRA Services	**(43,508)**	**(5,584)**
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
Gain/(Loss) on sale of HRA non-current assets	(784)	114
Interest payable and similar charges	(525)	(529)
Interest and investment income	88	46
Deficit for the year on HRA Services	**(44,729)**	**(5,953)**

MOVEMENT ON THE HRA STATEMENT

This 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:

2009/10 £'000		2010/11 £'000
(5,953)	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	(44,729)
7,223	Adjustments between accounting basis and funding basis under statute	46,821
1,270	**Net Increase in year on the HRA**	**2,092**
311	**Balance on the HRA at the end of the previous year**	**1,581**
1,581	**Balance on the HRA at the end of the current year**	**3,673**

NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

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

2009/10 £'000		2010/11 £'000
	Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Statement	
(9)	Amortisation of premiums and discounts	(9)
9,746	Impairment losses	46,090
(1,232)	Revaluation gains on Investment Property	-
(294)	Capital grants	-
11	Revenue expenditure charged to capital under statute	6
(114)	(Gain)/Loss on sale of HRA fixed assets	784
8,108		**46,871**
	Items not included in the HRA Income and Expenditure Account but included in the Movement on the HRA Statement	
66	Transfer from Major Repairs Reserve	83
(951)	Capital expenditure funded by the HRA	(133)
7,223	**Net adjustments between accounting basis and funding basis under regulations**	**46,821**

A prior year adjustment has been made to the 2009/10 figures for revaluation gains on investment property, which under IFRS are credited to the Income and Expenditure statement instead of the Revaluation Reserve. Since this is not a statutory item in the HRA it has been reversed out to the Capital Adjustment Account in the Movement in the HRA statement above.

2. Housing Stock

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

Type	1st April 2010	Additions	Sales	Conversion	31st March 2011
Houses & Bungalows	2,224		(14)		2,210
Flats	2,378			(2)	2,376
Shared Ownership (flats)	19				19
Total Stock	**4,621**	**-**	**(14)**	**(2)**	**4,605**

3. HRA Fixed Assets

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

	1st April 2010 £'000	Revalue £'000	Additions £'000	Impairment £'000	Disposals £'000	Depreciate £'000	31st March 2011 £'000
Dwellings	196,733	1,062	2,883	(46,090)	(2,580)	(3,101)	148,907
Garages	744	202	86			(24)	1,008
Infrastructure	2,271		87			(59)	2,299
Investment Property	3,727						3,727
Total net fixed assets	**203,475**	**1,264**	**3,056**	**(46,090)**	**(2,580)**	**(3,184)**	**155,941**

The charges for impairment relate to revaluation losses following a full stock valuation at 1st April 2010 undertaken in accordance with Government guidance. This values the dwellings at existing use – social housing, which in the south west region is deemed to be 31% of vacant possession value. The previous valuation guidance used a factor of 44% of vacant possession value and this change accounts for the significant impairment charge in year.

4. Dwelling Valuation

The vacant possession value of dwellings within the HRA at 1st April 2010 was £ 481,799,290. This valuation and the lower Balance Sheet valuation show the economic cost to Government of providing council housing at less than open market rents.

5. Major Repairs Reserve

An analysis of movements on the reserve is shown below:

	£'000
Balance 1st April 2010	-
Transfer to reserve	3,184
Transfer from reserve to HRA	(83)
Finance of HRA capital expenditure	(2,801)
Balance 31st March 2011	**300**

6. Housing Repairs Account

An analysis of movements on the account is shown below:

	£'000
Balance 1st April 2010	-
Contribution from HRA	3,770
Repairs & Maintenance expenditure	(3,770)
Balance 31st March 2011	**-**

7. HRA Capital Expenditure

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

Sources of Finance HRA Capital Expenditure	**Total Expenditure £'000**	**Major Repairs Allowance £'000**	**Revenue £'000**	**Capital Receipts £'000**
Major Repairs & Improvements	2,837	2,786	46	5
Garages	86			86
Infrastructure	87		87	
Repurchase of shared ownership flats	46			46
Total	**3,056**	**2,786**	**133**	**137**

8. HRA Capital Receipts

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

	2010/11 £'000	2009/10 £'000
Sale of Dwellings	453	208
Mortgage Principal	21	21
Discounts repaid on former council dwelling sales	14	32
Sale of Shared Ownership Flats	75	65
Land	1,300	-
Total	**1,863**	**326**

9. Revenue Expenditure Funded from Capital Under Statute

Expenditure amounted to £5,795 in 2010/11 (£10,707 in 2009/10) and related to grants to third parties. This has been wholly written off to the HRA within the year.

10. HRA Subsidy

The council's entitlement to HRA subsidy in 2010/11 is calculated in accordance with the subsidy determination for the year and is analysed into its component elements below:

	2010/11 £'000	2009/10 £'000
Management Allowance	2,814	2,721
Maintenance Allowance	5,441	5,227
Charges for Capital	9	9
Major Repairs Allowance	3,101	3,035
ALMO Allowance	2,515	2,515
Guideline Rent Income	(14,949)	(14,614)
Interest on Receipts	(50)	(61)
Adjustment re previous year		6
Total Net Subsidy Payable	**(1,119)**	**(1,162)**

11. Rent Arrears

Rent arrears at 31st March 2011 amounted to £516,719 (£578,465 as at 31st March 2010) and the Balance Sheet includes a bad debt provision of £292,000 relating to those arrears (£344,984 as at 31st March 2010).

12. Rent Rebates Subsidy Limitation

The Secretary of State has directed that the additional cost of rent rebates granted to tenants which arises from council rents being in excess of the specified limit should be charged to the HRA and credited to the General Fund. In 2010/11 this amounted to £129,671 (£218,336 in 2009/10), a figure which will reduce in future years as government policy on rent restructuring is implemented.

13. Interest and investment income

This is made up of £4,984 mortgage interest and £83,220 on notional cash balances (£5,700 and £40,178 respectively in 2009/10).

THE COLLECTION FUND - INCOME AND EXPENDITURE ACCOUNT

	2010/11 £'000	2009/10 £'000
INCOME		
Council Taxpayers	55,591	54,002
Transfers from General Fund		
Council Tax Benefits	7,075	6,832
Income Collectable from Business Ratepayers	47,784	48,244
Bad and Doubtful Debts		
Decrease / (increase) in provision	135	(75)
Total Income	**110,585**	**109,003**
EXPENDITURE		
Precepts and Demands from County and District Councils	62,358	60,620
Business Rates		
Payment to National Pool	47,182	47,353
Costs of Collection	190	188
Interest on Repayments	58	55
Bad and Doubtful Debts		
Write Offs	529	615
Surplus Distribution	265	265
Total Expenditure	**110,582**	**109,096**
(Deficit) / Surplus for the Year	**3**	**(93)**
Balance of Fund as at 1st April	721	814
Fund Balance as at 31st March	**724**	**721**

NOTES TO THE COLLECTION FUND

1. INCOME FROM BUSINESS RATEPAYERS

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

The total non-domestic rateable value at 31st March 2011 was £136.953m (£117.426m at 31st March 2010) and the national non-domestic multiplier for 2010/11 was 41.40p (48.5p in 2009/10), resulting in gross income before cost of collection and provision for bad debts and interest of approximately £47m. The income shown in the Collection Fund of £47.8m is net of these adjustments.

2. CALCULATION OF COUNCIL TAX

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

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

Council Tax is a property based tax with 25% reduction being made for single occupancy and 100% for void. The District Valuer has valued all domestic property in the area and has placed them into one of eight bands. A factor is then applied to each band so that the tax base can be expressed as a "Band D" equivalent (see below).

Band	Estimated Number of Properties in each Band (adjusted for discounts)	Ratio	Band "D" Equivalents
A	7021.90	6/9	4681.27
B	10513.65	7/9	8177.29
C	11818.05	8/9	10504.94
D	7674.45	1	7674.45
E	4182.70	11/9	5112.19
F	2295.15	13/9	3315.22
G	1754.50	15/9	2924.17
H	67.55	2	135.10
			42,524.63

Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation bandings, demolitions, disabled persons' relief and exemptions, plus adjustments for new properties. (This amounts to 1.00% of the tax base).	(421.33)
Council Tax Base for 2010/11	**42,103.30**

3. PRECEPTS

The precepts on the Collection Fund are as follows:-

	2010/11 £'000	2009/10 £'000
Gloucestershire County Council	45,914	44,682
Cheltenham Borough Council	7,879	7,652
Gloucestershire Police Authority	8,408	8,132
Charlton Kings Parish Council	45	43
Leckhampton Parish Council	25	25
Prestbury Parish Council	55	54
Swindon Village Parish Council	9	9
Up Hatherley Parish Council	23	23
	62,358	**60,620**

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

4. FUND BALANCE

The balance of the Fund is to be shared between the council and its major precepting authorities in 2012/13 (Gloucestershire County Council and Gloucestershire Police Authority). The amounts are transferred to the council's general fund and the County Council and Police Authority funds.

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

	CBC share £'000	County share £'000	Police share £'000	Total £'000
Balance at 1st April 2010	93	531	97	721
Increase in the Year	-	2	1	3
Balance at 31st March 2011	**93**	**533**	**98**	**724**

Annual Governance Statement 2010/11

Scope of responsibility

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

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

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

You can download a copy of the Local Code of Corporate Governance (pdf)
or a copy can be obtained from the Municipal Offices, Promenade, Cheltenham Gloucestershire GL50 9SA

This statement explains how Cheltenham Borough Council has complied with the code and also meets the requirements of regulation 4(3) and (4) of The Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement.

The purpose of the governance framework

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

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

The governance framework, which was revised and approved by the Audit Committee in January 2010 and approved by council March 2010. It has been in place for the year ended 31st March 2011 and up to the date of approval of the annual report and statement of accounts.

The governance framework

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

Focusing on the purpose of the council and on outcomes for the community, including citizens

and service users and creating and implementing a vision for the local area.

The council agreed in March 2010 a 5 year Corporate Strategy (2010 -15) that included an action plan for the 2010-11 which clearly articulates how the council will deliver better outcomes for the community either directly or in partnership. This was based on the sustainable community strategy – a document which was drawn up following extensive public consultation (Cheltenham 20:20) on key issues and priorities for the town and which sets out a long term vision for Cheltenham. The action plan also took on board advice and comment from the Improvement and Development Agency following a peer review.

The Corporate Strategy is updated on an annual basis to reflect new priorities and any issues which have arisen since it was approved to provide a clear work programme based on priorities for the council. This document is approved by council. Monitoring reports are considered by the senior leadership team and taken to meetings of the overview and scrutiny committees to ensure that the council's objectives are progressing as planned.

The Cabinet agrees a Medium Term Financial Strategy which is in line with the priorities as set out in the council's business plan and identifies any expenditure which may need to be incurred to meet new legislation or changes in service provision. In order to address year on year budget shortfalls, efficiency savings and new or improved income, the council has described within its Medium Term Financial Strategy how it will broadly achieve the budget gap target while keeping council tax at a reasonable level. Each year the council looks to areas where it can make its efficiency savings, budget cuts or additional income, which will not impact on its ability to deliver in priority areas.

The budget monitoring during 2010-11 predicted a £2.4m budget shortfall for 2011-12 because of expected central government cutbacks and reduced income. To address this shortfall a series of 21 consultation events and citizen panels were undertaken at a number of venues across the borough. These events involved staff, elected members, members of the public and community groups to decide which services could be protected, reduced or stopped. The results were used by officers and elected members to help formulate a prioritised budget.

The council has a well established web site with many services online, including a "report it" tool which was used 591 times during the year to tell us about issues of concern. We also took steps to improve the interactive nature of the website by developing systems that allow improved access to council services and information.

The council makes significant use of the local media including face book, twitter and You Tube in order to get across key messages and to receive feedback. Staff and members are also made aware of issues that have been discussed in the media through monthly briefings.

The council has been working with the police and county council on a neighbourhood-based approach to helping local residents tackle and resolve local problems. There are 14 neighbourhoods in Cheltenham with coordination groups that meet every 3 months to agree local priorities, councillors and officers take part in the group meetings to help co-ordinate agreed courses of action.

The Government cancelled the Place survey in the October 2010 as part of its agenda to decentralise government controls. The council continues to undertake service specific user surveys as well as using customer feedback from its corporate complaints and comments system to improve service quality. It also makes use of other sources of information and needs analysis from national, regional and county organisations to formulate its own priorities.

The leader and chief executive of the council sit on the Cheltenham Strategic Partnership (CSP) which supports the delivery of the sustainable community strategy. Cabinet members sit on the six thematic partnerships which support the CSP in the delivery of the vision and each partnership has a part-time partnership officer. The council also supports partnership work at a county level to ensure that the vision and aspirations of Cheltenham are supported through Leadership Gloucestershire. The CSP has an agreed work plan which is published on its website that identifies its priorities and the progress being made.

The Cheltenham Strategic Partnership and its thematic partnerships have agreed governance arrangements, including terms of reference, membership and identification of partnership risk. Partnership structures are currently being reviewed and new governance arrangements will be brought forward.

Members of Executive Board have each agreed to take a lead on one of the thematic partnerships, and along with the relevant Cabinet member are able to ensure that the council's views are fully represented at partnership meetings.

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

The council's constitution defines and documents the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication. The Cabinet has executive powers and make decisions within the overall policy framework (5 year Corporate Strategy and budget) as set by the council.

There are three overview and scrutiny committees which hold the Cabinet to account and assist with policy formulation. The council has two committees which deal with governance, internal control and ethical arrangements, (Audit Committee and Standards Committee), as well as a Staff and Support Services Committee which dealt with employee related matters until it was discontinued on the 15th February 2011. In addition there are two quasi judicial committees which deal with licensing and planning. The council's constitution is approved by council, and is subject to periodic review.

Having considered the KPMG Public Interest Report relating to the Council's decision-making process for the council's High Court Action against its former Managing Director, the council approved an Action Plan to respond to the recommendations in the report. The Action Plan has been monitored on a quarterly basis by the Audit Committee. A number of requirements of the Action Plan led to amendments to the council's Constitution which, following consideration of a report by a Working Group of Members (Constitution Working Group), were approved by the council in December 2010. One of the changes to the Constitution is that the Staff and Support Services Committee was discontinued with effect from the 15th February 2011. A comprehensive review of the Constitution is underway and is due to be completed in October 2011.

The council's Audit Committee meets four times per year and its terms of reference are set out in the council's constitution. The council's external auditors have access to the committee, and the committee also has responsibility for overseeing the risk management process. A review of the Risk Management Policy took place in March 2011 to ensure that it reflected the changes brought about by the Senior Officer restructure, the recommendations within the Public Interest Report and amendments to the Corporate Risk Register template. The Audit Committee also receive routine information papers on the work of the Corporate Governance Group which monitors Significant Issues arising from the Annual Governance Statement.

The council has a Chief Executive who is the Head of Paid Service as defined within the Local Government and Housing Act 1989. The Chief Executive co-ordinates the councils activities, including its management structure, the number of staff employed and their salary grades.

The council has also appointed a monitoring officer (to ensure decisions comply with legislation and that the council has robust procedures in place to prevent maladministration) and a section 151 officer (to ensure that the council's financial arrangements are sound), these are both statutory appointments.

The Senior Leadership Team provides guidance and advice to Members on policy options and implications. All reports identify options, the financial, legal and HR implications, any risks associated with the matter, as well as how it addresses priorities within the Corporate Strategy.

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

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

In September 2010 KPMG published its report to those charged with governance (ISA 260) where they confirmed that the wording of the 2009/10 Annual Governance Statement accords with their understanding. They also concluded that the council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Corporate Governance Group chaired by the Chief Executive reviews the effectiveness of the council's internal controls and reports the results to the Audit Committee. The council has a treasury management panel with cross party support from Members that oversees the council's treasury management strategy and an asset management working group that oversees the way in which the council manages it property assets.

The council's policies are easily accessible to employees and Members on the intranet and runs update/briefing seminars as appropriate.

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

In 2004 the council adopted a series of nine values that underpin everything it does these are promoted to staff and Members on the intranet.

The code of corporate governance was reviewed during 2009 and a revised code adopted by council in January 2010. This code clearly sets the aspirations of the council in ensuring that there are effective governance arrangements.

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

The Chief Executive and other members of the Senior Leadership Team routinely promote good governance messages to employees and Members through the employee blog and Twitter.

Members of staff are encouraged to shadow the Chief Executive to promote their understanding of the wider aspects of the councils work. They are then given the opportunity to be a guest on the Chief Executives blog to provide their views on the experience to other staff.

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

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

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

In December 2010 the council considered its obligation to adopt new executive arrangements; either a new style strong leader and cabinet model or a directly elected Mayor and cabinet model. Following a period of public consultation and a debate at full council it was decided that a new style strong leader and cabinet model be adopted to take effect from May 2012. As the council already operates executive style arrangements the main differences with the new model are that the leader is appointed for a 4 year term (but may be removed earlier by council) and the leader must appoint a deputy leader.

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

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

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

In March 2010 the council agreed a 5 year Corporate Strategy (2010-2015) alongside an action plan for 2010-11. The senior leadership team has collective ownership in ensuring that the Corporate Strategy and it's supporting actions are monitored and delivered.

The council has a performance monitoring system which provides up to date information as to how the council is performing against a number of performance measures and milestones including those set out in the corporate strategy and action plan. The use of this system was reviewed in 2010 and new more informative quarterly reports were presented to the Senior Leadership Team and overview and scrutiny committees.

The council also prioritises expenditure based on need and provides scrutiny and Cabinet with quarterly budget monitoring reports. The council has an appraisal process where all employees are set objectives for the coming year which meet the business plan priorities.

The council approves the council's standing orders, financial rules and scheme of delegation and these are periodically reviewed to ensure that they are still relevant and appropriate. The staff and support services committee played an important role in reviewing the council's constitution ensuring that changes are considered in greater detail ahead of their consideration by council. The council has a risk management policy which was revised and approved by the audit committee in March 2011 and clearly identifies roles and responsibilities for both Members and staff.

The senior leadership team is responsible for the management of Corporate risks. The corporate risk register which includes the risk, mitigating actions and responsible officers is updated and reported to them on a monthly basis. These risks are also reported to Economy and Business Improvement overview and scrutiny committee and the Cabinet. Divisional risks are the responsibility of Directors and individual service managers. Any divisional risk that has corporate implications and scores 16 or over is escalated to the senior leadership team for consideration.

During 2009/10 the council received a public interest report from its auditors in relation to the decision making process on a legal case. The report was considered by the council including a number of recommendations; an action plan was developed to address the issues raised. Progress reports on implementing the recommendations reported to Audit Committee throughout the year and published on the council's website.

The council has a whistle blowing policy which was revised in July 2010 and an anti-fraud and anti-corruption policy. These documents are available on the council web site, and accessible to Members and employees from the intranet site.

The Office of Surveillance Commissioners carried out an inspection of the council's procedures for complying with the requirements of RIPA during April 2010. The report made a number of recommendations which were addressed at the Economy and Business Improvement Overview &

Scrutiny Committee in July 2010. Following the report processes were revised and all staff with the potential for becoming involved in surveillance or its management attended professional training. These powers were not used during 2010-11.

The council has an Information Management Group that routinely reviewed information management and data protection procedures and processes. Internal auditors reviewed the Corporate Governance arrangements following the 2009/10 assurance check which led to a number of further improvements to the process and reporting protocols.

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

The council manages its budgets through cost centre managers who are responsible for the day to day management of their income and expenditure in line with financial rules. The council reports how it intends to balance its budget when the council approves the budget proposals each February and reports progress in the quarterly Budget Monitoring Reports to Cabinet.

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

There is a People and Organisational Development Strategy that sets out the council's longer term aspirations for member and officer development, together with an annual action plan. There is a member training programme, which is supported by both the human resources division and democratic services. Generic training needs for Members are identified in consultation with Members and group leaders. All Members have personal learning accounts on the council's Learning Gateway, to log training needs and record training undertaken.

During the course of the year the council's external auditors identified the need to review the way in which the council delivers training to its Members and this has resulted in a greater input from the human resources division, better usage of the council's learning gateway system and proposals for supporting new Members following the election (e.g. "buddying" new Members with officers to help them orientate themselves into the council). A new on-line risk management training module for Members and staff has been developed which is available through the learning gateway.

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

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

Following the May 2010 elections certain Members were appointed to represent the council on outside bodies i.e. companies, charities and unincorporated associations. The council' constitution includes guidance to officers and Members who take an active part in these organisations. This guidance was reviewed and updated to reflect best practice and changes to the CBC Code of Members' Conduct. The Guidance includes a checklist of issues that should be considered in the event of being nominated to an outside body.

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

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

The council has a complaints and comments system for members of the public. There is a three stage complaint system which gives divisions an opportunity to resolve a complaint at the first point of contact, but if a complainant is still unhappy they are entitled for the matter to be investigated on behalf of the chief executive. Complainants may also refer matters to the local government ombudsman for investigation once they have been through the council's complaint system.

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

In July 2010 the council agreed and published guidance and procedures for the way in which it deals with petitions from members of the public which may include a debate at council or the matter being considered by one of the overview and scrutiny committees.

The government introduced a legal requirement for reporting remuneration of senior employees to increase transparency and accountability in local government. They also made a commitment for all local authorities to publish data on its spending on goods and services over £500. The council published senior officer remuneration as part of its annual accounts and as of the 31st October in line with government guidelines. There are plans to include and publish information on contracts and tenders in the next 12 months which will be linked to the expenditure data.

Delivery through third parties

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

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

The council is a shareholder of Gloucestershire Airport, which is a company limited by shares, and is subject to the requirements set by the Companies Act. There is a board of directors which monitors the company's performance and is responsible for internal control activities. The airport has a commercial director and company secretary as well as an airport director. The statutory accounts are audited each year by a private firm of accountants, and presented to the board and to the shareholders, and are approved at the AGM in September. The council's Director of Resources or designated representative receives regular management accounts for the airport, and either he or the strategic director attends the monthly airport programme board meetings. The company secretary completes an annual assurance certificate to confirm compliance with the agreed governance arrangements.

Review of effectiveness

Cheltenham Borough Council has responsibility under the local Government Act 2011 for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control and the arrangements for the management of risk. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the audit partnership manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. This year it also draws on the public interest report that it received from KPMG.

The effectiveness of the governance framework draws on evidence from:

Internal and external audit and inspection

Statutory officers group

Financial controls

Risk and performance management

Assurance statements from each division

Legal standards

Code of corporate governance

The council approved the code of corporate governance and it has established a Corporate Governance Group which oversees the review of the effectiveness of the code of corporate governance and internal control. All directors have to complete an annual statement of assurance which outlines the key control areas to which the division should comply.

The Corporate Governance Group reviews the statements to identify common themes which need to be reflected in any action plan. Individual Directors are expected to take forward any specific control improvements within their own service plan. These certificates along with evidence from other sources such as audit letters, internal audit reports, corporate controls and the code of corporate governance are reviewed by the Director of Resources, audit partnership manager and the policy officer governance who identify governance and control issues to be included in the annual governance significant issues action plan for the forthcoming year.

The audit committee approves the Annual Governance Statement as part of the statement of accounts. The audit committee are then responsible for monitoring progress against the actions taken, or proposed, to deal with significant governance issues.

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

Significant governance issues

The Senior Leadership Team and the Audit Committee have been advised on the implications of the result of the review of the effectiveness of the governance framework, and an action plan to address weaknesses and ensure continuous improvement of the system is in place.

Control issue and source April 2009-10	Action	Lead officer
The new management structure, partnership working and recommendations from the PIR necessitate a revision of the Constitution and Financial Rules	Review ongoing to be reported to Council during 2011	Monitoring officer Director of Finance
Planned constitutional and Financial rule changes and the restructuring of the Senior Leadership Team necessitate a review of the Annual Assurance process to ensure that it remains effective	Provide a report to SLT by September 2011 the proposals for the annual assurance review for 2011-12	Director Resources
The current audit of payroll highlights that controls could be put at risk due to anticipated short term resource constraints in the payroll team. Audit Assurance report carried forward from 2010-11 SIAP	Payroll resilience is being addressed through temporary recruitment of expertises as required. In addition the GO partnership project will address resilience issues in the longer term.	Director People OD and Change
The Business Continuity Group identified the need for a robust test of back-up ICT systems	Upgrade back up systems and install new equipment to migrate the key business systems. A series of assurance tests are planned to take place between July and September 2011	Graham Lewis Strategic Director
CBC needs to comply with the general equality duty to meet new obligations being placed on all public sector organisations under the Equality Act 2010 and ensure that current processes are embedded within the organisation	Review and refresh the Equality and Diversity processes and the Project Initiation Document template	Director of Commissioning
Some routine audits have identified examples of non adherence to the financial rule requiring monthly reconciliations of systems to the main finance system.	In consultation with GO partners, review the financial rules to determine a whether a more appropriate level and frequency of reconciliation should be considered. Review processes undertaken by service managers and within the future GO shared services. Target September 2011.	Director Resources

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

Signed: Leader of Council

………................…………………………………Councillor Steve Jordan

and Chief Executive

………................…………………………………Andrew North

on behalf of Cheltenham Borough Council

GLOSSARY OF TERMS

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

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

Accruals Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

Actual Actual, as opposed to budget, expenditure and income directly attributable to an accounting period, generally referred to as ‘actuals’.

Amortised cost	Financial instruments are shown on the balance sheet at amortised cost, being the principal amount of the loan plus or minus the balance of any premium or discount associated with that loan, plus any interest accrued at the balance sheet date.
Audit	An independent examination of an organisation's activities, either by internal audit or the organisation's external auditor.
Balances	Working balances are reserves needed to finance expenditure in advance of income from debtors, precepts and grants. Any excess may be applied, at the discretion of the authority, to reduce future demands on the Collection Fund or to meet unexpected costs during the year. Balances on holding accounts and provisions are available to meet expenditure in future years without having adverse effect on revenue expenditure.
Budget	A statement of the income and expenditure policy plan of the council over a specified period. The most common is the annual Revenue Budget expressed in financial terms and including other physical data, e.g. manpower resources.
Capital Financing	The raising of money to finance capital expenditure. In the past the cost of capital assets was usually met by borrowing, but capital expenditure may also be financed by other means such as leasing, contributions from revenue accounts, the proceeds from the sale of capital assets, capital grants and contributions from developers or others.
Capital Financing Requirement	The capital financing requirement measures the authority's underlying need to borrow for capital purposes.
Capital Grants	Government grant towards capital expenditure on a specific service or project.
Cash & Cash equivalents	Cash in hand plus deposits in banks or building societies, repayable on demand or within 24 hours, and deposits maturing within 3 months of the date taken out.
Cash Limit	A method of expenditure control which restricts the amount available for spending for a particular purpose to a specified cash amount, regardless of the effects of inflation.
Collection Fund	This is a statutory fund kept separate from the main accounts of the council. It records all income due from the council Tax, National Non Domestic Rates and Revenue Support Grant and shows the precept payments due to Gloucestershire County Council and the Gloucestershire Police Authority.
Contingent Asset	An asset which exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events, for example, a claim for compensation that an authority is pursuing through the due legal process, where the outcome will only be decided by the decision of the courts.
Contingent Liability	A liability which exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events, for example, the default by a borrower on a loan from a third party for which the authority has given a guarantee.
Creditors	Amounts owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment was not made at the balance sheet date.

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

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

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 2011. The financial statements comprise the Council and Group Movement in Reserves Statements, the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes on pages 21 to 107. The financial statements have been prepared under applicable law and the accounting policies set out in the Statements of Accounting Policies.

This report is made solely to the members of the Council, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Council, as a body, 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 members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Director of Resources Responsibilities, set out on page 20, the Director of Resources is responsible for the preparation of financial statements which 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 require us to comply with the Auditing Practice's 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 Group's and the Council's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Director of Resources; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. 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 the Group and of the Council as at 31 March 2011 and of the Group's and the Council's expenditure and income for the year then ended; and

have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the governance statement set out on pages 108 to 117 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11(3) of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

Conclusion on Cheltenham Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's responsibilities

The Council 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.

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Council 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.

We report if significant matters have come to our attention which prevent us from concluding that the Council 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Council has proper arrangements for:

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

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 Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011. 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 Council 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 2010, 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 ending 31 March 2011.

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 2010 for Local Government Bodies issued by the Audit Commission.

Ian Pennington (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

21 September 2011