

**CHELTENHAM BOROUGH  
COUNCIL**

**Statement of Accounts 2020/21**

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## Our Narrative Report

**Cheltenham aspires to be a place where everyone thrives** – to be one of the UK's most 'liveable' towns, with residents and visitors alike inspired by our **culture, food, public spaces, education** and the diversity and quality of **accessible experiences**.

**It is not just Cheltenham Borough Council that feels so passionate about our local area. The town, which is located between the Cotswold Hills and the Severn Vale has a population of 117,100 (2017 Office for National Statistics), was voted the place to live in the South West 2020 by The Sunday Times with its education, culture and connectivity highlighted amongst its best attributes.**

Cheltenham is no stranger to such accolades, having been voted by The Telegraph as the best place in the UK to raise a family in 2014. However, this latest recognition highlights why Cheltenham is fast becoming a destination for those wishing to enjoy the relaxation of countryside living without missing out on the culture of a big city.

In spite of these endorsements, the Council has not rested on their laurels and has a firm focus on the future, with the town's famous resident - the UK government's cyber hub GCHQ – at the heart of ambitious plans to establish Cheltenham as one of the world's cyber tech capitals. Plans for a new campus and cyber-tech community, Cyber Central – a 45 hectare site at the heart of the 200 hectare Golden Valley development to the west of the town and adjacent to the GCHQ site - are now accelerating under the leadership of Cheltenham Borough Council. In 2019, the land on which the site will be developed was bought by the Council for £37.5m seizing, as they see it, the once-in-a-lifetime opportunity to create a world-leading cyber-tech hub in Cheltenham, with the associated economic and social benefits this will bring.

The commitment the Council has to the town has been clearly apparent in the response to the COVID-19 pandemic which has resulted in a financial year unlike any other. On 23 March 2020, the Prime Minister gave a statement to the nation announcing a set of national restrictions not seen before in peacetime. Over the last 15 months we have experienced three national lockdowns, many have lost loved ones and for others life will never be the same again.

Our Council has been on the front line of the response to the pandemic in Cheltenham paying grants to businesses, providing support to vulnerable people who are shielding, setting up community testing facilities and taking on the most challenging contact tracing, all the while keeping existing services running.

The longer term financial impact of the pandemic on our resources will continue to be closely monitored and reported throughout 2021/22 and beyond to ensure the Council has robust arrangements in place to respond to any future impacts on our funding or resources.

### **Who are Cheltenham Borough Council?**

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

The council has 40 elected members representing twenty wards within the Cheltenham Borough. There are also five parish councils within the borough. Elections are held every two years, when 50% of the seats are offered for re-election. The most recent election was held in May 2021 after being postponed in 2020 due to the national restrictions in place as a result of the COVID-19 pandemic.

The political make-up of Cheltenham Borough Council at 31 March 2021 was:

|                                              |                |
|----------------------------------------------|----------------|
| Liberal Democrat Party                       | 29 councillors |
| Conservative Party                           | 6 councillors  |
| People Against Bureaucracy Party             | 2 councillors  |
| Councillors Not Aligned to a Political Group | 3 councillors  |

The Liberal Democrat group therefore had an overall majority of 18 on the Borough Council for this period.

Supporting the work of councillors is the organisational structure of the council, headed by the Executive Leadership team, led by the Chief Executive. This position is held by Mr Gareth Edmundson. During 2020/21 the Executive comprised of the Chief Executive and three Executive Directors, one of whom is also the statutory section 151 officer, Mr Paul Jones. The statutory role of monitoring officer / borough solicitor to the council is held by Ms Sara Freckleton.

### **Who has overall responsibility at Cheltenham Borough Council?**

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

In 2020/21, the Cabinet consisted of the Leader, a Deputy Leader and a Cabinet of seven Members as follows:

|                                                         |                                                                                                      |
|---------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| Leader of the Council                                   | Councillor Rowena Hay (appointed 7 December 2020)<br>Councillor Steve Jordan (until 7 December 2020) |
| Deputy Leader of the Council and Cabinet Member Housing | Councillor Peter Jefferies                                                                           |
| Cabinet Member Finance and Assets                       | Councillor Steve Jordan (from 7 December 2020)<br>Councillor Rowena Hay (until 7 December 2020)      |
| Cabinet Member Healthy Lifestyles                       | Councillor Flo Clucas                                                                                |
| Cabinet Member Cyber and Safety                         | Councillor Andrew McKinlay                                                                           |
| Cabinet Member Climate and Communities                  | Councillor Max Wilkinson                                                                             |
| Cabinet Member Economy and Development                  | Councillor Victoria Atherstone                                                                       |
| Cabinet Member Clean and Green Environment              | Councillor Chris Coleman                                                                             |
| Cabinet Member Corporate Services                       | Councillor Alex Hegenbarth                                                                           |

When major decisions are to be discussed or made, these are published in the Cabinet's Forward Plan in so far ahead as they can be anticipated. If these decisions are to be discussed with council officers at a meeting of the Cabinet, this will generally be open for the public to attend except where personal or confidential matters are being discussed.

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

The Mayor and Deputy Mayor for 2019/20 continued their appointments in 2020/21 as the annual nominations were cancelled in May 2020 due to the COVID-19 pandemic restrictions.

|              |                            |
|--------------|----------------------------|
| Mayor        | Councillor Roger Whyborn   |
| Deputy Mayor | Councillor Sandra Holliday |

Full details of all the council's committees, including chairs and membership can be found on the council's website at [www.cheltenham.gov.uk](http://www.cheltenham.gov.uk).

## **Our vision for Cheltenham and ambitions for recovery**

### **Our place vision**

Cheltenham is a place that has thrived through centuries of change. It is a place we are proud of and passionate about, and we are committed to helping it grow and prosper in years to come.

Covid-19 has tested Cheltenham's communities and economy over the last twelve months. As a Council, we have recognised in our Covid-19 Recovery Strategy and Medium Term Financial Plan that rebuilding the strength of our town will require both innovation, ambition and a bold vision. To respond to this the Council will need to be agile in the way it responds and how it works with stakeholders and potential investors.

**Our vision for Cheltenham is simply:** *"We want Cheltenham to be a place where everybody thrives."* To achieve this vision, the place strategy action plan aims to deliver on the following outcomes:

- to protect and enhance the built heritage and green spaces that have shaped the unique character of the town;
- to create the conditions in which businesses can thrive, innovate and provide good quality jobs;
- to make the town a world-class cultural and learning centre which is outward-looking and welcoming to visitors;
- to build strong, safe and healthy communities for residents and their families; and
- to facilitate the provision of a wide-range of sustainable travel options and to accept our responsibility to present and future generations to live within environmentally sustainable limits.

In order that we can lead the economic recovery of our town, we will continue to invest in Cheltenham for the benefit of Cheltenham both in terms of sustainable Council finances, but also in terms of the way we invest both commercially and for regeneration.

## Our corporate priorities

The 2019-2023 Corporate Plan outlines our strategic priorities for Cheltenham, what we have chosen to focus on and why we think these are important for our town. The table below outlines our priorities and how we have invested in their achievement over the past twelve months:

|                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Priority One</b> – making Cheltenham the Cyber Capital of the UK; a national first, which will deliver investment in homes, jobs, infrastructure and enable the Council to deliver inclusive growth for our communities.</p> | <ul style="list-style-type: none"> <li>• At the end of August 2019, we completed the purchase of 112 acres of strategically important land for £37.5m which forms part of the Cyber Central Golden Valley development.</li> <li>• In March 2020, Cabinet approved a proposal for an investment of up to £1.7m to support the creation of the MX exchange, a tier 2 growth hub and incubation unit for cyber tech companies which has been delivered through 2020/21 to open in spring 2022.</li> <li>• In February 2021, approval was granted by Tewksbury Borough Council's planning committee for the closure of a runway at Gloucestershire Airport to build a business park and a new access road. The creation of the business park nearby to the Golden Valley development will create jobs, infrastructure and vital economic links in the area. In order to fulfil this vision, the Council has committed £7.25m in 2021/22 to provide a loan to the Airport to fund the delivery of this project.</li> </ul>                       |
| <p><b>Priority Two</b> – Continue the revitalisation of the town ensuring its longer-term viability as a retail and cultural destination</p>                                                                                       | <ul style="list-style-type: none"> <li>• We have set aside £1m to invest in our cultural buildings and enhance the arts and leisure offer that the Cheltenham Trust provides in the town. This will provide opportunities for local artists and support the recovery of the town by providing destination venues, driving footfall of visitors to the town and increasing community engagement with the arts.</li> <li>• We have purchased retail premises to support the ongoing economic development of the town. In 2019/20 investment of £40.673m was made for the purposes of revitalising the town and this property was valued at £66.438m by 31 March 2021. We have also invested in the revitalisation of the high street, complemented by the flagship concept store opening for John Lewis, and the redevelopment of the Brewery Quarter.</li> </ul>                                                                                                                                                                             |
| <p><b>Priority Three</b> – Achieving a cleaner and greener sustainable environment for residents, businesses and visitors</p>                                                                                                      | <ul style="list-style-type: none"> <li>• In 2020/21 approval was granted to recruit two climate change officers to develop and support our response following the declaration of a climate emergency in 2019. These officers are permanent members of staff tasked with driving forward our strategy in response to the increasing risks to the environment.</li> <li>• In January 2020, Cheltenham Borough Council and Vision 21's Climate Conferences for businesses and community organisations was held for the first time. A total of 109 participants, two facilitators and eight group leads plus a key Note address from professor Rebecca Willis spoke about creating a partnership for Cheltenham that will help Cheltenham Borough Council and the rest of us to achieve Net Zero by 2030.</li> <li>• We successfully secured £382k of capital funding from the Government's Public Sector Decarbonisation Scheme which will be combined with our existing £300k budget to begin the delivery of the Net Zero target.</li> </ul> |
| <p><b>Priority Four</b> – Increasing the supply of housing and investing to build resilient</p>                                                                                                                                    | <p>Our Housing Investment Plan has committed £100m to fund mixed tenure housing in the private rented sector and £80m to fund affordable housing. The purpose of these investments is to shape sustainable and resilient communities and allow residents secure homes in which they and their families can thrive.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

|                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| communities                                                                       | The Council will continue to work with the private sector to utilise redundant assets and vacant land to bring them into a useful economic purpose to facilitate regeneration and employment creation. In 2020-21, an investment of £1.605m was provided to CBH in order to support this commitment.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Priority Five</b> – Delivering Services that meet the needs of our communities | <p>Throughout 2020/21 we have invested our own resources as well as utilising Government grant money to support businesses, communities and residents in Cheltenham through the pandemic. Services delivered include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• £44.5m of grants distributed to local businesses impacted by the national restrictions;</li> <li>• Meals on wheels service for older residents;</li> <li>• Purchasing and re-distributing laptops for children who are remote learning;</li> <li>• Increased flexibility in the planning and licencing restrictions to allow businesses to operate as we exited restrictions; and</li> <li>• The distribution of £100k of Community Resilience grants for initiatives to support those in the town most acutely impacted by the pandemic.</li> </ul> |

### Working with partners

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

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

## **Introduction to the financial statements**

The purpose of this narrative report is to provide an explanation of the council's financial performance and position for 2020/21 and assist in the interpretation of the accounting statements, including the Group Accounts. The statements should inform readers of the cost of services provided by the council in the year 2020/21 and the council's assets and liabilities at the year end.

The accounts for the year ending 31 March 2021 have been prepared and published in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This incorporates International Financial Reporting Standards (IFRSs), ensuring the accounts are compliant with these standards. The following main statements and notes are included:

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

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



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

### General Fund Revenue Budget

On 17th February 2020, Council approved the budget for 2020/21. However, the unprecedented response required from the Council to support and protect our staff, residents and the general public from Covid-19 had a material impact on the Council's financial position.

Following the introduction by Central Government of two grant funding streams; the first to cover COVID-19 related expenditure and the second to cover irrecoverable losses in income, a recovery budget was approved by Council in November 2020.

At the point of the recovery budget, additional expenditure was estimated to exceed the £1.535m grant funding that had been received by that point. Additionally, £1.498m of irrecoverable losses were projected for the full year to 31 March 2021, creating an estimated total net cost of £1.84m to the Council.

The recovery budget included revising the Minimum Revenue Provision policy, reallocating capital budget to repay borrowing and identifying surplus assets for disposal to generate funding to support the financial pressures on the general fund. These recommendations were made to ensure that sufficient revenue resources could be released to ensure a robust and balanced budget can be delivered in future years.

The outturn position at 31 March 2021 reports an under spend of £394,663 against this recovery budget. Whilst this is an extremely pleasing outturn position when the challenges of the previous twelve months are considered it should be noted that considerable financial resources have been required in its response to the pandemic.

The outturn position shows that this is slightly lower than forecast with a net cost of £1.47m. Although irrecoverable income losses were higher than forecast, the COVID-19 related expenditure in the second half of the year was lower. The summary outturn is reported in the table below.

| REVENUE OUTTURN 2020/21            | Current<br>Budget 2020/21<br>£ | Actual<br>2020/21<br>£ | (Under)/Overspend<br>2020/21<br>£ |
|------------------------------------|--------------------------------|------------------------|-----------------------------------|
| <b>DIRECTORATES:</b>               |                                |                        |                                   |
| Chief Executive (i)                | 1,510,494                      | 1,613,844              | 103,350                           |
| Finance & Assets Directorate (ii)  | 10,143,565                     | 10,337,103             | 193,538                           |
| People & Change Directorate (iii)  | 4,233,318                      | 4,059,111              | (174,207)                         |
| Place & Growth Directorate (iv)    | 6,233,133                      | 5,447,159              | (785,974)                         |
| <b>Net Expenditure on Services</b> | <b>22,120,510</b>              | <b>21,457,217</b>      | <b>(663,293)</b>                  |
| Capital Charges                    | (4,729,907)                    | (4,684,196)            | 45,711                            |
| Interest payable and receivable    | (1,996,910)                    | (1,860,606)            | 136,304                           |
| Use of balances and reserves       | 13,756,023                     | 13,684,581             | (71,442)                          |
| <b>Total net expenditure</b>       | <b>29,149,716</b>              | <b>28,596,996</b>      | <b>(552,720)</b>                  |
| <b>FINANCED BY:</b>                |                                |                        |                                   |
| New Homes Bonus                    | (1,252,262)                    | (1,252,262)            | -                                 |
| National Non-Domestic Rates        | (2,365,904)                    | (2,104,279)            | 261,625                           |
| Section 31 NNDR Compensation Grant | (14,658,481)                   | (15,370,862)           | (712,381)                         |
| Council Tax                        | (9,604,969)                    | (9,604,064)            | 905                               |
| Other Government Grants            | (1,171,923)                    | (564,016)              | 607,907                           |
| <b>Total Funding</b>               | <b>(29,053,539)</b>            | <b>(28,895,483)</b>    | <b>158,056</b>                    |
| <b>Outturn</b>                     | <b>96,177</b>                  | <b>(298,487)</b>       | <b>(394,664)</b>                  |

(i) Includes Strategic Management, Democratic Services, Elections

## STATEMENT OF ACCOUNTS 2020/21

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(ii) Includes Property & Assets, Treasury Management, Pensions backfunding

(iii) Includes Housing Benefits, Revenues (council tax and business rates collection), Community Engagement, Commissioning & Modernisation

(ii) Includes Building and Development control, Planning & housing enabling, Car parking, Bereavement services, Parks & Gardens, Public Protection

### Housing Revenue Account (HRA)

The HRA generated a surplus in the year of £5.608m, however after statutory adjustments (including the revenue financing of capital expenditure of £7.006 million), there was a reduction of £6.046million in the HRA balance. The reduction, as in previous years, is due to the use of increased borrowing instead of revenue financing to fund capital expenditure. Full details of the Housing Revenue Account activity for the year are provided on pages 104 to 108.

### Capital Expenditure

In 2020/21 the council spent £21.0 million on capital projects, grants and loans, across the general fund and the Housing Revenue Account capital programmes. Key expenditure on capital schemes include:-

|                                                                             | £ '000 |
|-----------------------------------------------------------------------------|--------|
| Major repairs & improvements to existing housing stock                      | 7,688  |
| Enabling the delivery of Private Rented Sector (PRS) Housing                | 1,605  |
| Investments to support the long term sustainability of the Cheltenham Trust | 222    |
| Replacement vehicles and recycling equipment                                | 380    |
| Adaptations for the Disabled                                                | 400    |

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

### Cash Management

Throughout 2020/21, the Council has continued to manage its cash flows, investments and borrowings to ensure sufficient resources were available to meet our commitments. The Council's strategy was to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

As such, short term investments and borrowing are used to ensure strong returns whilst also balancing the availability of cash, particularly during the pandemic when there was greater uncertainty about potential commitments. The year on year comparison in Note 28 of the accounts reflect this, having invested the majority of our £6.940m available cash in an overnight money market fund to maximise the return on our assets.

### Reserves and Balances

In assessing the adequacy of reserves and balances for 2020/21 the Section 151 Officer used a risk based approach to assess the appropriate level of general balances which calculated the optimum level to be £1.219m. At the year end, the General Fund Balance stands at £1.213m and therefore is marginally below the optimum level recommended by the Section 151 Officer at year end – an impressive outcome given the scale of losses incurred due to COVID-19.

Accepting that the long-term impact from COVID-19 could leave the Council exposed without clear decision-making in delivering a balanced budget, the level of reserves is lower than optimal at year end and action has been taken in the 2021/22 budget to increase the robustness of the reserves through a transfer of

£543k to general balances. This brings the expected general balance reserve to £1.720m against an optimum level of assessment of £1.708m agreed as part of the 2021/22 budget proposals.

There may be an expectation to further strengthen these reserves in order that the Council is robustly covered against further financial pressures which may emerge through recovery or future changes to local government financial support. With diminishing central government support in the form of direct grant and New Homes Bonus, volatility within business rates, and the impact on individual's ability to pay council tax, it may be the case that some difficult choices need to be made to .

Council has approved the use of the underspend against the 2020/21 recovery budget to invest in the economic recovery of the town post pandemic. There are many investment options available and the long term sustainability of the costs and funding associated with delivery of these will be considered and reviewed before commitments are made to ensure the scarce resources available are able to generate the maximum value.

### **Changes in accounting policies and estimates**

The council has reviewed its accounting policies during the year and revised them as necessary in accordance with the 2020/21 Code of Practice in Local Authority Accounting. The policies are detailed in note 1 to the accounts (pages 19 to 37) and any changes in accounting policies are detailed in note 2 on page 38.

### **FURTHER INFORMATION**

Further information about the accounts is available from the Executive Director (Finance & Assets), Cheltenham Borough Council, Municipal Offices, Promenade, Cheltenham GL50 9SA. This is part of the council's policy of providing full information about the council's affairs.

In addition interested members of the public have a statutory right to inspect the accounts during a 'period for the exercise of public rights' before the audit is completed. The accounts are available for inspection by appointment between 2 August 2021 and 12 September 2021 at the Municipal Offices, and local government electors for the area could exercise their rights to question the auditor about, or make objections to the accounts for the year ended 31 March 2021, in writing, during this period.

**PAUL JONES FCPFA**  
**EXECUTIVE DIRECTOR – FINANCE & ASSETS**

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

**THE COUNCIL'S RESPONSIBILITIES:**

The council is required:

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

**THE SECTION 151 OFFICER'S RESPONSIBILITIES:**

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

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

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

The Section 151 Officer has also:

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

**CERTIFICATE OF SECTION 151 OFFICER**

I certify that the Statement of Accounts on pages 15 to 108 gives a true and fair view of the financial position of the council at the reporting date and its income and expenditure for the year ended 31 March 2021.

**PAUL JONES FCPFA**

**29 October 2021**

**EXECUTIVE DIRECTOR – FINANCE & ASSETS (SECTION 151 OFFICER)**

**CLLR GUY MAUGHFLING**

**29 October 2021**

**CHAIR OF THE AUDIT, COMPLIANCE AND GOVERNANCE COMMITTEE**

# STATEMENT OF ACCOUNTS 2020/21

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

| Gross expenditure<br>£'000                                                                          | 2019/20<br>Gross income<br>£'000 | Net expenditure<br>£'000 |                                                                                                                    | Gross expenditure<br>£'000 | 2020/21<br>Gross income<br>£'000 | Net expenditure<br>£'000 |
|-----------------------------------------------------------------------------------------------------|----------------------------------|--------------------------|--------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------------|--------------------------|
| 2,047                                                                                               | (432)                            | 1,615                    | Chief Executive                                                                                                    | 1,703                      | (29)                             | 1,674                    |
| 8,775                                                                                               | (1,107)                          | 7,668                    | Finance and Assets Directorate                                                                                     | 7,441                      | (979)                            | 6,462                    |
| 27,849                                                                                              | (23,211)                         | 4,638                    | People and Change Directorate                                                                                      | 28,131                     | (23,499)                         | 4,632                    |
| 22,051                                                                                              | (13,947)                         | 8,104                    | Place and Growth Directorate                                                                                       | 19,811                     | (10,650)                         | 9,161                    |
| 17,602                                                                                              | (20,218)                         | (2,616)                  | Housing Revenue Account (HRA)                                                                                      | 17,079                     | (20,971)                         | (3,892)                  |
| <b>78,324</b>                                                                                       | <b>(58,915)</b>                  | <b>19,409</b>            | <b>Cost of Services</b>                                                                                            | <b>74,165</b>              | <b>(56,128)</b>                  | <b>18,037</b>            |
| 719                                                                                                 | (750)                            | (31)                     | Other operating expenditure ( <i>note 8</i> )                                                                      | 701                        | (996)                            | (295)                    |
| 15,510                                                                                              | (5,379)                          | 10,131                   | Financing and Investment (income) and expenditure ( <i>note 9</i> )                                                | 7,378                      | (4,641)                          | 2,737                    |
| 19,611                                                                                              | (35,315)                         | (15,704)                 | Taxation and non-specific grant (income) and expenditure ( <i>note 10</i> )                                        | 34,441                     | (57,141)                         | (22,700)                 |
| <b>114,164</b>                                                                                      | <b>(100,359)</b>                 | <b>13,805</b>            | <b>(Surplus) or Deficit on the provision of services</b>                                                           | <b>116,685</b>             | <b>(118,906)</b>                 | <b>(2,221)</b>           |
| <i>Items that will not be reclassified to the (Surplus) or Deficit on the provision of services</i> |                                  |                          |                                                                                                                    |                            |                                  |                          |
|                                                                                                     | (2,930)                          |                          | (Surplus) or Deficit on revaluation of non-current assets ( <i>note 33</i> )                                       |                            |                                  | (20,276)                 |
|                                                                                                     | (10,251)                         |                          | Remeasurement of the net defined benefit liability / (asset) ( <i>note 34</i> )                                    |                            |                                  | 9,002                    |
|                                                                                                     | -                                |                          | (Surplus) or deficit on revaluation of equity instruments carried at Fair Value through Other Comprehensive Income |                            |                                  | 1,606                    |
|                                                                                                     | <b>(13,181)</b>                  |                          | <b>Other Comprehensive (Income) and Expenditure</b>                                                                |                            |                                  | <b>(9,668)</b>           |
|                                                                                                     | <b>624</b>                       |                          | <b>Total Comprehensive (Income) and Expenditure</b>                                                                |                            |                                  | <b>(11,889)</b>          |

The notes are shown on pages 17-85.

# STATEMENT OF ACCOUNTS 2020/21

## BALANCE SHEET

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

| 31 March<br>2020 |                                      | Note | 31 March<br>2021 |
|------------------|--------------------------------------|------|------------------|
| £'000            |                                      |      | £'000            |
| 407,982          | Property, Plant & Equipment          | 19   | 435,747          |
| 40,748           | Heritage Assets                      | 20   | 41,840           |
| 68,068           | Investment Property                  | 22   | 66,438           |
| 502              | Intangible Assets                    | 24   | 385              |
| 8,086            | Long Term Investments                | 26   | 7,333            |
| 10,739           | Long Term Debtors                    | 26   | 11,829           |
| <b>536,125</b>   | <b>Long Term Assets</b>              |      | <b>563,572</b>   |
| 7,110            | Short term Investments               | 26   | 64               |
| 60               | Assets held for sale                 | 25   | 48               |
| 174              | Inventories                          |      | 153              |
| 15,763           | Short term Debtors                   | 27   | 32,116           |
| 21,169           | Cash and cash equivalents            | 28   | 6,947            |
| <b>44,276</b>    | <b>Current assets</b>                |      | <b>39,328</b>    |
| -                | Bank overdraft                       | 28   | (746)            |
| (70,095)         | Short term borrowing                 | 26   | (60,292)         |
| (15,771)         | Short term creditors                 | 29   | (35,559)         |
| (2,287)          | Grants receipts in advance - capital | 16   | (2,726)          |
| (2,660)          | Grants receipts in advance - revenue | 16   | (1,332)          |
| (486)            | Provisions                           | 30   | (821)            |
| <b>(91,299)</b>  | <b>Current Liabilities</b>           |      | <b>(101,476)</b> |
| (1,000)          | Provisions                           | 30   | (625)            |
| (115,293)        | Long term borrowing                  | 26   | (113,835)        |
| (225)            | Grants receipts in advance - capital | 16   | (87)             |
| (275)            | Grants receipts in advance - revenue | 16   | (295)            |
| (51,307)         | Other long term liabilities          | 34   | (53,691)         |
| <b>(168,100)</b> | <b>Long term liabilities</b>         |      | <b>(168,533)</b> |
| <b>321,002</b>   | <b>Net Assets</b>                    |      | <b>332,891</b>   |
| (23,529)         | Usable Reserves                      | 32   | (31,115)         |
| (297,473)        | Unusable Reserves                    | 33   | (301,776)        |
| <b>(321,002)</b> | <b>Total Reserves</b>                |      | <b>(332,891)</b> |

The notes are shown on pages 17 -85

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

## STATEMENT OF ACCOUNTS 2020/21

### MOVEMENT IN RESERVES STATEMENT

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

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

|                                                                                   | General<br>Fund<br>Balance<br>£'000 | Earmarked<br>General Fund<br>Reserves<br>£'000 | Total<br>General<br>Fund<br>£'000 | Housing<br>Revenue<br>Account<br>£'000 | Capital<br>Receipts<br>Reserve<br>£'000 | Major<br>Repairs<br>Reserve<br>£'000 | Capital<br>Grants<br>Unapplied<br>£'000 | Total<br>Usable<br>Reserves<br>£'000 | Unusable<br>Reserves<br>£'000 | Total<br>Reserves<br>£'000 |
|-----------------------------------------------------------------------------------|-------------------------------------|------------------------------------------------|-----------------------------------|----------------------------------------|-----------------------------------------|--------------------------------------|-----------------------------------------|--------------------------------------|-------------------------------|----------------------------|
| <b>Balance at 31 March 2019</b>                                                   | <b>1,321</b>                        | <b>6,291</b>                                   | <b>7,612</b>                      | <b>8,825</b>                           | <b>9,892</b>                            | <b>-</b>                             | <b>2,383</b>                            | <b>28,712</b>                        | <b>292,914</b>                | <b>321,626</b>             |
| <b><u>Movement in Reserves during 2019/20</u></b>                                 |                                     |                                                |                                   |                                        |                                         |                                      |                                         |                                      |                               |                            |
| Total Comprehensive Income and (Expenditure)                                      | (16,188)                            | -                                              | <b>(16,188)</b>                   | 2,383                                  | -                                       | -                                    | -                                       | <b>(13,805)</b>                      | 13,181                        | <b>(624)</b>               |
| Adjustments between accounting basis and funding basis under regulations (Note 5) | 14,345                              | -                                              | <b>14,345</b>                     | (4,139)                                | (1,266)                                 | -                                    | (318)                                   | <b>8,622</b>                         | (8,622)                       | -                          |
| Transfers to/from earmarked reserves (Note 32)                                    | 1,795                               | (1,795)                                        | -                                 | -                                      | -                                       | -                                    | -                                       | -                                    | -                             | -                          |
| <b>Increase / (decrease) in 2019/20</b>                                           | <b>(48)</b>                         | <b>(1,795)</b>                                 | <b>(1,843)</b>                    | <b>(1,756)</b>                         | <b>(1,266)</b>                          | <b>-</b>                             | <b>(318)</b>                            | <b>(5,183)</b>                       | <b>4,559</b>                  | <b>(624)</b>               |
| <b>Balance at 31 March 2020</b>                                                   | <b>1,273</b>                        | <b>4,496</b>                                   | <b>5,769</b>                      | <b>7,069</b>                           | <b>8,626</b>                            | <b>-</b>                             | <b>2,065</b>                            | <b>23,529</b>                        | <b>297,473</b>                | <b>321,002</b>             |
| <b><u>Movement in Reserves during 2020/21</u></b>                                 |                                     |                                                |                                   |                                        |                                         |                                      |                                         |                                      |                               |                            |
| Total Comprehensive Income and (Expenditure)                                      | (3,387)                             | -                                              | <b>(3,387)</b>                    | 5,608                                  | -                                       | -                                    | -                                       | <b>2,221</b>                         | 9,668                         | <b>11,889</b>              |
| Adjustments between accounting basis and funding basis under regulations (Note 5) | 18,177                              | -                                              | <b>18,177</b>                     | (11,178)                               | (1,653)                                 | -                                    | 19                                      | <b>5,365</b>                         | (5,365)                       | -                          |
| Transfers to/from earmarked reserves (Note 32)                                    | (14,850)                            | 14,850                                         | -                                 | -                                      | -                                       | -                                    | -                                       | -                                    | -                             | -                          |
| <b>Increase / (decrease) in 2020/21</b>                                           | <b>(60)</b>                         | <b>14,850</b>                                  | <b>14,790</b>                     | <b>(5,570)</b>                         | <b>(1,653)</b>                          | <b>-</b>                             | <b>19</b>                               | <b>7,586</b>                         | <b>4,303</b>                  | <b>11,889</b>              |
| <b>Balance at 31 March 2021</b>                                                   | <b>1,213</b>                        | <b>19,346</b>                                  | <b>20,559</b>                     | <b>1,499</b>                           | <b>6,973</b>                            | <b>-</b>                             | <b>2,084</b>                            | <b>31,115</b>                        | <b>301,776</b>                | <b>332,891</b>             |

The notes are shown on pages 17-85

**CASH FLOW STATEMENT**

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

| <b>2019/20</b>  |                                                                                                                                  | <b>2020/21</b>  |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------|-----------------|
| <b>£'000</b>    |                                                                                                                                  | <b>£'000</b>    |
| 13,805          | Net (surplus) or deficit on the provision of services                                                                            | (2,221)         |
| (26,122)        | Adjust net surplus or deficit on the provision of services for non-cash movements (note 35)                                      | (29,542)        |
| 3,462           | Adjust for items in the net surplus or deficit on the provision of services that are investing or financing activities (note 35) | 2,446           |
| (8,855)         | <b>Cash (inflows) / outflows generated from operating activities</b>                                                             | <b>(29,317)</b> |
| 53,685          | Investing activities (note 36)                                                                                                   | 9,002           |
| (63,844)        | Financing activities (note 37)                                                                                                   | 35,283          |
| <b>(19,014)</b> | <b>Net (increase) / decrease in cash and cash equivalents</b>                                                                    | <b>14,968</b>   |
| 2,155           | Cash and cash equivalents at beginning of the year                                                                               | 21,169          |
| 21,169          | Cash and cash equivalents at end of the year (note 28)                                                                           | 6,201           |
| <b>19,014</b>   | <b>Net increase / (decrease) in cash and cash equivalents</b>                                                                    | <b>(14,968)</b> |

The notes are shown on pages 17-85



## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

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#### 1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises the council's transactions for the financial year and its position at the end of the financial year. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Government Accounting in the United Kingdom 2020/21 (The Code) supported by International Financial Reporting Standards (IFRS's), International Accounting Standards (IAS's) and statutory guidance.

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

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

#### 1.2 ACCOUNTING CONCEPTS

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

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

- Relevance
- Reliability
- Comparability
- Materiality

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

##### **Accruals of Income and Expenditure**

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

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services, in accordance with the performance obligations in the contract and IFRS15 Revenue Contracts with Customers. These are fees and charges such as car parking fees, bereavement services fees, planning applications and building control fees.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis

of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

### **Going Concern**

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

### **Primacy of legislative requirements**

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

## **1.3 EMPLOYEE BENEFITS**

### **Benefits Payable during Employment**

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

### **Termination Benefits**

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

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

## Post-Employment Benefits

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

- The liabilities of the Gloucestershire pension scheme attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on the adoption of the AA-rated corporate bond basis.
- The assets of the Gloucestershire pension fund attributable to the council are included in the balance sheet at their fair value on the following basis:
  - quoted securities – current bid value
  - unquoted securities – professional estimate of fair value
  - unitised securities – current bid price
  - property – market value.
- The change in the net pension liability is analysed into seven components:
  - Current service cost: the increase in liabilities as a result of the additional year of service earned - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost: the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - charged to the Surplus or Deficit in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Interest cost on defined obligation: the expected increase in the present value of liabilities during the year as they move one year closer to being paid - charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Interest income on plan assets: the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Gains/losses on settlements: the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – charged to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Measurement of the net defined benefit liability: changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.
  - Contributions paid to the Gloucestershire pension fund: cash paid as employer's

contributions to the pension fund, in settlement of liabilities.

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

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

### **Discretionary Benefits**

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

## **1.4 GRANTS AND CONTRIBUTIONS**

Grants and contributions received from the government and other organisations are credited to the Comprehensive Income and Expenditure Statement unless any conditions attached to the grant or contribution have not been satisfied. For example conditions may be 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.

Amounts received as grants and contributions for which conditions have not been satisfied are carried on the Balance Sheet as Revenue or Capital Grants Received in Advance. When the conditions are satisfied, the grant or contribution is credited to the relevant service line (if ring-fenced) or Taxation and Non-Specific Grant Income (non-ring-fenced 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, so that they are available to fund capital expenditure. Where the grant has yet to be used to finance capital expenditure, it is credited to the Capital Grants Unapplied reserve. Where it has been applied it is credited to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **1.5 OVERHEADS AND SUPPORT SERVICES**

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

## **1.6 COUNCIL TAX RECOGNITION**

Council Tax receivable for the financial year is recognised in the Collection Fund, a separate statutory account maintained by billing authorities. The Fund is charged with the council tax

requirements ('precepts and demands') set by the major preceptors and billing authority before the start of the year, leaving (after providing for uncollectable debts) a surplus or deficit, which is then distributed to the same authorities in future years in proportion to their precepts or demands.

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

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

## **1.7 NATIONAL NON-DOMESTIC RATES (NNDR) INCOME RECOGNITION**

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

## **1.8 VAT**

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

## **1.9 NON-CURRENT ASSETS - RECOGNITION OF CAPITAL EXPENDITURE**

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

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

The initial cost of an asset is recognised to be:

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

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

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

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

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

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

#### **1.10 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (PPE)**

Assets that have physical substance and are held for use in the provision of services, for rental to others, or for administrative or other operational purposes on a continuing basis are classified as Property, Plant and Equipment. Such assets are categorised as Council Dwellings, Other Land and Buildings, Vehicles Plant and Equipment, Infrastructure, Community Assets, Surplus Assets and Assets Under Construction.

Infrastructure assets are inalienable assets, expenditure on which is only recoverable by continued use of the asset and there is no prospect for sale or alternative use. Examples include footpaths, cycle tracks, bridges, street furniture and drainage systems.

Community Assets are assets that the authority intends to hold in perpetuity, have no determinable useful lives and which may have restrictions on their disposal. Examples include parks, gardens, cemeteries land, allotments and open spaces used for recreation.

Surplus Assets are assets which are not being used to deliver services or for administrative purposes but which do not meet the definition of Investment properties or Assets Held for Sale.

##### **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 directly to service revenue accounts when it is incurred.

##### **Measurement**

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

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

- Dwellings – Current value, using the basis of existing use value for social housing (EUV-SH)
- Other Land and Buildings – Current value, using the basis of existing use value (EUV) where an active market exists or Depreciated Replacement Cost (DRC), where there is no active market for the asset or it is specialised
- Infrastructure – depreciated historic cost
- Community assets – historic cost (where known). The cost of many of the council's parks, gardens and open spaces is not known and they are therefore shown at Nil value. The Code offers the option for authorities to measure community assets at valuation, which is the requirement for Heritage assets. The council has so far not adopted to change its accounting policy in this way as it does not currently have the management information to make reasonable valuation estimates of community assets.
- Assets under construction – historic cost
- Surplus Assets – Current value, using the Fair Value basis (see paragraph 1.19 Fair Value Measurement).
- In the case of assets that have short useful lives or low values (or both) i.e. Vehicles, Plant and Equipment, depreciated historic cost is used as a proxy for current value.

Assets included in the Balance Sheet at Current value are re-valued where there have been material changes during the year, and as a minimum every five years.

Where there is an upward revaluation, the carrying value is increased and the gain credited to the Revaluation Reserve. This is reflected in the Comprehensive Income and Expenditure Statement as a revaluation gain, included in Other Comprehensive Income and Expenditure. Exceptionally, gains are credited to the Surplus or Deficit on the Provision of Services (and not the Revaluation Reserve) where a revaluation loss or impairment in respect of that asset was previously charged to a service revenue account (adjusted for the depreciation that would have been charged had the revaluation or impairment losses not occurred).

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

- 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 in the Comprehensive Income and Expenditure Statement.

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**

PPE assets are assessed at the end of each year for evidence of impairment. Where evidence exists and the effect is considered 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 difference.

Where there are revaluation gains for the asset in the Revaluation Reserve the impairment loss is written down against that balance (up to the amount of the accumulated gains).

Where there are no gains in the Revaluation Reserve or an insufficient balance to meet the impairment loss, the remaining loss is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets with a determinable finite useful life, by writing down the carrying value of the asset in the Balance Sheet over the remaining periods expected to benefit from their use. Assets not depreciated are those without a determinable finite useful life (land and Community and Heritage assets), assets that are not yet available for use (assets under construction) and assets reclassified as Held for Sale.

Depreciation is calculated on the following bases:

- Council dwellings – straight-line allocation over each significant component's estimated useful life
- Other buildings, Vehicles, Plant, Furniture and Equipment, Infrastructure, Surplus assets – straight-line allocation over the asset's estimated useful life.

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.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged and the depreciation that would have been charged 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 reclassified as Held for Sale, in the year they were reclassified.

### Componentisation

Where a *material* item of Property Plant and Equipment has components whose cost is *significant* in relation to the total cost of that item, *and* which have different estimated useful lives and/or depreciation methods, they are identified as separate assets and depreciated separately.

The council's current Componentisation Policy for non-dwelling assets defines a material item as an individual building exceeding a gross book value of £1,421k and a significant individual component as one which exceeds 20% of the gross replacement cost of that building. Significant components are identified as separate assets and separately depreciated if their estimated useful lives are considered significantly different to the 'host' building or other components. 'Material' buildings are considered for componentisation whenever such a building is acquired, enhanced, or revalued after 1 April 2010.

With effect from 1<sup>st</sup> April 2017 separate building components (including the 'host' or residual building) have been identified for dwellings where their current replacement cost and useful lives can be estimated reliably.



### 1.11 NON-CURRENT ASSETS - HERITAGE ASSETS

Assets with historical, artistic, scientific or technological qualities held principally for their contribution to knowledge or culture.

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

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

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

#### **Statues and Monuments**

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

#### **Archaeology**

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

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

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

### 1.12 NON-CURRENT ASSETS - INVESTMENT PROPERTY

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

Investment properties are measured initially at cost and subsequently at fair value (see paragraph 1.19 *Fair Value Measurement*). Properties are not depreciated but are revalued annually unless their carrying value can be demonstrated to be not materially different to fair value at the balance sheet date. 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. Such gains and losses, however, are not permitted by statutory arrangements to have an impact on the General Fund Balance and are therefore reversed out in the Movement in Reserves Statement and credited to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

### **1.13 NON-CURRENT ASSETS - INTANGIBLE ASSETS**

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

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

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

### **1.14 NON-CURRENT ASSETS – DISPOSALS AND ASSETS HELD FOR SALE**

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

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

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

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

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

Amounts received from a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to Housing Revenue Account (HRA) disposals, as specified by statutory regulations, is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement of Reserves Statement.

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

#### **1.15 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)**

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

#### **1.16 CHARGES TO REVENUE FOR NON-CURRENT ASSETS**

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

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

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

#### **1.17 LEASES**

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

### **Defining a Finance Lease**

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. This is likely to apply if some or all of the following situations are met:

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. in the case of hire purchase)
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised
- If the lease term is for the major part of the economic life of the asset, even if title is not transferred. The economic life of the asset is deemed to be consistent with the useful life of the asset in the depreciation policy. The council recognises the major part to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease. If this rate cannot be determined the incremental borrowing rate applicable for that year is used. The council recognises “substantially all” to mean 90% of the value of the asset. In some circumstances, a level of 75% is used if the council believes that using this level will give a result that better reflects the underlying transaction
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications
- If the lessee cancels the lease, the lessor’s losses associated with the cancellation are borne by the lessee
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease)
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

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

**Lessee Accounting for a finance lease**

Where the council is leasing an asset (for example as a tenant) that is deemed a finance lease, it will recognise that asset within its asset register, and account for that asset as though it were an owned asset.

The initial recognition of the asset is at the fair value of the asset, or if lower, the present value of the minimum lease payments. A liability (less any premium paid) may also be recognised at this value, which is reduced as lease payments are made. Lease payments made to the lessor are split between the reduction in the liability and interest, which is charged to the Comprehensive Income and Expenditure Statement.

**Lessor Accounting for a finance lease**

Where the council grants a finance lease over property or items of plant or equipment the carrying values of the relevant assets are written out of the Balance Sheet to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement, as part of the gain or loss on disposal. The amount receivable on disposal (representing the minimum lease payments due), is credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal, matched by a cash receipt (if a premium has been paid) or a long term debtor (if to be settled by payments in future years) on the Balance Sheet.

The amount receivable on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due under the lease is settled by payments in future years the amount receivable on disposal is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve. When received future lease payments are apportioned between:

- a charge for the acquisition of the assets, which reduces the lease debtor
- finance interest, which is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

An amount equivalent to the charge for the acquisition of the assets is at the same time transferred from the Deferred Capital Receipts Reserve to the Capital Receipts Reserve.

**Defining an Operating Lease**

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards arising from ownership of the asset.

**Lessor Accounting for an operating lease**

Where the council grants an operating lease over property or items of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the relevant service income line or, if the asset is classified as an Investment Property, to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

**Lessee Accounting for operating leases**

Rentals paid under operating leases are charged to the service using the asset in the Comprehensive Income and Expenditure Statement.

**1.18 FINANCIAL INSTRUMENTS**

Financial assets and liabilities are recognised in the Balance Sheet when the authority becomes party to the contractual provisions of the instrument. In the case of a financial asset this is when the authority becomes committed to its purchase, except in the case of trade receivables, which are recognised when the goods or services have been supplied. Financial liabilities are recognised when the cash or goods or services have been received.

### **Financial Liabilities**

Financial liabilities are initially measured at fair value and then carried at amortised cost. Where interest is payable this is charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, 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. Transaction costs are charged to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement, unless deemed material, in which case they are added to the initial cost.

Normally this means, for the council's borrowings, the amount recognised in the Balance Sheet represents the outstanding principal repayable plus any accrued interest, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year stated in the loan agreement. For current payables with no stated interest rate the amount recognised is the outstanding invoiced amount.

Gains and losses on the early settlement of borrowing are credited or charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of settlement. However, where settlement 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 its 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**

Under IFRS 9 the authority's financial assets are classified into three types:

- Financial assets at amortised cost – where payments consist solely of principal and interest and the reason for holding is to collect cash flows
- Fair value through Other Comprehensive Income (OCI) – where payments do not consist solely of principal and interest but where the authority has designated the instrument as Fair value through OCI
- Fair value through Profit and Loss (P&L) - where payments do not consist solely of principal and interest.

**Financial assets at amortised cost**

These are initially measured at fair value and carried at amortised cost. Where interest is receivable this is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. Normally this means, for the council's loans and investments, the amount recognised in the Balance Sheet is the outstanding principal receivable plus any accrued interest, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year stated in the loan agreement.

Interest attributable to the Housing Revenue Account (HRA) is calculated based on the level of its usable reserves held throughout the year and the weighted average (consolidated) rate of interest earned by the council, in accordance with statutory provisions.

Deposits, bonds and loans are assessed on recognition for impairment due to the likelihood that payments due under the contract will not be made and, if material, a provision for twelve month expected credit losses set aside from the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the risk of default increases significantly after initial recognition and for trade and lease receivables a provision is set aside based on expected lifetime credit losses, if deemed significant or material.

For current receivables with no stated interest rate the amount recognised is the outstanding invoiced amount, less any allowance for impairment (provision for bad or doubtful debts).

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

**Fair value through OCI**

These are initially measured at cost (equivalent to fair value) and carried at fair value. For instruments quoted in an active market, fair values are based on their market prices at the reporting date, except where the instruments will mature within twelve months of that date, in which case they are assumed not materially different to (and therefore equal to) their carrying values.

Interest receivable is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Dividends from equity instruments designated by the authority as Fair value through OCI are credited to the same line when they become receivable by the council.

Changes in fair value are balanced by an entry to the Financial Instruments Revaluation Reserve (FIRR) (formerly the Available-for-Sale Reserve), with the gain or loss being recognised in Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Any gains or losses held in the FIRR on de-recognition of the asset are credited or charged to the General Fund Balance via the Movement in Reserves Statement.

**Fair value through P&L**

These are initially measured at cost and carried at fair value. For instruments quoted in an active market, fair values are based on their market prices at the reporting date, except where the instruments will mature within twelve months of that date, in which case they are assumed not materially different to (and therefore equal to) their carrying values.

Dividends are credited to the Financing and Investment Income and expenditure line in the Comprehensive Income and Expenditure Statement (CIES) when they become receivable by the council. Changes in fair value and any gains or losses on de-recognition are charged or credited to the same line in the CIES and, in the case of pooled investment funds reversed to the Pooled Investment Funds Adjustment Account via the Movement in Reserves Statement (MIRS). Sale proceeds on de-recognition are credited to usable capital receipts via the MIRS.

#### **1.19 FAIR VALUE MEASUREMENT**

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

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

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

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

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

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

#### **1.20 INVENTORIES**

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

#### **1.21 CASH AND CASH EQUIVALENTS**

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

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

#### **1.22 PROVISIONS**



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

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

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

### **1.23 CONTINGENT LIABILITIES**

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

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

### **1.24 RESERVES**

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

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

### **1.25 CONTINGENT ASSETS**

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

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

**1.26 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS**

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

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

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

**1.27 EVENTS AFTER THE BALANCE SHEET DATE**

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

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

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

**1.28 ESTIMATION TECHNIQUES**

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

**1.29 JOINTLY CONTROLLED OPERATIONS**

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

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

## 1.30 INTERESTS IN COMPANIES AND OTHER ENTITIES – GROUP ACCOUNTS

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

### **Basis of Consolidation**

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

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

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

At 31 March 2021 the council also had a 14.29% shareholding in Ubico Limited, a local authority owned company which has seven members, providing environmental services to the shareholder councils. Since the council does not have control or significant influence over the company, its accounts are not consolidated into the group accounts, however full disclosure notes are provided.

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

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

### **Accounting Policies**

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

#### ***Cheltenham Borough Homes Limited (CBH)***

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

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

In the company accounts capital grants are written off to the Income and Expenditure account over

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

***Gloucestershire Airport Limited***

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

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

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

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

The following standards and amendments are not expected to be introduced in the 2022/23 Code:

- IFRS 16 Leases

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

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

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

### **Leases**

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

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

**Business Rate Appeals Provision**

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

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

**Group Accounts**

In assessing the need for group accounts the council has had to make judgements to establish the boundaries of the group (deciding which organisations over which it has or does not have a controlling or significant interest), and judgements as to the classification of group entities (as subsidiaries, associates or joint ventures). Further details are given in the Group Accounts section on page 91.

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

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

The items on the council's Balance Sheet at 31st March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item                                                    | Uncertainties                                                                                                                                                                                                                                                                                                          | Effect if actual results differ from assumptions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation of non-current assets and investment property | The Covid-19 pandemic and lockdown arrangements in place since March 2020 have had a significant impact on daily life and the global and UK economies. This could still affect the carrying values of assets carried at existing use and fair value due to the uncertainty in the assumptions used in their valuation. | There is more information available than in the previous year to understand the impact of the continuing uncertainties on the carrying value of these assets. There is still uncertainty around the extent and duration of the effect of lockdown measures on the wider economy in the long term, and there is currently insufficient evidence available to assess this. However, although any reduction in carrying values would reduce the council's 'net worth', in themselves they would have no impact on the authority's revenue account and ability to deliver services, since they are chargeable to unusable reserves and not the surplus or deficit on the provision of services. |

## STATEMENT OF ACCOUNTS 2020/21

| Item                          | Uncertainties                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Effect if actual results differ from assumptions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.                                                                                                                                                                                                    | <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings (including council dwellings), vehicles, plant and equipment, Infrastructure and surplus assets would increase by £0.270 million for every year that useful lives had to be reduced.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Fair Value measurements       | When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs) their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. | <p>The unobservable inputs used in the fair value measurement of our assets and liabilities include management assumptions made in relation to rents, growth, vacancy levels and discount rates.</p> <p>Of £66.4m of investment property, £14.375m of the carrying value is based on assumptions relating to income and yields. A 2% change in yield would result in the investment property balance changing by £290k.</p> <p>Likewise, fair value measurement has been applied to value the surplus assets portfolio with a carrying value of £44.125m. A 2% change in the key assumptions would result in the balance changing by £890k.</p> <p>The Council has used a discounted cash flow model to measure the fair value its investment in an unlisted company. The carrying value of this investment is £94k and a significant change in the basis of the assumptions for cash inflows, outflows and discount rate would be required for this to have a material impact on the disclosure in the statement of accounts.</p> <p>Separate sensitivity analysis is disclosed below for the fair value measurement of the pension liability.</p> |
| Pensions Liability            | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the                                                                                                                                                                                                                                               | The effects on the net pensions' liability of changes in individual assumptions can be measured. For example, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of approximately 9% (£14.869m).A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

## STATEMENT OF ACCOUNTS 2020/21

| Item                                       | Uncertainties                                                                                                                                                                                                                                                                                                                                                                                                                              | Effect if actual results differ from assumptions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                            | council with expert advice about the assumptions to be applied.                                                                                                                                                                                                                                                                                                                                                                            | <p>sensitivity analysis is included in note 34 on Pensions.</p> <p>The impact of the continuing uncertainties on the carrying value of these assets cannot be assessed at this stage as it depends on the extent and duration of the measures introduced and their effect on the wider economy in the long term, and there is currently insufficient evidence available to assess this.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Non-domestic rates (NDR) appeals provision | This provision has been set up to meet losses arising from the successful appeal of businesses against the rateable value of their properties and other rateable value reductions. The provision is based on an expected success rate of appeals submitted at 31 March and on an estimated reduction in rateable value. Although based on past experience, both the actual success rate and actual reduction may differ from the estimate. | <p>For appeals relating to charges up to 31<sup>st</sup> March 2017 a 1% increase in the assumed success rate, together with a 1% reduction in the rates payable, would result in an increase in the estimated provision required of £116,939, of which the council's share would be £46,776 (based on 2020/21 shares). This would reduce any collection fund surplus able to be distributed to the council in future years.</p> <p>In addition, for appeals and other rateable value reductions relating to charges from 1<sup>st</sup> April 2017, a 1% increase in the estimated rateable value reduction would result in an increase in the estimated provision required of £1,340,262, of which the council's share would be £536,105 (based on 2020/21 shares).</p> <p>The provision required is therefore sensitive to small changes in the reductions awarded and any under-provision could have significant impact on the council's income.</p> |

### 5. ADJUSTMENTS BETWEEN ACCOUNTING AND FUNDING BASIS UNDER THE REGULATIONS

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

#### General Fund Balance

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

spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

### **Housing Revenue Account (HRA) Balance**

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

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

### **Capital Receipts Reserve**

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

### **Major Repairs Reserve**

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

### **Capital Grants Unapplied Reserve**

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



# STATEMENT OF ACCOUNTS 2020/21

| 2019/20 Usable Reserves |                         |                          |                       |                          |                                                                                                                                                                                                                                                       | 2020/21 Usable Reserves |                         |                          |                       |                          |
|-------------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|--------------------------|-----------------------|--------------------------|
| General Fund Balance    | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied |                                                                                                                                                                                                                                                       | General Fund Balance    | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied |
| £'000                   | £'000                   | £'000                    | £'000                 | £'000                    |                                                                                                                                                                                                                                                       | £'000                   | £'000                   | £'000                    | £'000                 | £'000                    |
|                         |                         |                          |                       |                          | <b>Adjustments to Revenue Resources</b><br><i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements</i> |                         |                         |                          |                       |                          |
|                         |                         |                          |                       |                          | <b>Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (charged or credited to the Capital Adjustment Account)</b>                                                                 |                         |                         |                          |                       |                          |
| (5,127)                 | (4,966)                 | -                        | -                     | -                        | - Charges for depreciation, amortisation and impairment of non-current assets                                                                                                                                                                         | (5,308)                 | (5,135)                 | -                        | -                     | -                        |
| (1,490)                 | (610)                   | -                        | -                     | -                        | - Revaluation losses on, and derecognitions of, Property, Plant and Equipment                                                                                                                                                                         | 1,870                   | 354                     | -                        | -                     | -                        |
| (8,517)                 | -                       | -                        | -                     | -                        | - Movements in the fair value of Investment properties                                                                                                                                                                                                | (2,386)                 | 390                     | -                        | -                     | -                        |
| 297                     | 675                     | -                        | -                     | (297)                    | - Capital grants and contributions                                                                                                                                                                                                                    | 956                     | 2,490                   | -                        | -                     | (956)                    |
| (415)                   | -                       | -                        | -                     | -                        | - Revenue Expenditure Funded from Capital Under Statute                                                                                                                                                                                               | (737)                   | -                       | -                        | -                     | -                        |
| (1,605)                 | (1,107)                 | -                        | -                     | -                        | - Amounts of non-current assets written off on sale as part of the gain/loss on disposal                                                                                                                                                              | (380)                   | (1,068)                 | -                        | -                     | -                        |
| 89                      | -                       | (89)                     | -                     | -                        | - Capital grants and loans repaid                                                                                                                                                                                                                     | 34                      | -                       | (34)                     | -                     | -                        |
| 362                     | -                       | -                        | -                     | -                        | - Pension costs transferred from the Pensions Reserve                                                                                                                                                                                                 | 1,318                   | -                       | -                        | -                     | -                        |
| 146                     | -                       | -                        | -                     | -                        | - Financial instruments transferred from the Financial Instruments Adjustment Account                                                                                                                                                                 | 146                     | -                       | -                        | -                     | -                        |
| (873)                   | -                       | -                        | -                     | -                        | - Fair value gains and losses of Pooled Investment Funds                                                                                                                                                                                              | 406                     | -                       | -                        | -                     | -                        |
| (228)                   | -                       | -                        | -                     | -                        | - Council tax and NNDR net deficit transferred to the Collection Fund Adjustment Account                                                                                                                                                              | (14,397)                | -                       | -                        | -                     | -                        |
| -                       | -                       | -                        | -                     | -                        | - Holiday Pay transferred to the Accumulated Absences Account                                                                                                                                                                                         | (201)                   | -                       | -                        | -                     | -                        |
| (17,361)                | (6,008)                 | (89)                     | -                     | (297)                    | <b>Total adjustments to Revenue Resources</b>                                                                                                                                                                                                         | (18,679)                | (2,969)                 | (34)                     | -                     | (956)                    |
|                         |                         |                          |                       |                          | <b>Adjustments between Revenue and Capital resources</b>                                                                                                                                                                                              |                         |                         |                          |                       |                          |
| 1,621                   | 1,858                   | (1,875)                  | -                     | -                        | - Transfer of non-current asset sale proceeds from revenue to capital receipts                                                                                                                                                                        | 431                     | 2,036                   | (2,087)                  | -                     | -                        |
| -                       | (17)                    | 17                       | -                     | -                        | - Administrative costs of non-current asset disposals funded by capital receipts                                                                                                                                                                      | -                       | (21)                    | 21                       | -                     | -                        |
| (441)                   | -                       | 441                      | -                     | -                        | - Payments to the government housing receipts pool funded by a transfer from capital receipts                                                                                                                                                         | (407)                   | -                       | 407                      | -                     | -                        |
| -                       | 4,936                   | -                        | (4,936)               | -                        | - Transfer of HRA resources from revenue to the Major Repairs Reserve                                                                                                                                                                                 | -                       | 5,126                   | -                        | (5,126)               | -                        |
| 1,836                   | -                       | 397                      | -                     | -                        | - Statutory and voluntary provision for the repayment of debt transferred to the Capital Adjustment Account                                                                                                                                           | 407                     | -                       | 1,860                    | -                     | -                        |
| -                       | 3,370                   | -                        | -                     | -                        | - Capital expenditure financed from revenue balances transferred to the Capital Adjustment Account                                                                                                                                                    | 71                      | 7,006                   | -                        | -                     | -                        |
| <b>3,016</b>            | <b>10,147</b>           | <b>(1,020)</b>           | <b>(4,936)</b>        | -                        | <b>Total adjustments between Revenue and Capital Resources</b>                                                                                                                                                                                        | <b>502</b>              | <b>14,147</b>           | <b>201</b>               | <b>(5,126)</b>        | <b>-</b>                 |
|                         |                         |                          |                       |                          | <b>Adjustments to Capital resources</b>                                                                                                                                                                                                               |                         |                         |                          |                       |                          |
| -                       | -                       | 3,405                    | -                     | -                        | - Use of capital receipts to finance capital expenditure                                                                                                                                                                                              | -                       | -                       | 2,578                    | -                     | -                        |
| -                       | -                       | -                        | 4,936                 | -                        | - Use of the Major Repairs Reserve to finance capital expenditure                                                                                                                                                                                     | -                       | -                       | -                        | 5,126                 | -                        |
| -                       | -                       | -                        | -                     | 615                      | - Application of capital grants and contributions to fund capital expenditure                                                                                                                                                                         | -                       | -                       | -                        | -                     | 937                      |
| -                       | -                       | (631)                    | -                     | -                        | - Transfer from Deferred Capital Receipts upon receipt of cash                                                                                                                                                                                        | -                       | -                       | (827)                    | -                     | -                        |
| -                       | -                       | (399)                    | -                     | -                        | - Capital loans repaid                                                                                                                                                                                                                                | -                       | -                       | (265)                    | -                     | -                        |
| -                       | -                       | <b>2,375</b>             | <b>4,936</b>          | <b>615</b>               | <b>Total adjustments to Capital Resources</b>                                                                                                                                                                                                         | <b>-</b>                | <b>-</b>                | <b>1,486</b>             | <b>5,126</b>          | <b>937</b>               |
| <b>(14,345)</b>         | <b>4,139</b>            | <b>1,266</b>             | <b>-</b>              | <b>318</b>               | <b>Total adjustments between Accounting and Funding basis under the regulations</b>                                                                                                                                                                   | <b>(18,177)</b>         | <b>11,178</b>           | <b>1,653</b>             | <b>-</b>              | <b>(19)</b>              |

## STATEMENT OF ACCOUNTS 2020/21

### 6. EVENTS AFTER THE REPORTING PERIOD

This Statement of Accounts was authorised for issue by the Section 151 Officer on 29 October 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted to reflect the impact of this information, where material.

### 7. TRADING OPERATIONS AND AGENCY SERVICES

#### Trading operations

The council operates a number of trading activities, the surplus/(deficit) of which is included in the Comprehensive Income and Expenditure Statement. Details are as follows:

|                                             | 2020/21        |              |                     | 2019/20        |              |                     |
|---------------------------------------------|----------------|--------------|---------------------|----------------|--------------|---------------------|
|                                             | Income         | Expenditure  | (Surplus) / deficit | Income         | Expenditure  | (Surplus) / deficit |
|                                             | £'000          | £'000        | £'000               | £'000          | £'000        | £'000               |
| <b>Included within Net cost of Services</b> |                |              |                     |                |              |                     |
| Cemetery and Crematorium                    | (2,048)        | 1,156        | (892)               | (2,063)        | 1,125        | (938)               |
| Car Parks                                   | (1,571)        | 2,900        | 1,329               | (4,990)        | 3,329        | (1,661)             |
| Green Waste                                 | (855)          | 585          | (270)               | (717)          | 432          | (285)               |
| <b>Total</b>                                | <b>(4,474)</b> | <b>4,641</b> | <b>167</b>          | <b>(7,770)</b> | <b>4,886</b> | <b>(2,884)</b>      |

The Cemetery and Crematorium, Car Parking and Green Waste trading operations are included within the cost of services in the Comprehensive Income and Expenditure Statement. The reduction from a net surplus of £2.884m to a deficit of £167k in 2020/21 is due to the reduction in income generated across the three services through the pandemic. The Government's income compensation grant has been used to offset £2,040k of this, the total grant compensation received in 2020/21 is disclosed in Note 16 of these accounts.

#### Agency Services

During 2020/21 the council acted as agent to the government in the distribution of Small Business and Retail, Hospitality and Leisure grants to local businesses. The expenditure incurred was £44.5 million, which was fully reimbursed by government grant received in 2020/21.

### 8. OTHER OPERATING EXPENDITURE

|                                                          | 2020/21<br>£000 | 2019/20<br>£000 |
|----------------------------------------------------------|-----------------|-----------------|
| Parish Precepts                                          | 295             | 278             |
| Payments to the Government Housing Capital Receipts Pool | 407             | 441             |
| (Gains) / losses on disposal of non-current assets       | (998)           | (750)           |
| <b>Total Other Operating Expenditure</b>                 | <b>(296)</b>    | <b>(31)</b>     |

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## STATEMENT OF ACCOUNTS 2020/21

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### 9. FINANCING AND INVESTMENT (INCOME) AND EXPENDITURE

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|                                                                                 | 2020/21<br>£000 | 2019/20<br>£000 |
|---------------------------------------------------------------------------------|-----------------|-----------------|
| Interest payable and similar charges                                            | 3,891           | 3,945           |
| Net interest on the net defined benefit liability/(asset)                       | 1,092           | 1,446           |
| Interest and investment income                                                  | (667)           | (779)           |
| Fair value changes in financial assets (Pooled Funds)                           | (406)           | 870             |
| Income and expenditure on investment properties and changes in their fair value | (1,173)         | 4,649           |
| <b>Net Financing and Investment (Income) and Expenditure</b>                    | <b>2,737</b>    | <b>10,131</b>   |

### 10. TAXATION AND NON SPECIFIC GRANT (INCOME) AND EXPENDITURE

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|                                                        | 2020/21<br>£000 | 2019/20<br>£000 |
|--------------------------------------------------------|-----------------|-----------------|
| Council Tax                                            | (9,501)         | (9,254)         |
| Non -Domestic Rates (income) and expenditure           |                 |                 |
| - Billing authority share                              | (22,547)        | (21,994)        |
| - Collection Fund deficit                              | 14,870          | 282             |
| - Tariff payable to central government                 | 19,245          | 18,936          |
| - Levy payable to central government less Pool surplus | 326             | 394             |
|                                                        | 11,894          | (2,382)         |
| General government grants                              | (21,470)        | (3,318)         |
| Capital grants and contributions                       | (3,624)         | (750)           |
| <b>Net Taxation and Non Specific Grant Income</b>      | <b>(22,701)</b> | <b>(15,704)</b> |

### 11. MEMBERS' ALLOWANCES

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In 2020/21 the council paid £360,570 (2019/20 £346,019) in allowances to its 40 members. The expenditure reflects members' allowances approved by council for 2020/21. Full details of the Members' Allowances scheme for the year can be found on the council's website.

## STATEMENT OF ACCOUNTS 2020/21

### 12. OFFICERS' REMUNERATION

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

#### 2020/21

| Post Title                             | Salary<br>£    | Expenses/<br>Allowances<br>£ | Total<br>remuneration<br>excluding<br>pension<br>contributions<br>£ | Pension<br>contributions<br>£ | Total Remuneration<br>including pension<br>contributions<br>£ |
|----------------------------------------|----------------|------------------------------|---------------------------------------------------------------------|-------------------------------|---------------------------------------------------------------|
| Chief Executive Officer                | 118,659        | 148                          | 118,807                                                             | 23,732                        | 142,539                                                       |
| Executive Director, People & Change    | 84,591         | 476                          | 85,067                                                              | 16,918                        | 101,985                                                       |
| Managing Director, Place & Growth      | 99,196         | 512                          | 99,708                                                              | 19,839                        | 119,547                                                       |
| Executive Director, Finance and Assets | 85,591         | 46                           | 85,637                                                              | 17,118                        | 102,755                                                       |
| <b>TOTAL</b>                           | <b>388,037</b> | <b>1,182</b>                 | <b>389,219</b>                                                      | <b>77,608</b>                 | <b>466,826</b>                                                |

#### 2019/20

| Post Title                                             | Salary<br>£    | Expenses/<br>Allowances<br>£ | Other<br>payments<br>£ | Total<br>remuneration<br>excluding<br>pension<br>contributions<br>£ | Pension<br>contributions<br>£ | Total Remuneration<br>including pension<br>contributions<br>£ |
|--------------------------------------------------------|----------------|------------------------------|------------------------|---------------------------------------------------------------------|-------------------------------|---------------------------------------------------------------|
| Previous Chief Executive Officer (until November 2019) | 58,262         | 688                          | 3,197                  | 62,147                                                              | 11,247                        | 73,394                                                        |
| Current Chief Executive Officer (from February 2020)   | 18,900         | -                            | -                      | 18,900                                                              | 3,459                         | 22,359                                                        |
| Executive Director, People & Change (note ii)          | 84,666         | 1,637                        | -                      | 86,303                                                              | 15,086                        | 101,389                                                       |
| Managing Director, Place & Growth                      | 93,430         | 755                          | -                      | 94,185                                                              | 16,680                        | 110,865                                                       |
| Executive Director, Finance and Assets                 | 87,990*        | 1,454                        | 3,145*                 | 92,589                                                              | 15,816                        | 108,405                                                       |
| <b>TOTAL</b>                                           | <b>343,248</b> | <b>4,534</b>                 | <b>6,342</b>           | <b>354,124</b>                                                      | <b>62,288</b>                 | <b>416,412</b>                                                |

\*Restated

#### Notes:

For the purposes of this disclosure 'Senior Officer' means Chief Executive, their direct reports and statutory chief officers whose salary is between £50,000 and £150,000.

The position of statutory role of Monitoring Officer for the council is carried out by Ms Sara Freckleton, under a shared arrangement with Tewkesbury Borough Council. This council pays a contribution of 35% of her costs, being £43,336 in 2020/21 (£42,394 in 2019/20).

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

## STATEMENT OF ACCOUNTS 2020/21

| Remuneration Band | No of Employees<br>2020/21 | Re-stated*<br>No of Employees<br>2019/20 |
|-------------------|----------------------------|------------------------------------------|
| £50,000 - £54,999 | 5                          | 6                                        |
| £55,000 - £59,999 | 3                          | 3                                        |
| £60,000 - £64,999 | 2                          | -                                        |
| £65,000 - £69,999 | 2                          | 2                                        |
| <b>Total</b>      | <b>12</b>                  | <b>11</b>                                |

\*this disclosure is re-stated as the 2019/20 Statement of Accounts reported two of the eleven employees in remuneration band £60,000-£64,999 rather than £65,000-£69,999.

### 13. TERMINATION BENEFITS

The council terminated the contract of four employees in 2020/21 (three in 2019/20). Total costs incurred were £31,592 (£10,584 in 2019/20), of which £19,182 relate to voluntary redundancies; there were no compulsory redundancies in the year. In the year £12,146 (£5,054 in 2019/20) related to other departure costs. These costs have been charged to the relevant service lines within the Comprehensive Income and Expenditure Statement.

These termination benefits are summarised in the table below:

| 2020/21      |               |                   | 2019/20<br>Re-stated* |               |
|--------------|---------------|-------------------|-----------------------|---------------|
| No. of staff | £             | Bands             | No. of staff          | £             |
| 4            | 31,592        | £0 - £20,000      | 3                     | 10,584        |
| -            | -             | £20,001 - £40,000 | -                     | -             |
| <b>4</b>     | <b>31,592</b> |                   | <b>3</b>              | <b>10,584</b> |

\*this disclosure is re-stated as the 2019/20 Statement of Accounts included only redundancy payments and did not include a total of £5,054 for payments made in lieu of notice.

## **14. RELATED PARTY TRANSACTIONS**

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Transactions do not in themselves create a related party relationship: there has to be some element of control or influence by one party over another, or by a third party over the two parties. The most common form of influence is having representation on the board or governing body, but it can also be gained from an ownership interest, from statutory provisions or by agreement. This note summarises the transactions undertaken with parties which meet this definition for the Council, its Senior Officers and its Members in 2020/21.

### **Central Government**

The UK Government has effective control over the general operations of the council - it is responsible for providing the statutory framework and legislation within which the council operates, provides a large proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are shown in note 16 on page 53.

### **Council Members**

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in note 11 on page 46. Members complete an annual declaration to report any business interests on an annual basis. Only one Member has declared an interest where control and influence may be exercised within an outside commercial organisation in which the Council has transacted in 2020/21.

A grant payment of £195,050 (2019/20 £195,050) was made to the Everyman Theatre in 2020/21. This is an annual payment where there is a grant agreement in place. The Council Member in place does not vote or, nor is involved in the discussions around the grant payment.

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

The council collects precepts on behalf of Gloucestershire County Council, the Gloucestershire Police and Crime Commissioner and the Parish Councils within the borough. Precepts for the County and Police and Crime Commissioner are shown in the Collection Fund on page 87.

Six members of the borough council are also members of Gloucestershire County Council.

### **Companies**

#### **Gloucestershire Airport Limited**

The council has a 50% shareholding in Gloucestershire Airport Limited. The airport's accounts have been consolidated into the Group Accounts. The Executive Director for Finance and Assets is also a Board Member for Gloucestershire Airport Limited.

The airport paid a profit share of rental income to the Council in the year of £37,509 (2019/20 £23,684). During 2011/12 the council loaned £1.190 million to the airport towards the cost of the runway safety project, of which £0.263 million was outstanding at 31<sup>st</sup> March 2021. In addition, the council provided the company with a further temporary overdraft facility during 2020/21 of £0.450 million, taking the overdraft as at 31 March 2021 to £1.050 million. Two further small capital loans totalling £165,000 were loaned to them in October 2020 which remain fully outstanding. The loans were provided on an arm's length basis and are disclosed in Note 26 of the accounts.

#### **Cheltenham Borough Homes Limited (CBH)**

The council wholly owns an Arm's Length Management Organisation (Cheltenham Borough Homes

## STATEMENT OF ACCOUNTS 2020/21

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Limited), which is limited by guarantee. The accounts for this company have been consolidated into the Group Accounts. Two councillors serve on the company's Board of Directors.

The council procured supplies and services totalling £12,144,480 from CBH during 2020/21 (£12,914,230 in 2019/20). CBH procured supplies and services from the council totalling £1,012,088 during 2020/21 (£468,702 in 2019/20), £420,284 (£188,000 in 2018/19) of which is included in short term debtors in the council's balance sheet at the year end. A Management Agreement is in place between the two parties for the provision of services to the Council. Services were provided to CBH in line with our financial regulations.

Balances outstanding at the year-end were as follows:

|                      | <b>2021</b><br><b>£'000</b> | <b>2020</b><br><b>£'000</b> |
|----------------------|-----------------------------|-----------------------------|
| The Council owed CBH | (741)                       | (954)                       |
| CBH owed the Council | 8,031                       | 6,582                       |
|                      | <u>7,290</u>                | <u>5,628</u>                |

### **Ubico Limited**

Ubico Limited delivers environmental services for seven County Councils. Cheltenham County Council holds an equal 1/7th shareholding in the company. The Executive Director for Finance and Assets is also a Board Member for Ubico Limited.

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

The council procured supplies and services totalling £9,189,672 from Ubico Limited in the year (£9,397,026 in 2019/20), £Nil (£46,667 in 2019/20) of which is included in the council's balance sheet as a short term creditor at the year end. The company procured supplies and services from the council totalling £529,835 in the year (£386,394 in 2019/20), £763,452 (£641,772 in 2019/20) of which is included in the council's balance sheet within the short term debtor at the year end. A Management Agreement is in place between the two parties for the provision of services to the Council. Services were provided to Ubico Limited in line with our financial regulations.

Vehicles and plant used by Ubico to provide environmental services in the borough are initially purchased by the council and then leased to the company in the year of purchase under a finance lease arrangement. At 31<sup>st</sup> March 2021 the amount owing to the council under these leases totalled £3.48 million (£3.92 million at 31<sup>st</sup> March 2020). The leases are disclosed in Note 23 on page 60.

### **Publica Group (Support) Limited**

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

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

In the year the council purchased services from Publica Group (Support) Limited to the value of £1,330,972 (£1,683,000 in 2019/20).

### **South West Audit Partnership Limited (SWAP)**

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

In the year the council purchased services from SWAP totalling £108,374 (£105,217, in 2019/20). The services are provided under a Service Level Agreement.

### **Cheltenham Business Improvement District**

Cheltenham Business Improvement District (BID) is an elected organisation set up to deliver a range of projects that benefit businesses in the district of Cheltenham covering the town centre, including the Promenade, Montpellier and The Brewery Quarter. Cheltenham Borough Council's Managing Director of Place and Growth is also a Director of the BID which the Council do undertake transactions with.

### **Officers**

#### **Monitoring Officer (MO)**

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

## **15. EXTERNAL AUDIT COSTS**

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|                                                                                                                  | <b>2020/21<br/>£</b> | <b>Re-stated*<br/>2019/20<br/>£</b> |
|------------------------------------------------------------------------------------------------------------------|----------------------|-------------------------------------|
| Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor | 59,543               | 56,929                              |
| Fees paid to the External Auditor for the certification of grant claims and returns                              | 19,906               | 22,572                              |
| Additional fee for audit expert on Investments                                                                   | -                    | 4,000                               |
| <b>Other work provided by the appointed auditor:-</b>                                                            |                      |                                     |
| Audit of Pooled Capital Housing receipts                                                                         | 5,000                | 5,000                               |
|                                                                                                                  | <b>84,449</b>        | <b>88,501</b>                       |

\*the 2019/20 disclosure has been re-stated to ensure additional fees for prior year audit work are included.



## STATEMENT OF ACCOUNTS 2020/21

### 16. GRANT INCOME

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

|                                                  | 2020/21<br>£'000 | 2019/20<br>£'000 |
|--------------------------------------------------|------------------|------------------|
| <b>Credited to Other Income and Expenditure</b>  |                  |                  |
| New Homes Bonus                                  | (1,252)          | (1,469)          |
| Section 31 Business Rates compensation grants    | (15,371)         | (1,792)          |
| Capital Grants and Contributions                 | (3,368)          | (750)            |
| Other grants and contributions                   | (564)            | (141)            |
|                                                  | <b>(20,555)</b>  | <b>(4,152)</b>   |
| <b>Credited to Services</b>                      |                  |                  |
| Housing Benefits subsidy & administration grants | (21,192)         | (22,060)         |
| Council Tax Benefit administration grant         | (105)            | (108)            |
| Capital grants and contributions                 | (313)            | (410)            |
| Other Grants                                     | (2,601)          | (498)            |
| Covid-19 Loss of Income grants                   | (2,756)          | -                |
| Covid-19 Expenditure grants                      | (1,536)          | -                |
| Partnership funding and contributions            | (482)            | (1,591)          |
|                                                  | <b>(28,985)</b>  | <b>(24,667)</b>  |

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

|                                            | 2020/21<br>Current<br>£'000 | 2020/21<br>Long Term<br>£'000 | 2019/20<br>Current<br>£000 | 2019/20<br>Long Term<br>£000 |
|--------------------------------------------|-----------------------------|-------------------------------|----------------------------|------------------------------|
| <b>Receipts in Advance – Revenue</b>       |                             |                               |                            |                              |
| Commuted Grounds Maintenance contributions | (87)                        | (95)                          | -                          | (95)                         |
| NNDR compensation (rate reliefs) 2020/21   | -                           | -                             | (1,813)                    | -                            |
| Flood Relief                               | (361)                       | -                             | (368)                      | -                            |
| Homelessness                               | (70)                        | -                             | (277)                      | -                            |
| Community Welfare Grants                   | (239)                       | -                             | -                          | -                            |
| Covid-19 Enforcement Grants                | (262)                       | -                             | -                          | -                            |
| Garden Communities Grant                   | (104)                       | -                             | -                          | -                            |
| Other grants and contributions             | (209)                       | (200)                         | (202)                      | (180)                        |
|                                            | <b>(1,332)</b>              | <b>(295)</b>                  | <b>(2,660)</b>             | <b>(275)</b>                 |
| <b>Receipts in Advance – Capital</b>       |                             |                               |                            |                              |
| Affordable housing contributions           | (233)                       | (87)                          | (253)                      | (225)                        |
| Homes England Grant                        | -                           | -                             | (1,888)                    | -                            |
| Partnership funding                        | (1,951)                     | -                             | -                          | -                            |
| Other grants and contributions             | (542)                       | -                             | (146)                      | -                            |
|                                            | <b>(2,726)</b>              | <b>(87)</b>                   | <b>(2,287)</b>             | <b>(225)</b>                 |

# STATEMENT OF ACCOUNTS 2020/21

## 17. SEGMENTAL REPORTING

### EXPENDITURE & FUNDING ANALYSIS

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

| 2019/20                                                                  |                                                                               |                                                                                        | 2020/21                                                                  |                                                                               |                                                                                |
|--------------------------------------------------------------------------|-------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------------------------|-------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Net expenditure chargeable to the General Fund and HRA balances<br>£'000 | Adjustments between the funding and accounting basis<br>(note below)<br>£'000 | Net expenditure in the Comprehensive Income and Expenditure statement<br>£'000         | Net expenditure chargeable to the General Fund and HRA balances<br>£'000 | Adjustments between the funding and accounting basis<br>(note below)<br>£'000 | Net expenditure in the Comprehensive Income and Expenditure statement<br>£'000 |
| 1,469                                                                    | 146                                                                           | 1,615                                                                                  | 1,664                                                                    | 10                                                                            | 1,674                                                                          |
| 9,422                                                                    | (1,754)                                                                       | 7,668                                                                                  | 10,412                                                                   | (3,949)                                                                       | 6,463                                                                          |
| 4,263                                                                    | 375                                                                           | 4,638                                                                                  | 4,120                                                                    | 511                                                                           | 4,631                                                                          |
| 7,085                                                                    | 1,019                                                                         | 8,104                                                                                  | 8,932                                                                    | 229                                                                           | 9,161                                                                          |
| (3,226)                                                                  | 610                                                                           | (2,616)                                                                                | (3,156)                                                                  | (736)                                                                         | (3,892)                                                                        |
| <b>19,013</b>                                                            | <b>396</b>                                                                    | <b>19,409</b>                                                                          | <b>21,972</b>                                                            | <b>(3,935)</b>                                                                | <b>18,037</b>                                                                  |
| (15,414)                                                                 | 9,810                                                                         | (5,604)                                                                                | (31,193)                                                                 | 10,935                                                                        | (20,258)                                                                       |
| <b>3,599</b>                                                             | <b>10,206</b>                                                                 | <b>13,805</b>                                                                          | <b>(9,221)</b>                                                           | <b>7,000</b>                                                                  | <b>(2,221)</b>                                                                 |
| (16,437)                                                                 |                                                                               | Opening General Fund and HRA balance including earmarked reserves at 1 April           | (12,838)                                                                 |                                                                               |                                                                                |
| 3,599                                                                    |                                                                               | Add (Surplus) / deficit in year                                                        | (9,221)                                                                  |                                                                               |                                                                                |
| <b>(12,838)</b>                                                          |                                                                               | <b>Closing General Fund and HRA balance including earmarked reserves at 31 March**</b> | <b>(22,059)</b>                                                          |                                                                               |                                                                                |

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

# STATEMENT OF ACCOUNTS 2020/21

## NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

| 2019/20                                         |                                                        |                                  |                   | Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts                           | 2020/21                                         |                                                        |                                  |                   |
|-------------------------------------------------|--------------------------------------------------------|----------------------------------|-------------------|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|--------------------------------------------------------|----------------------------------|-------------------|
| Adjustments for capital purposes (note 1 below) | Net changes for the Pension Adjustments (note 2 below) | Other Differences (note 3 below) | Total Adjustments |                                                                                                                                 | Adjustments for capital purposes (note 1 below) | Net changes for the Pension Adjustments (note 2 below) | Other Differences (note 3 below) | Total Adjustments |
| £'000                                           | £'000                                                  | £'000                            | £'000             |                                                                                                                                 | £'000                                           | £'000                                                  | £'000                            | £'000             |
| -                                               | 146                                                    |                                  | 146               | Chief Executive                                                                                                                 | -                                               | 86                                                     | (76)                             | 10                |
| 1,490                                           | (3,244)                                                | -                                | (1,754)           | Finance and Assets Directorate                                                                                                  | (767)                                           | (3,222)                                                | 40                               | (3,949)           |
| -                                               | 375                                                    | -                                | 375               | People and Change Directorate                                                                                                   | 223                                             | 225                                                    | 63                               | 511               |
| 104                                             | 915                                                    | -                                | 1,019             | Place and Growth Directorate                                                                                                    | (446)                                           | 501                                                    | 174                              | 229               |
| 610                                             | -                                                      | -                                | 610               | Housing Revenue Account (HRA)                                                                                                   | (736)                                           | -                                                      |                                  | (736)             |
| <b>2,204</b>                                    | <b>(1,808)</b>                                         | <b>-</b>                         | <b>396</b>        | <b>Net Cost of Services</b>                                                                                                     | <b>(1,726)</b>                                  | <b>(2,410)</b>                                         | <b>201</b>                       | <b>(3,935)</b>    |
| 7,409                                           | 1,446                                                  | 955                              | 9,810             | Other Income and Expenditure from the Funding Analysis                                                                          | (4,408)                                         | 1,092                                                  | 14,251                           | 10,935            |
| <b>9,613</b>                                    | <b>(362)</b>                                           | <b>955</b>                       | <b>10,206</b>     | <b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit</b> | <b>(6,134)</b>                                  | <b>(1,318)</b>                                         | <b>14,452</b>                    | <b>7,000</b>      |

## Notes

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

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

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

## (2) Net change for the Pensions Adjustments

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

## (3) Other Differences

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

## STATEMENT OF ACCOUNTS 2020/21

### SEGMENTAL INCOME AND EXPENDITURE

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

|                                            | 2020/21                                                  |                                                  | 2019/20                                                  |                                                  |
|--------------------------------------------|----------------------------------------------------------|--------------------------------------------------|----------------------------------------------------------|--------------------------------------------------|
|                                            | Depreciation,<br>amortisation<br>and impairment<br>£'000 | Revenues<br>from external<br>customers*<br>£'000 | Depreciation,<br>amortisation<br>and impairment<br>£'000 | Revenues<br>from external<br>customers*<br>£'000 |
| Chief Executive                            | 26                                                       | (16)                                             | -                                                        | (18)                                             |
| Finance and Assets Directorate             | 2,241                                                    | (813)                                            | 2,160                                                    | (790)                                            |
| People and Change Directorate              | 674                                                      | (751)                                            | 642                                                      | (775)                                            |
| Place and Growth Directorate               | 2,367                                                    | (8,874)                                          | 2,325                                                    | (12,454)                                         |
| Housing Revenue Account (HRA)              | 5,135                                                    | (20,525)                                         | 4,966                                                    | (20,211)                                         |
| <b>Total analysed on a segmental basis</b> | <b>10,443</b>                                            | <b>(30,979)</b>                                  | <b>10,093</b>                                            | <b>(34,248)</b>                                  |

\*Revenues from external customers are included in "Fees, charges & other service income" in note 18 below.

### 18. EXPENDITURE AND INCOME ANALYSED BY NATURE

|                                                                                                   | 2020/21<br>£'000 | 2019/20<br>£'000 |
|---------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Expenditure</b>                                                                                |                  |                  |
| Employee benefit expenses                                                                         | 10,784           | 11,512           |
| Other service expenses                                                                            | 55,317           | 54,838           |
| Depreciation, amortisation, impairment                                                            | 10,443           | 10,093           |
| Losses on revaluation of Property, Plant & Equipment,<br>Investment property and financial assets | 16               | 12,000           |
| Interest payments                                                                                 | 4,983            | 5,391            |
| Precepts and levies                                                                               | 34,736           | 19,889           |
| Payments to Housing Capital Receipts Pool                                                         | 407              | 441              |
| <b>Total Expenditure</b>                                                                          | <b>116,686</b>   | <b>114,164</b>   |
| <b>Income</b>                                                                                     |                  |                  |
| Fees, charges and other service income                                                            | (35,061)         | (38,251)         |
| Interest and investment income                                                                    | (1,261)          | (1,292)          |
| Income from council tax and non-domestic rates                                                    | (32,047)         | (31,247)         |
| Government grants and contributions                                                               | (49,540)         | (28,819)         |
| Net gains on disposal of non-current assets                                                       | (998)            | (750)            |
| <b>Total Income</b>                                                                               | <b>(118,907)</b> | <b>(100,359)</b> |
|                                                                                                   |                  |                  |
| <b>(Surplus) or Deficit on the Provision of Services</b>                                          | <b>(2,221)</b>   | <b>13,805</b>    |

# STATEMENT OF ACCOUNTS 2020/21

## 19. PROPERTY, PLANT & EQUIPMENT

| 2019/20           |                          |                               |                        |                  |                |                           |                 | 2020/21                                                                                              |                          |                               |                        |                  |                |                           |                |
|-------------------|--------------------------|-------------------------------|------------------------|------------------|----------------|---------------------------|-----------------|------------------------------------------------------------------------------------------------------|--------------------------|-------------------------------|------------------------|------------------|----------------|---------------------------|----------------|
| Council dwellings | Other Land and buildings | Vehicles, Plant and equipment | Infra-structure assets | Community assets | Surplus assets | Assets under construction | Total           | Council dwellings                                                                                    | Other Land and buildings | Vehicles, Plant and equipment | Infra-structure assets | Community assets | Surplus assets | Assets under construction | Total          |
| £'000             | £'000                    | £'000                         | £'000                  | £'000            | £'000          | £'000                     | £'000           | £'000                                                                                                | £'000                    | £'000                         | £'000                  | £'000            | £'000          | £'000                     | £'000          |
| 209,877           | 137,152                  | 5,223                         | 14,004                 | 148              | 5,312          | 1,251                     | 372,967         | <b>Cost or valuation</b>                                                                             |                          |                               |                        |                  |                |                           |                |
| 12,668            | 97                       | 2,137                         | 218                    | -                | 39,600         | 1,800                     | 56,520          | At 1 April                                                                                           | 213,293                  | 142,149                       | 5,760                  | 14,222           | 148            | 42,407                    | 421,559        |
| (8,104)           | 4,960                    | -                             | -                      | -                | 146            | -                         | (2,998)         | Additions                                                                                            | 10,436                   | 161                           | 434                    | 114              | -              | 8                         | 19,309         |
| -                 | -                        | -                             | -                      | -                | (2,100)        | -                         | (2,100)         | Revaluation increases / (decreases) recognised in the Revaluation Reserve                            | 7,412                    | (4,257)                       | -                      | -                | -              | 576                       | 3,731          |
| (1,107)           | -                        | (1,605)                       | -                      | -                | -              | -                         | (2,712)         | Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services | -                        | 825                           | -                      | -                | -              | 1,096                     | 1,921          |
| -                 | -                        | -                             | -                      | -                | -              | -                         | -               | Derecognition - disposals                                                                            | (1,070)                  | (1,190)                       | (380)                  | -                | -              | -                         | (2,640)        |
| -                 | (60)                     | -                             | -                      | -                | -              | -                         | (60)            | Derecognition - other                                                                                | -                        | (48)                          | -                      | -                | -              | 60                        | 12             |
| (41)              | -                        | 5                             | -                      | -                | (551)          | 529                       | (58)            | Assets reclassified (to)/from held for resale                                                        | 1,767                    | -                             | -                      | -                | -              | (1,767)                   | -              |
| -                 | -                        | -                             | -                      | -                | -              | -                         | -               | Other Reclassifications                                                                              | -                        | -                             | -                      | -                | -              | -                         | -              |
| <b>213,293</b>    | <b>142,149</b>           | <b>5,760</b>                  | <b>14,222</b>          | <b>148</b>       | <b>42,407</b>  | <b>3,580</b>              | <b>421,559</b>  | <b>At 31 March</b>                                                                                   | <b>231,838</b>           | <b>137,640</b>                | <b>5,814</b>           | <b>14,336</b>    | <b>148</b>     | <b>44,147</b>             | <b>443,892</b> |
| (6)               | (3,993)                  | (2,071)                       | (3,256)                | -                | (143)          | (33)                      | (9,502)         | <b>Accumulated Depreciation and Impairment</b>                                                       |                          |                               |                        |                  |                |                           |                |
| (4,613)           | (4,278)                  | (475)                         | (527)                  | -                | (61)           | -                         | (9,954)         | At 1 April                                                                                           | (13)                     | (6,998)                       | (2,546)                | (3,783)          | -              | (204)                     | (13,577)       |
| 4,606             | 1,273                    | -                             | -                      | -                | -              | -                         | 5,879           | Depreciation charge                                                                                  | (4,796)                  | (4,436)                       | (493)                  | (525)            | -              | (66)                      | (10,316)       |
| -                 | -                        | -                             | -                      | -                | -              | -                         | -               | Depreciation written out to the Revaluation Reserve                                                  | 4,809                    | 10,422                        | -                      | -                | -              | 223                       | 15,454         |
| -                 | -                        | -                             | -                      | -                | -              | -                         | -               | Depreciation written out to the surplus / deficit on the provision of services                       | -                        | 278                           | -                      | -                | -              | 25                        | 303            |
| -                 | -                        | -                             | -                      | -                | -              | -                         | -               | Impairments                                                                                          | -                        | -                             | -                      | -                | -              | (9)                       | (9)            |
| <b>(13)</b>       | <b>(6,998)</b>           | <b>(2,546)</b>                | <b>(3,783)</b>         | <b>-</b>         | <b>(204)</b>   | <b>(33)</b>               | <b>(13,577)</b> | <b>At 31 March</b>                                                                                   | <b>-</b>                 | <b>(734)</b>                  | <b>(3,039)</b>         | <b>(4,308)</b>   | <b>-</b>       | <b>(22)</b>               | <b>(8,145)</b> |
| <b>213,280</b>    | <b>135,151</b>           | <b>3,214</b>                  | <b>10,439</b>          | <b>148</b>       | <b>42,203</b>  | <b>3,547</b>              | <b>407,982</b>  | <b>Net Book Value at 31 March</b>                                                                    | <b>231,838</b>           | <b>136,906</b>                | <b>2,775</b>           | <b>10,028</b>    | <b>148</b>     | <b>44,125</b>             | <b>435,747</b> |

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### Depreciation

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

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

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

### Revaluations

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

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

|                                                       | Council Dwellings | Other land and buildings | Vehicles, plant, furniture & equipment | Infrastructure assets | Community assets | Surplus assets | Assets under construction | Total          |
|-------------------------------------------------------|-------------------|--------------------------|----------------------------------------|-----------------------|------------------|----------------|---------------------------|----------------|
|                                                       | £'000             | £'000                    | £'000                                  | £'000                 | £'000            | £'000          | £'000                     | £'000          |
| Carried at (depreciated) historical cost              | -                 | -                        | 2,775                                  | 10,028                | 148              | -              | 9,927                     | <b>22,878</b>  |
| Valued at current value as at 31 <sup>st</sup> March: |                   |                          |                                        |                       |                  |                |                           |                |
| 2016                                                  | -                 | 43                       | -                                      | -                     | -                | 60             | -                         | <b>103</b>     |
| 2017                                                  | -                 | 1,949                    | -                                      | -                     | -                | 601            | -                         | <b>2,550</b>   |
| 2018                                                  | -                 | 444                      | -                                      | -                     | -                | -              | -                         | <b>444</b>     |
| 2019                                                  | -                 | 799                      | -                                      | -                     | -                | -              | -                         | <b>799</b>     |
| 2020                                                  | -                 | 3,051                    | -                                      | -                     | -                | -              | -                         | <b>3,051</b>   |
| 2021                                                  | 231,838           | 130,620                  | -                                      | -                     | -                | 43,464         | -                         | <b>405,922</b> |
| <b>Total cost or valuation</b>                        | <b>231,838</b>    | <b>136,906</b>           | <b>2,775</b>                           | <b>10,028</b>         | <b>148</b>       | <b>44,125</b>  | <b>9,927</b>              | <b>435,747</b> |

### Componentisation

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

### Fair value measurement of Surplus assets

The fair values of surplus assets valued at 31<sup>st</sup> March 2021 have been based on a market approach using current market conditions, recent sale prices and other relevant information for similar assets in the local

area. The level of observable inputs is therefore significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

## **20. HERITAGE ASSETS**

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

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

The four principal collections are:

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

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

The museum holds significant collections in the following areas:

- Fine art: British and foreign paintings, drawing and prints from the 16th century onwards, including English water colours from the 18th century onwards
- Decorative art: British and European ceramics, British furniture, clocks, glass, metalwork and treen from the 16th century onwards
- Oriental art: Chinese ceramics, costume, armour and artefacts from the 9th century to the present day
- Costumes and textiles: garments, underwear and accessories from the 17th century onwards
- The Arts and Crafts Movement: books, ceramics, furniture, metalwork, paintings, textiles, archives, designs and drawings relating to the English Arts and Crafts Movement from the 1860's to the present day, recognised nationally by the government as a Dedicated Collection
- Archaeology: Prehistoric, Romano-British and medieval archaeology
- Local history: printed ephemera, photographs, postcards, topographical prints and objects relating to the history of Cheltenham
- Numismatics: British and foreign coins from the Roman empire to the 21st century
- Firearms and edged weapons: British and European examples
- Natural sciences: geology, herbaria, eggs
- Social history: objects relating to English domestic, personal and working life from the 17th century



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to the present day.

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

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

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

|                                  | Ceramics<br>£'000 | Art<br>Collection<br>£'000 | Furniture<br>£'000 | Civic<br>Regalia<br>& Silver<br>£'000 | Textiles,<br>Ephemera and<br>other<br>collectables<br>£'000 | Statues and<br>Monuments<br>£'000 | Total<br>£'000 |
|----------------------------------|-------------------|----------------------------|--------------------|---------------------------------------|-------------------------------------------------------------|-----------------------------------|----------------|
| <b>Valuation</b><br>1 April 2019 | <b>2,403</b>      | <b>26,799</b>              | <b>4,447</b>       | <b>217</b>                            | <b>5,234</b>                                                | <b>1,600</b>                      | <b>40,700</b>  |
| Revaluations*                    | -                 | -                          | -                  | -                                     | -                                                           | 48                                | 48             |
| <b>31 March 2020</b>             | <b>2,403</b>      | <b>26,799</b>              | <b>4,447</b>       | <b>217</b>                            | <b>5,234</b>                                                | <b>1,648</b>                      | <b>40,748</b>  |
| Revaluations*                    | 48                | 537                        | 158                | 4                                     | 345                                                         | -                                 | 1,092          |
| <b>31 March 2021</b>             | <b>2,451</b>      | <b>27,336</b>              | <b>4,605</b>       | <b>221</b>                            | <b>5,579</b>                                                | <b>1,648</b>                      | <b>41,840</b>  |

\* includes updates for inflation.

Except for two items professionally revalued during 2016/17 in preparation for their forthcoming loan, all the major works of art were last revalued at 1st April 2010. However the insurance valuations are reviewed annually for inflationary increases.

**21. CAPITAL EXPENDITURE AND FINANCING**

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

|                                                                                              | 2020/21<br>£'000 | 2019/20<br>£000 |
|----------------------------------------------------------------------------------------------|------------------|-----------------|
| <b>Opening Capital Financing Requirement</b>                                                 | <b>177,592</b>   | <b>135,225</b>  |
| <b>Capital Investment</b>                                                                    |                  |                 |
| Property, Plant and Equipment                                                                | 18,120           | 56,520          |
| Investment Property                                                                          | 367              | 534             |
| Intangible assets                                                                            | -                | 131             |
| Revenue Expenditure Funded from Capital under Statute                                        | 737              | 415             |
| Long Term Capital Loans                                                                      | 1,770            | -               |
|                                                                                              | <b>20,994</b>    | <b>57,600</b>   |
| <b>Sources of Finance</b>                                                                    |                  |                 |
| Capital Receipts                                                                             | (2,578)          | (3,801)         |
| Government Grants                                                                            | (2,402)          | (579)           |
| Capital Contributions                                                                        | (648)            | (515)           |
| Partnership Funding                                                                          | (376)            | (196)           |
| Minimum Revenue Provision (MRP)                                                              | (2,097)          | (1,673)         |
| Voluntary Revenue Provision (VRP)                                                            | (171)            | (163)           |
| Major Repairs Reserve                                                                        | (5,126)          | (4,936)         |
| Revenue                                                                                      | (7,078)          | (3,370)         |
|                                                                                              | <b>(20,476)</b>  | <b>(15,233)</b> |
| <b>Closing Capital Financing Requirement</b>                                                 | <b>178,107</b>   | <b>177,592</b>  |
| <b>Explanation of movement in year</b>                                                       |                  |                 |
| Increase in underlying need to borrowing<br>(unsupported by Government financial assistance) | 2,786            | 44,599          |
| Minimum and Voluntary Revenue Provision (MRP/VRP)                                            | (407)            | (1,836)         |
| Capital receipts applied in lieu of MRP                                                      | (1,861)          | (396)           |
| <b>Increase (Decrease) in Capital Financing Requirement</b>                                  | <b>518</b>       | <b>42,367</b>   |

Commitments under capital contracts

At 31st March 2021 the council was committed to completing the schemes within its capital programme for 2020/21. A total of £859,516 had not been spent but was contractually committed at 31st March 2021 (£Nil at 31<sup>st</sup> March 2020).

## **22. INVESTMENT PROPERTIES**

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

|                                        | <b>2020/21<br/>£'000</b> | <b>2019/20<br/>£'000</b> |
|----------------------------------------|--------------------------|--------------------------|
| Rental income from Investment Property | (3,974)                  | (4,087)                  |
| Direct operating expenses              | 211                      | 219                      |

In addition in 2020/21 £0.274 million (£0.250 million in 2019/20) of rental income is included in the Housing Revenue Account (HRA) line.

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

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

|                                                                                                                                          | <b>2020/21<br/>£'000</b> | <b>2019/20<br/>£'000</b> |
|------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| <b>Balance at 1st April</b>                                                                                                              | <b>68,068</b>            | <b>75,993</b>            |
| Additions – construction                                                                                                                 | 367                      | 534                      |
| Reclassifications (to) / from Property, Plant and Equipment                                                                              | -                        | 58                       |
| Net gains / (losses) for the period included in the surplus or deficit on the provision of services resulting from changes in fair value | (1,997)                  | (8,517)                  |
| <b>Balance at 31st March</b>                                                                                                             | <b>66,438</b>            | <b>68,068</b>            |

The fair value of the investment property is reviewed and re-measured annually as necessary at the balance sheet date. All properties were revalued in 2020/21 by both internal and an external valuers, in accordance with the methodologies and bases of estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The valuations have been based where possible on a market approach using current market conditions, recent sale prices and other relevant information for similar assets in the local area. In these cases, where existing rents have been capitalised, the yield has been obtained by using market knowledge and evidence. The level of observable inputs is therefore significant, leading to £52.063 million of the value of the properties at 31<sup>st</sup> March 2021 being categorised at Level 2 in the fair value hierarchy.

The remaining valuation of £14.375 million has been based on an income approach using a discount rate, which are significant unobservable inputs, so have been categorised at level 3 in the fair value hierarchy.

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Such valuations are therefore sensitive to significant changes in rental income and in the discount rate used.

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

### 23. ASSETS HELD UNDER LEASES

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#### **The council as Lessor**

##### ***Finance Leases***

The council's policy is to purchase the vehicles and plant required by Ubico Limited to provide environmental services within Cheltenham and then lease them to the company. The vehicles and plant used on these services at 1st April 2012 were transferred under a finance lease to the company when it commenced operations on that date. The present value of the lease at the date of transfer was £1.364 million. Subsequent purchases of £5.902 million (including £0.380 million in 2020/21) have been subject to further finance leases.

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

|                       | 31st March<br>2021<br>£'000 | 31st March<br>2020<br>£'000 |
|-----------------------|-----------------------------|-----------------------------|
| Not later than 1 year | 842                         | 802                         |
| 2 – 5 years           | 2,399                       | 2,759                       |
| More than 5 years     | 235                         | 360                         |
|                       | <b>3,476</b>                | <b>3,921</b>                |

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

##### ***Operating Leases***

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

Where the council wishes to support a tenant financially it needs to be satisfied that the use of the property supports the authority's Corporate Plan objectives and is not otherwise commercially viable. The council uses a system where the tenant pays a rent equivalent to best consideration and enters into a service

## STATEMENT OF ACCOUNTS 2020/21

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agreement linked to the lease, which includes a grant from the council in lieu of some or all of the rent, depending on the service provided from the property.

The council received £5,234,711 in rental income in 2020/21 from its granted leases (£4,136,981 in 2019/20).

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

|                       | <b>31st March<br/>2021<br/>£'000</b> | <b>31st March<br/>2020<br/>£'000</b> |
|-----------------------|--------------------------------------|--------------------------------------|
| Not later than 1 year | 4,501                                | 4,477                                |
| 2 – 5 years           | 12,153                               | 17,029                               |
| More than 5 years     | 111,827                              | 100,919                              |
|                       | <b>128,481</b>                       | <b>122,425</b>                       |

### 24. INTANGIBLE ASSETS

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All of the intangible assets held relate to computer software, licenses being held for a number of the council's main software packages e.g. the Financial Management System. The intangible assets include both purchased licences and internally generated assets relating to the software. The balance is amortised to

## STATEMENT OF ACCOUNTS 2020/21

the relevant service revenue account over the useful life of the software (normally 5 – 10 years) on a straight line basis. The movement on intangible asset balances during the year is as follows:

|                                             | 2020/21<br>Software<br>£'000 | 2019/20<br>Software<br>£'000 |
|---------------------------------------------|------------------------------|------------------------------|
| Balance at 1st April                        |                              |                              |
| - Gross carrying amounts                    | 1,413                        | 1,282                        |
| - Accumulated amortisation                  | (911)                        | (772)                        |
| <b>Net carrying amount at start of year</b> | <b>502</b>                   | <b>510</b>                   |
| Additions - purchases                       | -                            | 131                          |
| Amortisation in Year                        | (117)                        | (139)                        |
| <b>Balance at 31st March</b>                | <b>385</b>                   | <b>502</b>                   |
| <b>Comprising:</b>                          |                              |                              |
| - Gross carrying amounts                    | 1,364                        | 1,413                        |
| - Accumulated amortisation                  | (979)                        | (911)                        |
|                                             | <b>385</b>                   | <b>502</b>                   |

## 25. ASSETS HELD FOR SALE

|                                                           | Current            |                    |
|-----------------------------------------------------------|--------------------|--------------------|
|                                                           | 31st March<br>2021 | 31st March<br>2020 |
|                                                           | £'000              | £'000              |
| <b>Balance outstanding at start of year</b>               | <b>60</b>          | <b>-</b>           |
| Reclassifications from/(to) Property, Plant and Equipment | (12)               | 60                 |
| Revaluation gains                                         | -                  | -                  |
| <b>Balance outstanding at year end</b>                    | <b>48</b>          | <b>60</b>          |

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### 26. FINANCIAL INSTRUMENTS

#### Categories of financial instrument

The following categories are carried on the Balance Sheet:

|                                                                                           | Current                     |                             | Long term                   |                             |
|-------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                                                                           | 31st March<br>2021<br>£'000 | 31st March<br>2020<br>£'000 | 31st March<br>2021<br>£'000 | 31st March<br>2020<br>£'000 |
| <b>Investments</b>                                                                        |                             |                             |                             |                             |
| Financial assets at amortised cost (note i below)                                         | -                           | 7,035                       | 1,050                       | 603                         |
| Fair value through other comprehensive income<br>- shares in unlisted companies (note ii) | -                           | -                           | 94                          | 1,700                       |
| Fair value through P&L - Pooled Funds (note iii)                                          | 64                          | 75                          | 6,189                       | 5,783                       |
| <b>Total Investments</b>                                                                  | <b>64</b>                   | <b>7,110</b>                | <b>7,333</b>                | <b>8,086</b>                |
| <b>Debtors</b>                                                                            |                             |                             |                             |                             |
| Financial assets at amortised cost                                                        | 5,298                       | 5,630                       | 11,304                      | 10,739                      |
| <b>Total included in debtors (note iv)</b>                                                | <b>5,298</b>                | <b>5,630</b>                | <b>11,304</b>               | <b>10,739</b>               |
| <b>Cash and Cash equivalents</b>                                                          |                             |                             |                             |                             |
| Financial assets at amortised cost                                                        | 7                           | 2,174                       |                             |                             |
| Fair value through P&L (note v)                                                           | 6,940                       | 18,995                      |                             |                             |
| Financial liabilities at amortised cost                                                   | (746)                       | -                           |                             |                             |
| <b>Total cash and cash equivalents</b>                                                    | <b>6,201</b>                | <b>21,169</b>               |                             |                             |
| <b>TOTAL FINANCIAL ASSETS</b>                                                             | <b>11,563</b>               | <b>33,909</b>               | <b>18,637</b>               | <b>18,825</b>               |
| <b>Borrowings</b>                                                                         |                             |                             |                             |                             |
| Financial liabilities at amortised cost                                                   |                             |                             |                             |                             |
| - Public Works Loan Board (PWLB) loans                                                    | 1,478                       | 759                         | 97,935                      | 99,393                      |
| - Bank and other loans                                                                    | 58,814                      | 69,336                      | 15,900                      | 15,900                      |
| <b>Total borrowings</b>                                                                   | <b>60,292</b>               | <b>70,095</b>               | <b>113,835</b>              | <b>115,293</b>              |
| <b>Creditors</b>                                                                          |                             |                             |                             |                             |
| Financial liabilities at amortised cost                                                   | 4,721                       | 9,226                       | -                           | -                           |
| <b>Total included in creditors (Note vi)</b>                                              | <b>4,721</b>                | <b>9,226</b>                | <b>-</b>                    | <b>-</b>                    |
| <b>TOTAL FINANCIAL LIABILITIES</b>                                                        | <b>65,013</b>               | <b>79,321</b>               | <b>113,835</b>              | <b>115,293</b>              |

#### Notes

(i) These comprise deposits with banks and other local authorities and bank certificates of deposit.

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

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costs.

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

In addition the council holds shares costing £1 in Ubico Limited. The fair value of the council's interests in the company at 31st March 2021 is considered to be nil, since it is a wholly local authority owned not-for-profit 'Teckal' company. As a 'Teckal' company it is treated as if it was an in house department and the shareholder councils are able to enter into service contracts with the company without undertaking an EU compliant procurement process.

- (iii) These comprise units in the CCLA pooled property fund, the Schroders Income Maximiser Fund and CCLA Diversified Income Fund, the carrying (fair) value of which has been assessed using Level 1 inputs in the fair value hierarchy (quoted prices for identical units) at 31st March 2021.
- (iv) Further details of current debtors are given in note 27, page 77. The figures shown above exclude payments in advance and non-exchange transactions, such as taxes and grants due, which are not classified as financial instruments.

Long term debtors at 31<sup>st</sup> March 2021 mainly comprise:

- an outstanding loan of £0.334 million (£0.350 million at 31<sup>st</sup> March 2020) to the Cheltenham Everyman Theatre (made in 2011/12 for 25 years towards the redevelopment of the theatre)
- loans totalling £7.897 million (£6.304 million at 31<sup>st</sup> March 2020) made to Cheltenham Borough Homes Limited for between 30 and 50 years for housing redevelopment
- finance lease repayments of £2.635 million (£3.119 million at 31<sup>st</sup> March 2020) due from Ubico Limited (relating to leases of vehicles and plant)
- a loan of £0.258 million (£0.383 million at 31<sup>st</sup> March 2020) to Gloucestershire Airport Limited towards the cost of the runway safety project. In addition net investments of £0.450 million were made to the Airport in 2020/21 to add to the investment loan balance brought forward of £0.600 million in 2019/20, taking the outstanding balance to £1.050 million as at 31<sup>st</sup> March 2021. A further £0.165 million was provided as a loan to fund the sub-station and radar project.

The remainder comprises mortgages for house purchase and other loans.

- (v) These comprise money market funds that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.
- (vi) Further details of current creditors are given in note 29, page 74. The figures shown above exclude receipts in advance, which are not classified as financial instruments.

### Income, Expense, gains and losses

#### Fair Value of financial assets and liabilities

|                  | 2020/21                                          |                                             |                                                   |                | 2019/20                                          |                                             |                                                   |                |
|------------------|--------------------------------------------------|---------------------------------------------|---------------------------------------------------|----------------|--------------------------------------------------|---------------------------------------------|---------------------------------------------------|----------------|
|                  | Financial Liabilities at amortised cost<br>£'000 | Financial Assets at amortised cost<br>£'000 | Financial Assets: Fair value through P&L<br>£'000 | Total<br>£'000 | Financial Liabilities at amortised cost<br>£'000 | Financial Assets at amortised cost<br>£'000 | Financial Assets: Fair value through P&L<br>£'000 | Total<br>£'000 |
| Interest expense | 3,891                                            | -                                           | -                                                 | 3,891          | 3,948                                            | -                                           | -                                                 | 3,948          |



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|                                                                          |              |              |              |              |              |              |              |              |
|--------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Fee expense                                                              | 64           | -            | -            | 64           | 40           | -            | 1            | 41           |
| Changes in fair value                                                    | -            | -            | 780          | 780          | -            | -            | 870          | 870          |
| Impairment losses                                                        |              |              |              |              | -            | (3)          | -            | (3)          |
| <b>Total expenses in Surplus or Deficit on the Provision of Services</b> | <b>3,955</b> | <b>-</b>     | <b>780</b>   | <b>4,735</b> | <b>3,988</b> | <b>(3)</b>   | <b>871</b>   | <b>4,856</b> |
| Interest Income                                                          | -            | (391)        | (276)        | <b>(667)</b> |              | (452)        | (326)        | <b>(778)</b> |
| Interest Income accrued on impaired financial assets                     | -            | -            | -            | -            | -            | (1)          | -            | <b>(1)</b>   |
| Changes in fair value                                                    |              |              |              |              |              |              |              |              |
| <b>Total income in Surplus or Deficit on the Provision of Services</b>   | <b>-</b>     | <b>(391)</b> | <b>(276)</b> | <b>(667)</b> | <b>-</b>     | <b>(453)</b> | <b>(326)</b> | <b>(779)</b> |
| <b>(Net gain)/loss for the year</b>                                      | <b>3,955</b> | <b>(391)</b> | <b>504</b>   | <b>4,068</b> | <b>3,988</b> | <b>(456)</b> | <b>545</b>   | <b>4,077</b> |

The fair values of the authority's financial assets and liabilities are shown below, where different to their

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carrying amounts. The fair values have been assessed as equal to the present value of the expected cash flows over the remaining term of the instruments, using the following assumptions:

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

|                                     | 2020/21                  |                     | 2019/20                  |                     |
|-------------------------------------|--------------------------|---------------------|--------------------------|---------------------|
|                                     | Carrying amount<br>£'000 | Fair Value<br>£'000 | Carrying amount<br>£'000 | Fair Value<br>£'000 |
| <b>Financial Assets</b>             |                          |                     |                          |                     |
| Investments at amortised cost       | 1,050                    | 1,050               | 603                      | 603                 |
| Long term debtors at amortised cost | 11,304                   | 13,507              | 10,258                   | 12,320              |

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

|                              | 2020/21                  |                     | 2019/20                  |                     |
|------------------------------|--------------------------|---------------------|--------------------------|---------------------|
|                              | Carrying amount<br>£'000 | Fair Value<br>£'000 | Carrying amount<br>£'000 | Fair Value<br>£'000 |
| <b>Financial Liabilities</b> |                          |                     |                          |                     |
| Borrowing – PWLB loans*      | 97,935                   | 115,491             | 99,393                   | 116,028             |
| - long term bank loans       | 15,900                   | 24,803              | 15,900                   | 25,080              |
| <b>Total borrowing</b>       | <b>113,835</b>           | <b>140,294</b>      | <b>115,293</b>           | <b>141,108</b>      |

\*includes current borrowing

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

In the case of long term bank loans £7 million is subject to 'Lenders Option, Borrowers Option' (LOBO loans) the borrower's options to accept the increased rate or repay the loan have been valued at nil, on the

assumption that lenders will only exercise their options when market rates have risen above the contractual rate.

### Nature and extent of risks arising from financial instruments

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

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

The council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the council to comply with the CIPFA Prudential Code for Capital Finance and the CIPFA Code of Practice on Treasury Management in Local Authorities (both revised in December 2017) and government investment guidance issued under the Act (revised in January 2018). Overall, these procedures require the council to manage risk in the following ways:

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 23rd March 2020. The two key controls were:

- The Authorised Limit for 2020/21 was set at £320 million. This is the maximum limit of external borrowings or other long term liabilities
- The Operational Boundary for 2020/21 was set at £310 million. This is the expected level of debt and other long term liabilities during the year.

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

### Credit Risk

Credit risk arises from investments mainly with banks and other financial institutions, as well as credit exposure to the council's customers. This risk is minimised through the Annual Investment Strategy, which

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requires that investments are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Ratings Services. The Annual Investment Strategy also sets the maximum amounts and time limits in respect of each counterparty. Investments are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria.

The council used the creditworthiness services of Arlingclose Limited during 2020/21. The maximum investment that could be made with an approved UK counterparty was £6 million in 2020/21. No breaches of the council's counterparty criteria occurred during the reporting period and the council does not expect any losses from non-performance by any of its counter-parties.

The council's maximum exposure to credit risk in relation to its investments cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to that individual organisation. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of default applies to all of the council's investments, but there was no evidence at 31st March 2021 that this is likely to materialise. The following analysis summarises the council's potential maximum exposure to credit risk for investments outstanding at 31st March 2021 (excluding Group equities), based on experience of default assessed by the ratings agencies and adjusted to reflect current market conditions.

|                                                                | Amount at<br>31 March<br>2021<br>£000<br>(a) | Historical<br>experience<br>of default<br>%<br>(b) | Adjustment<br>for market<br>conditions at<br>31 March<br>2021<br>%<br>(c) | Estimated<br>maximum<br>exposure to<br>Default<br>£000<br>(a*c) |
|----------------------------------------------------------------|----------------------------------------------|----------------------------------------------------|---------------------------------------------------------------------------|-----------------------------------------------------------------|
| <b>Investments with banks and other financial institutions</b> |                                              |                                                    |                                                                           |                                                                 |
| A+ rated counterparties                                        | 6,940                                        | 0.06                                               | 1.22                                                                      | 10                                                              |
| Unrated pooled funds/MMF's                                     | 6,189                                        | -                                                  | -                                                                         | -                                                               |
|                                                                | <b>13,129</b>                                |                                                    |                                                                           | <b>10</b>                                                       |

The historical experience of default has been taken from average one year default rates published by the three main rating agencies at May 2021, relating to 2020 figures. Whilst current economic conditions have raised the overall possibility of default, the council maintains strict credit criteria for investment counterparties.

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

The council does not generally allow credit for its trade debtors as payment is due immediately. This means that all of the £2,175,583 trade debtor balance is technically past its due date for payment. The past due amount can be analysed by age as follows:

|                    | 2020/21<br>£000 | 2019/20<br>£000 |
|--------------------|-----------------|-----------------|
| Less than 3 months | 1,961           | 917             |
| 3 to 6 months      | 136             | 64              |
| 6 months to 1 year | 68              | 9               |
| Over 1 year        | 11              | 82              |
|                    | <b>2,176</b>    | <b>1,072</b>    |

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A loss provision of £267,900 at 31<sup>st</sup> March 2021 (£279,400 31<sup>s</sup> March 2020) has been provided to cover the expected lifetime credit losses on these debts under IFRS 9.

### Liquidity risk

The council has ready access to borrowings from the money markets to cover any day to day cash flow needs, and the Public Works Loan Board and money markets for access to longer term funds, ensuring there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the council could be required to replenish a significant portion of its borrowings at a time of unfavourable interest rates. This risk is reduced by working towards a rolling programme to ensure the maturity of loans is spread over a period of time.

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

|                                                | <b>31<sup>st</sup> March<br/>2021<br/>£'000</b> | <b>31<sup>st</sup> March<br/>2020<br/>£'000</b> |
|------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| Less than 1 year                               | 1,424                                           | 695                                             |
| 2-5 years                                      | 9,425                                           | 9,998                                           |
| 6-10 years                                     | 19,548                                          | 5,326                                           |
| Uncertain date maturing in more than 10 years* | 83,438                                          | 99,274                                          |
| <b>Total</b>                                   | <b>113,835</b>                                  | <b>115,293</b>                                  |

\*The council has £7 million (£7 million at 31<sup>st</sup> March 2020) of 'Lender's option, Borrower's option' (LOBO) loans where the lenders have the option to propose an increase in the rates payable; if this occurs the council will have the option to accept the new rate or repay the loans without penalty. Due to current low interest rates, in the unlikely event the lenders exercise their options; the council is likely to repay the loan(s). The repayment dates of these loans are therefore uncertain, although they are due to mature in 47 years.

### Market risk

The council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. By way of illustration, if interest rates were 1% higher in 2020/21, this would have had the following effect on the interest charged or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement:

|                                                            | <b>Amount<br/>outstanding<br/>(weighted<br/>average) in<br/>year<br/>£'000</b> | <b>Average<br/>actual<br/>interest<br/>rate<br/>%</b> | <b>Actual<br/>Interest<br/>payable /<br/>(receivable)<br/>£'000</b> | <b>Projected<br/>interest<br/>rate<br/>%</b> | <b>Projected<br/>interest<br/>payable /<br/>(receivable)<br/>£'000</b> | <b>Variation<br/>£'000</b> |
|------------------------------------------------------------|--------------------------------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------------------------|----------------------------------------------|------------------------------------------------------------------------|----------------------------|
| <b>Borrowing</b>                                           |                                                                                |                                                       |                                                                     |                                              |                                                                        |                            |
| Variable rate                                              | 37,008                                                                         | 0.73                                                  | 270                                                                 | 1.73                                         | 640                                                                    | 370                        |
| <b>Lending</b>                                             |                                                                                |                                                       |                                                                     |                                              |                                                                        |                            |
| Fixed rate (up to 1 year)                                  | 21,151                                                                         | 2.02                                                  | 427                                                                 | 3.02                                         | 639                                                                    | (212)                      |
| Variable rate                                              |                                                                                |                                                       |                                                                     |                                              |                                                                        |                            |
| <b>Net loss / (gain) on<br/>surplus / deficit for year</b> |                                                                                |                                                       |                                                                     |                                              |                                                                        | <b>158</b>                 |

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

increase in interest rates in the future. A large proportion of fixed rates is short term so any rate increases will benefit future investment returns.

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

The council has a number of strategies for managing interest risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

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

The council's investment in a pooled property fund is subject to the risk of falling commercial property prices. For example a 5% fall would result in a £142k charge to Other Comprehensive Income and Expenditure, although it would not affect the surplus or deficit on the provision of services unless the fund units were

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

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

### 27. SHORT TERM DEBTORS

|                                    | 31st March 2021<br>£'000 | 31st March 2020<br>£'000 |
|------------------------------------|--------------------------|--------------------------|
| Central Government Bodies          | 18,350                   | 7,999                    |
| Other Local Authorities            | 6,335                    | 1,745                    |
| Other entities and individuals-    |                          |                          |
| - Council Taxpayers                | 515                      | 416                      |
| - Business Ratepayers              | 718                      | 245                      |
| - Cheltenham Borough Homes Limited | 488                      | 530                      |
| - Ubico Limited                    | 1,869                    | 1,444                    |
| - Housing Rents                    | 432                      | 423                      |
| - Sundry Debtors                   | 3,409                    | 2,961                    |
| <b>Total</b>                       | <b>32,116</b>            | <b>15,763</b>            |

Each line is shown net of any allowance for impairments (provision for bad debts).

### 28. CASH AND CASH EQUIVALENTS

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

|                                                              | 31st March 2021<br>£'000 | 31st March 2020<br>£'000 |
|--------------------------------------------------------------|--------------------------|--------------------------|
| Cash held by the Authority                                   | 2                        | 6                        |
| Bank current accounts                                        | 5                        | 2,168                    |
| Short term deposits and money market funds                   | 6,940                    | 18,995                   |
| <b>Cash and cash equivalent assets</b>                       | <b>6,947</b>             | <b>21,169</b>            |
| Cash and cash equivalent liabilities - bank overdraft        | (746)                    | -                        |
| <b>Net Cash and cash equivalents per Cash flow Statement</b> | <b>6,201</b>             | <b>21,169</b>            |

### 29. SHORT TERM CREDITORS

|                                       | 31st March 2021<br>£'000 | 31st March 2020<br>£'000 |
|---------------------------------------|--------------------------|--------------------------|
| Central Government Bodies             | 26,693                   | 3,783                    |
| Other Local Authorities               | 699                      | 1,051                    |
| Public corporations and trading funds | -                        | 20                       |
| Other entities and individuals-       |                          |                          |
| - Council Taxpayers                   | 139                      | 123                      |
| - Business Ratepayers                 | 2,004                    | 1,833                    |
| - Cheltenham Borough Homes Limited    | 934                      | 1,137                    |
| - Ubico Limited                       | -                        | 46                       |
| - Housing Rents                       | 520                      | 442                      |
| - Sundry Creditors                    | 4,570                    | 7,336                    |
| <b>Total</b>                          | <b>35,559</b>            | <b>15,771</b>            |

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There is a significant increase in the Central Government Bodies creditor balance at 31 March 2021 as the business grant income received to be passed onto local businesses through the various Government funding schemes has been included here as well as NNDR relief funding. Although grant income was received in March 2020, the main schemes were not launched until 2020/21. Business grant income which is not distributed by the Council is required to be repaid to Central Government so is recognised as a creditor at the year end.

### 30. PROVISIONS

|                                          | Balance at<br>1st April<br><br>£'000 | Additional<br>provisions<br>made<br>in Year<br>£'000 | Amounts<br>used/reallocated<br>in Year<br><br>£'000 | Balance at<br>31st March<br><br>£'000 |
|------------------------------------------|--------------------------------------|------------------------------------------------------|-----------------------------------------------------|---------------------------------------|
| <b>Short term</b>                        |                                      |                                                      |                                                     |                                       |
| Insurance                                | 6                                    | -                                                    | -                                                   | 6                                     |
| Business rates retention – RV reductions | 480                                  | 815                                                  | (480)                                               | 815                                   |
|                                          | <b>486</b>                           | <b>815</b>                                           | <b>(480)</b>                                        | <b>821</b>                            |
| <b>Long term</b>                         |                                      |                                                      |                                                     |                                       |
| Business rates retention – RV reductions | 1,000                                | -                                                    | (375)                                               | 625                                   |
| <b>Total 2020/21</b>                     | <b>1,486</b>                         | <b>815</b>                                           | <b>(855)</b>                                        | <b>1,446</b>                          |
| <b>Total 2019/20</b>                     | <b>1,634</b>                         | <b>567</b>                                           | <b>(715)</b>                                        | <b>1,486</b>                          |

#### Insurance

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

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

#### Business Rates Retention – RV reductions including Appeals

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

From this date local authorities acquired a share of the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties and other reductions resulting from changes in the rating list. This includes amounts paid over to central government in respect of 2012/13 and prior years. Consequently the council considers it necessary to make a provision to cover its share of the repayments likely to be made. The provision is based on the expected success rate of appeals recorded by the Valuation Office at 31st March 2021 relating to appeals raised against charges up to 31<sup>st</sup> 2017 and, for charges after this date, on an estimated reduction on the rating list based on historical experience, together with other known likely reductions. It has been split into short and long term elements to reflect the estimated time until settlement.



**31. CONTINGENT LIABILITIES****Municipal Mutual Insurance Limited**

The council's former insurers, Municipal Mutual Insurance Limited, ceased trading in 1992; the council became a party to the scheme of administration for liabilities outstanding at that time. Whilst there is a very low risk that the assets of the company will not meet the liabilities from insurance claims, the scheme guarantees that the council will reimburse the total of payments made in respect of claims less £50,000. At 31st March 2021 this potential total liability equated to £318,014, made up as follows:

|                                                       | £              |
|-------------------------------------------------------|----------------|
| Gross claim payments to date                          | 474,019        |
| 15% levy paid 2013/14                                 | (63,603)       |
| 10% levy paid 2016/17                                 | (42,402)       |
| <b>Net Payments</b>                                   | <b>368,014</b> |
| Levy retention                                        | (50,000)       |
| <b>Potential liability 31<sup>st</sup> March 2021</b> | <b>318,014</b> |

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

**32. USABLE RESERVES AND TRANSFERS TO / FROM EARMARKED RESERVES**

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

|                            | Balance at<br>1 April 2019<br>£'000 | Transfers out<br>2019/20<br>£'000 | Transfers in<br>2019/20<br>£'000 | Balance at<br>31 March 2020<br>£'000 | Transfers out<br>2020/21<br>£'000 | Transfers in<br>2020/21<br>£'000 | Balance at<br>31 March 2021<br>£'000 |
|----------------------------|-------------------------------------|-----------------------------------|----------------------------------|--------------------------------------|-----------------------------------|----------------------------------|--------------------------------------|
| <b>Earmarked Reserves</b>  |                                     |                                   |                                  |                                      |                                   |                                  |                                      |
| Capital Reserve            | 333                                 | (402)                             | 200                              | 131                                  | (188)                             | 200                              | 143                                  |
| Equalisation Reserves      | 2,164                               | (816)                             | 62                               | 1,410                                | (216)                             | 14,440                           | 15,634                               |
| Repairs & Renewals Reserve | 1,263                               | (276)                             | 292                              | 1,279                                | (203)                             | 387                              | 1,463                                |
| Reserves for Commitments   | 624                                 | (594)                             | 162                              | 192                                  | (192)                             | 609                              | 609                                  |
| Other earmarked reserves   | 1,907                               | (575)                             | 152                              | 1,484                                | (348)                             | 361                              | 1,497                                |
| <b>Total</b>               | <b>6,291</b>                        | <b>(2,663)</b>                    | <b>868</b>                       | <b>4,496</b>                         | <b>(1,147)</b>                    | <b>15,997</b>                    | <b>19,346</b>                        |

Purpose of reserves

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

The significant increase in Equalisation Reserves in 2020/21 results from additional Section 31 NDR compensation grant received from the government during the year being transferred to the Business Rates Retention Reserve. This money is required to help meet the increased NDR deficit for 2020/21 resulting from the additional business rate retail reliefs awarded during the year due to

Covid-19. The increased deficit is chargeable to the General Fund in 2021/22.

- **Repairs and Renewals Reserve** – to meet the cost of planned and reactive repairs to buildings and infrastructure.
- **Reserves for Commitments** – to cover the cost of budget commitments where spending did not take place in the year approved, but is planned to take place in the following year.
- **Other earmarked reserves** – sums built up to cover future planned expenditure, for example support for the revenue budget, risk management, and Public Realm improvements.

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### 33. UNUSABLE RESERVES

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

| Reserve                                                 | 31st March<br>2021<br>£'000 | 31st March<br>2020<br>£'000 | Purpose of Reserve                                                                                                                                                                                                               |
|---------------------------------------------------------|-----------------------------|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Revaluation Reserve                                     | 177,219                     | 161,284                     | Store of gains on revaluation of non-current assets not yet realised through sales                                                                                                                                               |
| Financial Instruments<br>Revaluation Reserve            | (508)                       | 1,099                       | Store of gains and losses arising from changes in the value of financial instruments (excluding on pooled funds from 1st April 2018) carried at fair value through other comprehensive income and not yet realised through sales |
| Pooled Investment Funds<br>Adjustment Account           | (644)                       | (1,050)                     | Store of gains and losses arising from changes in the fair value of pooled investment funds since 1 <sup>st</sup> April 2018                                                                                                     |
| Capital Adjustment Account                              | 198,042                     | 185,891                     | Store of capital resources set aside to meet past expenditure                                                                                                                                                                    |
| Financial Instruments<br>Adjustment Account             | (1,455)                     | (1,601)                     | Balancing account to allow for differences in statutory requirements and proper accounting practices relating to borrowing and investments                                                                                       |
| Collection Fund Adjustment<br>Account                   | (15,044)                    | (647)                       | Balancing account to allow for differences in statutory requirements and proper accounting practices for council tax and NNDR (business rates) surpluses/deficits                                                                |
| Pensions Reserve                                        | (58,991)                    | (51,307)                    | Balancing account to allow inclusion of Pension Liability in the Balance Sheet.                                                                                                                                                  |
| Deferred Capital Receipts<br>Reserve                    | 3,479                       | 3,926                       | Capital receipts to be received in future years e.g. from finance lease or mortgage repayments                                                                                                                                   |
| Accumulating Compensated<br>Absences Adjustment Account | (322)                       | (122)                       | Balancing account to allow for differences in statutory requirements and proper accounting practices for staff leave and additional hours not taken at the year end                                                              |
| <b>Total Unusable Reserves</b>                          | <b>301,776</b>              | <b>297,473</b>              |                                                                                                                                                                                                                                  |

## Revaluation Reserve

|                                                                                                                                  | 2020/21<br>£'000 | 2019/20<br>£'000 |
|----------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Balance at 1st April</b>                                                                                                      | <b>161,284</b>   | <b>161,755</b>   |
| Revaluation gains on non-current assets                                                                                          | 25,671           | 6,659            |
| Downward revaluation of assets and impairments                                                                                   | (5,395)          | (3,730)          |
| <b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b> | <b>181,560</b>   | <b>164,684</b>   |
| Accumulated gains on assets sold, derecognised or reclassified                                                                   | (827)            | -                |
| Difference between fair value and historic cost depreciation                                                                     | (3,514)          | (3,400)          |
| <b>Amount written off to the Capital Adjustment Account</b>                                                                      | <b>(4,341)</b>   | <b>(3,400)</b>   |
| <b>Balance at 31st March</b>                                                                                                     | <b>177,219</b>   | <b>161,284</b>   |

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

## Financial Instruments Revaluation Reserve

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

|                                                                                                | 2020/21<br>£'000 | 2019/20<br>£'000 |
|------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Balance at 1<sup>st</sup> April</b>                                                         | <b>1,099</b>     | <b>1,099</b>     |
| Revaluation of investments not charged to the surplus or deficit on the provision of services: |                  |                  |
| Downward revaluations                                                                          | (1,607)          | -                |
| <b>Balance at 31<sup>st</sup> March</b>                                                        | <b>(508)</b>     | <b>1,099</b>     |

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### Pooled Investment Funds Adjustment Account

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

### Capital Adjustment Account

|                                                                                                                                                                                                                                        | 2020/21<br>£'000 | 2019/20<br>£'000 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Balance at 1<sup>st</sup> April</b>                                                                                                                                                                                                 | <b>185,891</b>   | <b>191,494</b>   |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement                                                                                                            |                  |                  |
| • Charges for depreciation and impairment of non-current assets                                                                                                                                                                        | (10,328)         | (9,954)          |
| • Revaluation gains/(losses) on Property, Plant and Equipment                                                                                                                                                                          | 2,225            | (2,100)          |
| • Amortisation of intangible assets                                                                                                                                                                                                    | (115)            | (139)            |
| • Revenue expenditure funded from capital under statute                                                                                                                                                                                | (737)            | (415)            |
| • Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement                                                                             | (1,449)          | (2,712)          |
|                                                                                                                                                                                                                                        | 175,487          | 176,174          |
| Capital receipts received on repayment of long term loans                                                                                                                                                                              | (265)            | (399)            |
| Adjusting amounts written out of the Revaluation Reserve                                                                                                                                                                               | 4,341            | 3,400            |
| <b>Net amount written out for the cost of non-current assets consumed in the year</b>                                                                                                                                                  | <b>179,563</b>   | <b>179,175</b>   |
| Capital Financing applied in the year:                                                                                                                                                                                                 |                  |                  |
| • Use of Capital Receipts Reserve to finance new capital expenditure                                                                                                                                                                   | 2,578            | 3,405            |
| • Use of the Major Repairs Reserve to finance new capital expenditure                                                                                                                                                                  | 5,126            | 4,936            |
| • 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 | 3,426            | 1,289            |
| • Statutory and voluntary provision for the financing of capital investment charged against the General Fund Balance                                                                                                                   | 407              | 1,836            |
| • Statutory provision for the financing of capital investment charged against usable capital receipts                                                                                                                                  | 1,861            | 396              |
| • Capital expenditure charged against the general fund and HRA balances                                                                                                                                                                | 7,077            | 3,370            |
|                                                                                                                                                                                                                                        | 200,038          | 194,407          |
| Movements in the market value of Investment properties (charged) or credited to the Comprehensive Income and Expenditure Statement                                                                                                     | (1,996)          | (8,516)          |
| <b>Balance at 31st March</b>                                                                                                                                                                                                           | <b>198,042</b>   | <b>185,891</b>   |

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

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

The Account also contains accumulated gains and losses on Investment properties that have yet to be consumed by the council and revaluation gains accumulated on Property, Plant and Equipment before 1st

## STATEMENT OF ACCOUNTS 2020/21

April 2007, the date that the Revaluation Reserve was created to hold such gains.

### Financial Instruments Adjustment Account

|                                                                                          | 2020/21<br>£'000 | 2019/20<br>£'000 |
|------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Balance at 1st April</b>                                                              | <b>(1,601)</b>   | <b>(1,747)</b>   |
| Net Premiums incurred in previous years charged against the General Fund and HRA Balance | 146              | 146              |
| <b>Balance at 31st March</b>                                                             | <b>(1,455)</b>   | <b>(1,601)</b>   |

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

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

### Collection Fund Adjustment Account

This account reflects the difference between the rate at which collection fund surpluses or deficits are released to the council's General Fund Balance according to proper accounting practice, and the rate at 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.

|                                                                                                                                                                                                                   | 2020/21<br>£'000 | 2019/20<br>£'000 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Balance at 1st April</b>                                                                                                                                                                                       | <b>(647)</b>     | <b>(419)</b>     |
| Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from that calculated for the year in accordance with statutory requirements | (14,397)         | (228)            |
| <b>Balance at 31st March</b>                                                                                                                                                                                      | <b>(15,044)</b>  | <b>(647)</b>     |

### Pensions Reserve

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

## STATEMENT OF ACCOUNTS 2020/21

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

|                                                                                                                                                                                    | 2020/21<br>£'000 | 2019/20<br>£'000 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Balance at 1st April</b>                                                                                                                                                        | <b>(51,307)</b>  | <b>(61,920)</b>  |
| Re-measurement of the net defined benefit liability                                                                                                                                | (9,002)          | 10,251           |
| Reversal of items relating to retirement benefits charged or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (3,535)          | (4,615)          |
| Employer's pension contributions and direct payments to pensioners payable in the year                                                                                             | 4,853            | 4,977            |
| <b>Balance at 31<sup>st</sup> March</b>                                                                                                                                            | <b>(58,991)</b>  | <b>(51,307)</b>  |

### Deferred Capital Receipts Reserve

This comprises capital receipts receivable in future years, for example from finance leases and mortgage repayments, which are not usable until they are received. The amount at 31<sup>st</sup> March 2021 includes £3.476 million (£3.921 million at 31<sup>st</sup> March 2020) for vehicles and plant leased to Ubico Limited under finance leases.

|                                                                                                                                        | 2020/21<br>£'000 | 2019/20<br>£'000 |
|----------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Balance at 1st April</b>                                                                                                            | <b>3,926</b>     | <b>2,952</b>     |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 380              | 1,605            |
| Transfer to the Capital Receipts Reserve upon receipt of cash                                                                          | (827)            | (631)            |
| <b>Balance at 31<sup>st</sup> March</b>                                                                                                | <b>3,479</b>     | <b>3,926</b>     |

**34. DEFINED BENEFIT PENSION SCHEME****Participation in the pension scheme**

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

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

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

**Transactions relating to post-employment benefits**

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

|                                                                                                                                      | 2020/21<br>£000 | 2019/20<br>Re-stated<br>£000 |
|--------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------------------------|
| <b>Comprehensive Income and Expenditure Statement (CIES):</b>                                                                        |                 |                              |
| <b>Service cost comprising:</b>                                                                                                      |                 |                              |
| Current service cost                                                                                                                 | (2,443)         | (3,015)                      |
| Past service cost                                                                                                                    |                 | (49)                         |
| <b>Financing and Investment Income and Expenditure:</b>                                                                              |                 |                              |
| Net Interest Expense                                                                                                                 | (1,092)         | (1,446)                      |
| Total post-employment benefits charged to Surplus or Deficit on Provision of Services                                                | (3,535)         | (4,510)                      |
| <b>Other post-employment benefits charged to the CIES:</b>                                                                           |                 |                              |
| <b>Re-measurement of the net defined benefit liability comprising:</b>                                                               |                 |                              |
| Return on assets (excluding the amount included in the net interest expense)                                                         | 22,314          | (8,533)                      |
| Changes in demographic assumptions                                                                                                   | (1,893)         | 5,245                        |
| Changes in financial assumptions                                                                                                     | (30,951)        | 11,355                       |
| Other experience                                                                                                                     | 1,528           | 3,131                        |
| <b>Total post-employment benefit charged to CIES</b>                                                                                 | <b>(12,537)</b> | <b>6,688</b>                 |
| <b>Movement in Reserves Statement:</b>                                                                                               |                 |                              |
| Reversal of net charges made to Surplus or Deficit on Provision of Services for post-employment benefits in accordance with the Code | (3,535)         | (4,510)                      |
| <b>Actual amount charged against General Fund Balance for pensions in the year</b>                                                   |                 |                              |
| Employer's pension contributions and direct payments to pensioners                                                                   | 4,853           | 4,977                        |



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### Up-front Payment of Secondary Pension Contributions

On 1 April 2020, the Council made an up-front payment of £8.675m for secondary employer pension contributions for the three years 2020/21 to 2022/23. This payment covers the discounted cost of the future employer contribution which will be required for these three periods.

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

- £3.375 million relating to 2020/21;
- £2.882 million relating to 2021/22; and
- £2.418 million relating to 2022/23.

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

### Pension Assets and Liabilities recognised in the Balance Sheet

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

|                                                              | 2020/21<br>£'000 | 2019/20<br>Re-stated<br>£'000 |
|--------------------------------------------------------------|------------------|-------------------------------|
| Present value of the defined benefit obligation              | (172,864)        | (140,754)                     |
| Fair value of plan assets                                    | 119,173          | 89,447                        |
| <b>Net liability arising from defined benefit obligation</b> | <b>(53,691)</b>  | <b>(51,307)</b>               |

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

|                                                 | <b>Funded Liabilities Local<br/>Government Pension Scheme</b> |                               |
|-------------------------------------------------|---------------------------------------------------------------|-------------------------------|
|                                                 | 2020/21<br>£'000                                              | 2019/20<br>Re-stated<br>£'000 |
| <b>Opening Balance at 1st April</b>             | <b>(140,754)</b>                                              | <b>(158,711)</b>              |
| Current service cost                            | (2,443)                                                       | (3,015)                       |
| Past service cost (including curtailments)      |                                                               | (49)                          |
| Interest cost                                   | (3,208)                                                       | (3,792)                       |
| Contributions from scheme participants          | (467)                                                         | (451)                         |
| <b>Remeasurement gain/(loss):</b>               |                                                               |                               |
| Arising from changes in demographic assumptions | (1,893)                                                       | 5,245                         |
| Arising from changes in financial assumptions   | (30,951)                                                      | 11,355                        |
| Other experience                                | 1,528                                                         | 3,131                         |

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|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Benefits paid                        | 5,224            | 5,435            |
| Unfunded benefits paid               | 100              | 98               |
| <b>Closing balance at 31st March</b> | <b>(172,864)</b> | <b>(140,754)</b> |

|                                              |                  |                  |
|----------------------------------------------|------------------|------------------|
| <b>Present value of Funded liabilities</b>   | <b>(171,395)</b> | <b>(158,711)</b> |
| <b>Present value of Unfunded liabilities</b> | <b>(1,469)</b>   | <b>(3,015)</b>   |
| <b>Closing balance 31st March</b>            | <b>(172,864)</b> | <b>(140,754)</b> |

### The Local Government Pension scheme assets at 31 March 2021 comprised:

| Asset Category                           | Fair Value of Scheme Assets<br>2020/21   |                                              |                | Fair Value of Scheme Assets<br>Re-stated<br>2019/20 |                                              |               |
|------------------------------------------|------------------------------------------|----------------------------------------------|----------------|-----------------------------------------------------|----------------------------------------------|---------------|
|                                          | Quoted<br>prices in<br>active<br>markets | Quoted<br>prices not<br>in active<br>markets | Total          | Quoted<br>prices in<br>active<br>markets            | Quoted<br>prices not<br>in active<br>markets | Total         |
|                                          | £000                                     | £000                                         | £000           | £000                                                | £000                                         | £000          |
| <b>Debt Securities:</b>                  |                                          |                                              |                |                                                     |                                              |               |
| Corporate Bonds - investment grade       | 13,443.5                                 | -                                            | 13,443.5       | 9,937.9                                             | -                                            | 9,937.9       |
| Corporate Bonds - non investment grade   | 296.8                                    | -                                            | 296.8          | 213.9                                               | -                                            | 213.9         |
| UK Government                            | 1,524.8                                  | -                                            | 1,524.8        | 1,640.1                                             | -                                            | 1,640.1       |
| Other                                    | 457.1                                    | -                                            | 457.1          | 247.2                                               | -                                            | 247.2         |
| <b>Private equity:</b>                   |                                          |                                              |                |                                                     |                                              |               |
| All                                      | -                                        | 608.5                                        | 608.5          | -                                                   | 295.0                                        | 295.0         |
| <b>Real Estate:</b>                      |                                          |                                              |                |                                                     |                                              |               |
| UK Property                              | 5,769.7                                  | 1,774.5                                      | 7,544.2        | 4,961.6                                             | 1,586.2                                      | 6,547.8       |
| Overseas property                        | -                                        | 557.8                                        | 557.8          | -                                                   | 460.9                                        | 460.9         |
| <b>Investment Funds and Unit Trusts:</b> |                                          |                                              |                |                                                     |                                              |               |
| Equities                                 | -                                        | 79,075.0                                     | 79,075.0       | -                                                   | 56,810                                       | 56,810        |
| Infrastructure                           |                                          | 606.1                                        | 606.1          |                                                     |                                              |               |
| Bonds                                    | 8,674.8                                  | 296.0                                        | 8,970.8        | 7,066.6                                             | -                                            | 7,066.6       |
| Other                                    | -                                        | 2,739.8                                      | 2,739.8        | -                                                   | 4,987                                        | 4,987         |
| <b>Derivatives:</b>                      |                                          |                                              |                |                                                     |                                              |               |
| Foreign Exchange                         | 29.3                                     | -                                            | 29.3           | 19.2                                                | -                                            | 19.2          |
| Other                                    | 8.5                                      | -                                            | 8.5            | 9.2                                                 | -                                            | 9.2           |
| <b>Cash &amp; Cash equivalents:</b>      |                                          |                                              |                |                                                     |                                              |               |
| All                                      | 3,310.8                                  | -                                            | 3,310.8        | 1,032.7                                             | -                                            | 1,032.7       |
| <b>Totals</b>                            | <b>33,515</b>                            | <b>85,658</b>                                | <b>119,173</b> | <b>25,128</b>                                       | <b>64,319</b>                                | <b>89,447</b> |

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

|                    | 2020/21<br>% | 2019/20<br>Re-stated<br>% |
|--------------------|--------------|---------------------------|
| Equity investments | 67           | 78                        |
| Bonds              | 23           | 13                        |
| Property           | 7            | 8                         |

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|              |            |            |
|--------------|------------|------------|
| Cash         | 3          | 1          |
| <b>Total</b> | <b>100</b> | <b>100</b> |

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

|                                                                                   | <b>Funded Assets Local Government Pension Scheme</b> |                                       |
|-----------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------|
|                                                                                   | <b>2020/21<br/>£000</b>                              | <b>2019/20<br/>Re-stated<br/>£000</b> |
| <b>Opening fair value of scheme assets 1st April</b>                              | <b>89,447</b>                                        | <b>99,401</b>                         |
| Interest income                                                                   | 2,116                                                | 2,346                                 |
| <b>Remeasurement gain/(loss):</b>                                                 |                                                      |                                       |
| Return on plan assets (excluding the amount included in the net interest expense) | 22,314                                               | (8,533)                               |
| Contributions from employees into the scheme                                      | 467                                                  | 451                                   |
| Contributions from employer                                                       | 10,053                                               | 1,217                                 |
| Contributions from employer in respect of unfunded benefits                       | 100                                                  | 98                                    |
| Unfunded benefits paid                                                            | (100)                                                | (98)                                  |
| Benefits paid                                                                     | (5,224)                                              | (5,435)                               |
| <b>Closing fair value of scheme assets 31st March</b>                             | <b>119,173</b>                                       | <b>89,447</b>                         |

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels, etc.

The Gloucestershire County Council pension fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 1st April 2019. The significant assumptions made in their calculations have been:

|                                            | <b>Local Government Pension Scheme</b> |                |
|--------------------------------------------|----------------------------------------|----------------|
|                                            | <b>2020/21</b>                         | <b>2019/20</b> |
| <b>Mortality assumptions:</b>              |                                        |                |
| Longevity at 65 for current pensioners     |                                        |                |
| Men                                        | 21.9 years                             | 21.7 years     |
| Women                                      | 24.3 years                             | 23.9 years     |
| Longevity at 65 for future pensioners *    |                                        |                |
| Men                                        | 22.9 years                             | 22.4 years     |
| Women                                      | 26.0 years                             | 25.3 years     |
| Rate of pension increase / inflation (CPI) | 2.85%                                  | 1.9%           |
| Rate of increase in salaries               | 3.15%                                  | 2.2%           |
| Rate for discounting scheme liabilities    | 2.00%                                  | 2.3%           |

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

**Commutation**

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

**Prior Year Re-statement and Impact of McCloud judgement**

The impact of this judgement is included in the 2019/20 re-stated figures, so is included in the liability at 31 March 2020.

**Sensitivity analysis**

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the 31 March 2021 and assumes for each change that the assumption analysed changes whilst all other assumptions remain constant. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous financial year.

| Change in assumptions at year ended 31 March 2021 | Approximate<br>% increase to<br>Employer | Approximate<br>cost to<br>Employer<br>£000 |
|---------------------------------------------------|------------------------------------------|--------------------------------------------|
| 0.5% decrease in Real Discount Rate               | 9%                                       | 14,869                                     |
| 0.5% increase in the Salary Increase Rate         | 1%                                       | 1,190                                      |
| 0.5% increase in the Pension Increase Rate        | 8%                                       | 13,390                                     |

The above figures have been derived based on the membership profile of the scheme as at the most recent actuarial valuation, being 31st March 2021.

**Impact on the Council's Cash Flows**

The objectives of the scheme are to keep employer's contributions at as constant a rate as possible. Funding levels are monitored on an annual basis, with the most recent triennial valuation on 31<sup>st</sup> March 2019.

## STATEMENT OF ACCOUNTS 2020/21

### 35. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

|                   | 2020/21<br>£'000 | 2019/20<br>£'000 |
|-------------------|------------------|------------------|
| Interest received | (681)            | (762)            |
| Interest paid     | 3,821            | 3,986            |

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

|                                                                                         | 2020/21<br>£'000 | 2019/20<br>£'000 |
|-----------------------------------------------------------------------------------------|------------------|------------------|
| Depreciation                                                                            | (10,318)         | (9,954)          |
| Impairment and downward valuations                                                      | 2,216            | (2,100)          |
| Amortisation                                                                            | (117)            | (139)            |
| Increase (-) / decrease in creditors                                                    | (20,991)         | (6,350)          |
| Increase / decrease (-) in debtors                                                      | (3,928)          | 7,598            |
| Increase / decrease (-) in inventories                                                  | (22)             | 74               |
| Movement in pension liability                                                           | 6,618            | (3,300)          |
| Carrying amount of non-current assets sold or derecognised                              | (1,450)          | (2,712)          |
| Other non cash items charged to the net surplus or deficit on the provision of services | (1,550)          | (9,239)          |
|                                                                                         | <b>(29,542)</b>  | <b>(26,122)</b>  |

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

|                                                                          | 2020/21<br>£'000 | 2019/20<br>£'000 |
|--------------------------------------------------------------------------|------------------|------------------|
| Proceeds from the sale of PPE, investment property and intangible assets | 2,446            | 3,462            |

### 36. CASH FLOW STATEMENT – INVESTING ACTIVITIES

|                                                                                                    | 2020/21<br>£'000 | 2019/20<br>£'000 |
|----------------------------------------------------------------------------------------------------|------------------|------------------|
| Purchase of property, plant and equipment, investment property and intangible assets               | 18,719           | 58,320           |
| Purchase of Investments                                                                            | 28,500           | 11,275           |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (2,893)          | (2,488)          |
| Proceeds from the sale of short and long term investments                                          | (35,059)         | (13,023)         |
| Other receipts from investing activities                                                           | (265)            | (399)            |
| <b>Net cash (inflows) / outflows from investing activities</b>                                     | <b>9,002</b>     | <b>53,685</b>    |

### 37. CASH FLOW STATEMENT – FINANCING ACTIVITIES

|                                                  | 2020/21<br>£'000 | 2019/20<br>£'000 |
|--------------------------------------------------|------------------|------------------|
| Cash receipts of short and long term borrowing   | (227,000)        | (265,001)        |
| Other receipts/payments for financing activities | 24,053           | 513              |
| Repayments of short and long term borrowing      | 238,230          | 200,644          |
| <b>Net cash flows from financing activities</b>  | <b>35,283</b>    | <b>(63,844)</b>  |

## STATEMENT OF ACCOUNTS 2020/21

### THE COLLECTION FUND - INCOME AND EXPENDITURE ACCOUNT

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

| 2019/20<br>£'000 |                                                                                     | Note  | 2020/21<br>£'000 |
|------------------|-------------------------------------------------------------------------------------|-------|------------------|
|                  | <b>INCOME</b>                                                                       |       |                  |
| 75,724           | <b>Council Tax</b>                                                                  | (i)   | 78,488           |
| 56,869           | <b>Non-Domestic Rates</b>                                                           | (iii) | 22,178           |
| 174              | <b>Contribution towards previous year's deficit</b><br>Non-domestic rates           |       | 1,231            |
| <b>132,767</b>   | <b>Total Income</b>                                                                 |       | <b>101,897</b>   |
|                  | <b>EXPENDITURE</b>                                                                  |       |                  |
| 75,052           | <b>Precepts &amp; Demands from major preceptors and the Authority - Council Tax</b> | (ii)  | 78,673           |
|                  | <b>Non-Domestic Rates</b>                                                           | (iii) |                  |
| 27,492           | Shares paid to county council and the billing authority                             |       | 28,183           |
| 27,492           | Payment of central share to government                                              |       | 28,183           |
| 560              | Transitional protection payments                                                    |       | 125              |
| 167              | Charge payable to General Fund for Costs of Collection                              |       | 166              |
|                  | <b>Impairment of debts for Council Tax</b>                                          |       |                  |
| 192              | Allowance for Impairment                                                            |       | 69               |
|                  | <b>Impairment of debts/appeals for non-domestic rates</b>                           |       |                  |
| 1,862            | Allowance for Impairment                                                            |       | 2,697            |
|                  | <b>Contribution towards previous year's surplus</b>                                 |       |                  |
| 882              | Council Tax                                                                         |       | 593              |
| <b>133,699</b>   | <b>Total Expenditure</b>                                                            |       | <b>138,689</b>   |
| <b>(932)</b>     | <b>Surplus / (Deficit) for the Year</b>                                             |       | <b>(36,792)</b>  |
| (146)            | Balance of fund at 1st April                                                        |       | (1,078)          |
| <b>(1,078)</b>   | <b>Balance of fund at 31st March</b>                                                | (iv)  | <b>(37,870)</b>  |

**NOTES TO THE COLLECTION FUND**

**(i). COUNCIL TAX**

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

| <b>Band</b>                                                                                                                                                                                                                                                                                   | <b>Estimated Number of Properties in each Band (adjusted for discounts)</b> | <b>Ratio</b> | <b>Band "D" Equivalents</b> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|--------------|-----------------------------|
| A Disabled                                                                                                                                                                                                                                                                                    | 5.0                                                                         | 5/9          | 2.8                         |
| A                                                                                                                                                                                                                                                                                             | 8,092.5                                                                     | 6/9          | 5,395.0                     |
| B                                                                                                                                                                                                                                                                                             | 11,527.5                                                                    | 7/9          | 8,965.8                     |
| C                                                                                                                                                                                                                                                                                             | 12,563.7                                                                    | 8/9          | 11,167.8                    |
| D                                                                                                                                                                                                                                                                                             | 8,481.8                                                                     | 1            | 8,481.8                     |
| E                                                                                                                                                                                                                                                                                             | 4,727.8                                                                     | 11/9         | 5,778.4                     |
| F                                                                                                                                                                                                                                                                                             | 2,490.5                                                                     | 13/9         | 3,597.4                     |
| G                                                                                                                                                                                                                                                                                             | 1,920.8                                                                     | 15/9         | 3,201.3                     |
| H                                                                                                                                                                                                                                                                                             | 96.2                                                                        | 2            | 192.5                       |
|                                                                                                                                                                                                                                                                                               | 49,905.8                                                                    |              | 46,782.8                    |
| Less Council Tax support (Band D equivalents)                                                                                                                                                                                                                                                 |                                                                             |              | (3,202.5)                   |
| Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation bandings, demolitions, disabled persons' relief, and exemptions, plus adjustments for new properties and 2 <sup>nd</sup> homes (this amounts to 1% of the tax base) |                                                                             |              | (435.8)                     |
| <b>Council Tax Base for 2020/21</b>                                                                                                                                                                                                                                                           |                                                                             |              | <b>43,144.5</b>             |

**(ii). PRECEPTS & DEMANDS**

|                                             | <b>2020/21<br/>£'000</b> | <b>2019/20<br/>£'000</b> |
|---------------------------------------------|--------------------------|--------------------------|
| Gloucestershire County Council              | 58,043                   | 55,174                   |
| Cheltenham Borough Council                  | 9,236                    | 8,917                    |
| Gloucestershire Police & Crime Commissioner | 11,099                   | 10,683                   |
| Charlton Kings Parish Council               | 122                      | 108                      |
| Leckhampton with Warden Hill Parish Council | 64                       | 64                       |
| Prestbury Parish Council                    | 71                       | 68                       |
| Swindon Parish Council                      | 12                       | 12                       |
| Up Hatherley Parish Council                 | 26                       | 26                       |
|                                             | <b>78,673</b>            | <b>75,052</b>            |

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

## STATEMENT OF ACCOUNTS 2020/21

### (iii). NON-DOMESTIC RATES

The council collects non-domestic rates for its area based on business rateable values (as assessed by the Valuation Office) multiplied by a uniform rate set by the government. Certain reliefs are available and the figure shown is net of these reliefs. In 2020/21 the government gave additional one-off reliefs to retail businesses to support them during the Covid-19 pandemic; these amounted to £33.74 million in Cheltenham, largely contributing to the reduction in non-domestic rates income and the increased deficit in the year. The council's share of the increased deficit resulting from these reliefs, to be charged to general fund in 2021/22, is being fully compensated by government grant receivable in 2020/21.

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

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

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

The total non-domestic rateable value at 31<sup>st</sup> March 2021 was £134.578 million (£134.807 million at 31<sup>st</sup> March 2020) and the national non-domestic multipliers for 2020/21 were 51.2p (50.4p in 2019/20) (standard rate) and 49.9p (49.10p in 2019/20) (small business rate).

### (iv). FUND BALANCE

The fund balance for council tax is shared between the council and its major precepting authorities (Gloucestershire County Council and the Gloucestershire Police & Crime Commissioner), in proportion to their precepts. The fund balance for non-domestic rates is shared between the council, Gloucestershire County Council and central government, in the statutory proportions.

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

|                                                   | Borough<br>Council<br>share<br>£'000 | County<br>Council<br>share<br>£'000 | Police share<br>£'000 | Central<br>Government<br>share<br>£'000 | Total<br>£'000  |
|---------------------------------------------------|--------------------------------------|-------------------------------------|-----------------------|-----------------------------------------|-----------------|
| <b>Council Tax</b>                                |                                      |                                     |                       |                                         |                 |
| Balance at 1 <sup>st</sup> April 2020             | 58                                   | 347                                 | 68                    | -                                       | 473             |
| Increase/decrease (-) in the year                 | (103)                                | (623)                               | (121)                 | -                                       | (847)           |
| <b>Balance at 31<sup>st</sup> March 2021</b>      | <b>(45)</b>                          | <b>(276)</b>                        | <b>(53)</b>           | <b>-</b>                                | <b>(374)</b>    |
| <b>Business Rates</b>                             |                                      |                                     |                       |                                         |                 |
| Balance at 1 <sup>st</sup> April 2020             | (705)                                | (494)                               | -                     | (352)                                   | (1,551)         |
| Increase/decrease (-) in the year                 | (14,293)                             | (3,256)                             | -                     | (18,396)                                | (35,945)        |
| <b>Balance at 31<sup>st</sup> March 2021</b>      | <b>(14,998)</b>                      | <b>(3,750)</b>                      | <b>-</b>              | <b>(18,748)</b>                         | <b>(37,496)</b> |
| <b>Fund Balance at 31<sup>st</sup> March 2021</b> | <b>(15,043)</b>                      | <b>(4,026)</b>                      | <b>(53)</b>           | <b>(18,748)</b>                         | <b>(37,870)</b> |



## **GROUP ACCOUNTS**

The Group Accounts bring together the council's accounts with its share of those of:

- Cheltenham Borough Homes Limited (CBH), a company limited by guarantee, in which the council is the sole member, and
- Gloucestershire Airport Limited, in which the council has a 50% shareholding (the remaining 50% of shares are owned by Gloucester City Council).

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

Cheltenham Borough Homes Limited has been categorised as a subsidiary company of Cheltenham Borough Council and its interests have been consolidated in accordance with IAS 27 and IFRS10, which require income and expenditure, assets and liabilities to be consolidated with the council's accounts on a line-by-line basis, eliminating inter-organisational transactions and balances. The operating income and expenditure of the company has been included within the local authority housing line in the Group Comprehensive Income and Expenditure Statement, before the net cost of services.

Gloucestershire Airport Limited has been categorised as a Joint Venture as any decisions regarding its operating and financial policies require the consent of another party in addition to the council (the company is 'jointly controlled'). The company's assets and liabilities have therefore been consolidated with the council's in accordance with IAS 28 and IFRS11, which require the Equity Method to be used. Under this method, the council's share of the operating results of the company before tax is reported as a separate line, after the net surplus or deficit on the provision of services, within the Group Comprehensive Income and Expenditure Statement. Any taxation payable is also disclosed as a separate line.

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

## **STATEMENT OF ACCOUNTING POLICIES FOR THE GROUP ACCOUNTS**

These are set out in note 1.30 on page 35.

**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

## STATEMENT OF ACCOUNTS 2020/21

expenditure in accordance with regulations; and this may be different from the accounting cost. The taxation position is shown in the Group Movement in Reserves Statement.

| 2019/20                                                                                             |                  |                 |                                                                       | 2020/21           |                  |                 |
|-----------------------------------------------------------------------------------------------------|------------------|-----------------|-----------------------------------------------------------------------|-------------------|------------------|-----------------|
| Gross expenditure                                                                                   | Gross income     | Net expenditure |                                                                       | Gross expenditure | Gross income     | Net expenditure |
| £'000                                                                                               | £'000            | £'000           |                                                                       | £'000             | £'000            | £'000           |
| <b>Continuing Operations</b>                                                                        |                  |                 |                                                                       |                   |                  |                 |
| 2,047                                                                                               | (432)            | 1,615           | Chief Executive                                                       | 1,703             | (29)             | 1,674           |
| 8,775                                                                                               | (1,107)          | 7,668           | Finance and Assets Directorate                                        | 7,441             | (979)            | 6,462           |
| 27,849                                                                                              | (23,211)         | 4,638           | People and Change Directorate                                         | 28,131            | (23,499)         | 4,632           |
| 22,051                                                                                              | (13,947)         | 8,104           | Place and Growth Directorate                                          | 19,811            | (10,650)         | 9,161           |
| 21,028                                                                                              | (20,772)         | 256             | Local Authority housing                                               | 18,203            | (21,542)         | (3,339)         |
| <b>81,750</b>                                                                                       | <b>(59,469)</b>  | <b>22,281</b>   | <b>Cost of Services</b>                                               | <b>75,289</b>     | <b>(56,699)</b>  | <b>18,590</b>   |
| 719                                                                                                 | (750)            | (31)            | Other operating expenditure                                           | 701               | (996)            | (295)           |
| 15,786                                                                                              | (5,130)          | 10,656          | Financing and Investment (income) and expenditure                     | 7,558             | (4,395)          | 3,163           |
| 19,629                                                                                              | (35,315)         | (15,686)        | Taxation and non-specific grant (income) and expenditure              | 34,460            | (57,218)         | (22,758)        |
| <b>117,884</b>                                                                                      | <b>(100,664)</b> | <b>17,220</b>   | <b>(Surplus) or Deficit on the provision of services</b>              | <b>118,008</b>    | <b>(119,308)</b> | <b>(1,300)</b>  |
|                                                                                                     | (568)            |                 | Share of (Surplus) or deficit of Joint Ventures                       |                   |                  | (195)           |
|                                                                                                     | 257              |                 | Share of Tax expenses of Joint Ventures                               |                   |                  | 23              |
|                                                                                                     | <b>16,909</b>    |                 | <b>Group (Surplus) or Deficit</b>                                     |                   |                  | <b>(1,472)</b>  |
| <b>Items that will not be reclassified to the (Surplus) or Deficit on the provision of services</b> |                  |                 |                                                                       |                   |                  |                 |
|                                                                                                     | (2,930)          |                 | (Surplus) or Deficit on revaluation of non-current assets (note 33)   |                   |                  | (20,488)        |
|                                                                                                     | (15,338)         |                 | Remeasurement of the net defined benefit liability/(asset)            |                   |                  | 14,620          |
|                                                                                                     | (136)            |                 | Share of other comprehensive income and expenditure of Joint Ventures |                   |                  | (431)           |
|                                                                                                     | <b>(18,404)</b>  |                 | <b>Other Comprehensive (Income) and Expenditure</b>                   |                   |                  | <b>(6,299)</b>  |
|                                                                                                     | <b>(1,495)</b>   |                 | <b>Total Comprehensive (Income) and Expenditure</b>                   |                   |                  | <b>(7,771)</b>  |

The notes are shown on pages 21 – 88 and 97 - 102

**GROUP BALANCE SHEET**

This statement shows the value as at the balance sheet date of the assets and liabilities recognised by the group. The net assets of the group (assets less liabilities) are matched by reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves comprises those that the group is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences.

## STATEMENT OF ACCOUNTS 2020/21

| 31 March 2020                                | Note | 31 March 2021    |
|----------------------------------------------|------|------------------|
| £'000                                        |      | £'000            |
| 414,601 Property, Plant & Equipment          | 44   | 444,075          |
| 40,748 Heritage Assets                       | 20   | 41,841           |
| 68,068 Investment Property                   | 22   | 66,438           |
| 1,372 Intangible Assets                      | 24   | 1,165            |
| 6,386 Long Term Investments                  | 46   | 7,239            |
| 12,707 Investments in Joint Ventures         | 39   | 13,310           |
| 4,434 Long Term Debtors                      | 46   | 4,070            |
| <b>548,316 Long Term Assets</b>              |      | <b>578,138</b>   |
| 7,110 Short term Investments                 | 26   | 64               |
| 60 Assets held for sale                      | 25   | 48               |
| 174 Inventories                              |      | 152              |
| 15,660 Short term Debtors                    | 41   | 31,635           |
| 21,420 Cash and cash equivalents             | 42   | 7,530            |
| <b>44,424 Current assets</b>                 |      | <b>39,429</b>    |
| - Bank overdraft                             | 42   | (746)            |
| (70,095) Short term borrowing                | 26   | (60,292)         |
| (18,791) Short term creditors                | 43   | (35,723)         |
| (2,287) Grants receipts in advance - capital | 16   | (2,726)          |
| - Grants receipts in advance - revenue       | 16   | (1,332)          |
| (486) Provisions                             | 30   | (821)            |
| <b>(91,659) Current Liabilities</b>          |      | <b>(101,640)</b> |
| (1,000) Provisions                           | 30   | (625)            |
| (115,293) Long term borrowing                | 26   | (113,835)        |
| (225) Grants receipts in advance - capital   | 16   | (87)             |
| (275) Grants receipts in advance - revenue   | 16   | (295)            |
| (58,756) Other long term liabilities         | 45   | (67,782)         |
| <b>(175,549) Long term liabilities</b>       |      | <b>(182,624)</b> |
| <b>325,532 Net Assets</b>                    |      | <b>333,303</b>   |
| (22,274) Usable Reserves                     | 48   | (30,490)         |
| (303,258) Unusable Reserves                  | 49   | (302,813)        |
| <b>(325,532) Total Reserves</b>              |      | <b>(333,303)</b> |

The notes are shown on pages 21 – 88 and 97 - 102

# STATEMENT OF ACCOUNTS 2020/21

## GROUP STATEMENT OF MOVEMENT IN RESERVES

This statement shows the movement in the year in the different reserves held by the group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. A breakdown of the Total Comprehensive Income & Expenditure line is shown in the Group Comprehensive Income and Expenditure Statement, where the group surplus or deficit line shows the true economic cost of providing the group's services.

|                                                                                   | Total Authority<br>Usable<br>Reserves | Authority's share<br>of Usable<br>Reserves<br>of subsidiaries<br>and Joint<br>Ventures | Total Group<br>Usable<br>Reserves | Total Authority<br>Unusable<br>Reserves | Authority's share<br>of Unusable<br>Reserves<br>of subsidiaries<br>and Joint<br>Ventures | Total Group<br>Unusable<br>Reserves | Total<br>Group<br>Reserves |
|-----------------------------------------------------------------------------------|---------------------------------------|----------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------------|------------------------------------------------------------------------------------------|-------------------------------------|----------------------------|
|                                                                                   | £'000                                 | £'000                                                                                  | £'000                             | £'000                                   | £'000                                                                                    | £'000                               | £'000                      |
| <b>Balance at 31 March 2019</b>                                                   | <b>28,712</b>                         | <b>(1,393)</b>                                                                         | <b>27,319</b>                     | <b>292,914</b>                          | <b>3,804</b>                                                                             | <b>296,718</b>                      | <b>324,037</b>             |
| <b><u>Movement in Reserves during 2019/20</u></b>                                 |                                       |                                                                                        |                                   |                                         |                                                                                          |                                     |                            |
| Total comprehensive Income & (Expenditure)                                        | (13,805)                              | (3,104)                                                                                | (16,909)                          | 13,181                                  | 5,223                                                                                    | 18,404                              | 1,495                      |
| Adjustments between company reserves (Note 48)                                    | -                                     | 3,242                                                                                  | 3,242                             | -                                       | (3,242)                                                                                  | (3,242)                             | -                          |
| Adjustments between accounting basis and funding basis under regulations (Note 5) | 8,622                                 | -                                                                                      | 8,622                             | (8,622)                                 | -                                                                                        | (8,622)                             | -                          |
| <b>Increase / (decrease) in 2019/20</b>                                           | <b>(5,183)</b>                        | <b>138</b>                                                                             | <b>(5,045)</b>                    | <b>4,559</b>                            | <b>1,981</b>                                                                             | <b>6,540</b>                        | <b>1,495</b>               |
| <b>Balance at 31 March 2020</b>                                                   | <b>23,529</b>                         | <b>(1,255)</b>                                                                         | <b>22,274</b>                     | <b>297,473</b>                          | <b>5,785</b>                                                                             | <b>303,258</b>                      | <b>325,532</b>             |
| <b><u>Movement in Reserves during 2020/21</u></b>                                 |                                       |                                                                                        |                                   |                                         |                                                                                          |                                     |                            |
| Total comprehensive Income & (Expenditure)                                        | 2,221                                 | (749)                                                                                  | 1,472                             | 9,668                                   | (3,369)                                                                                  | 6,299                               | 7,771                      |
| Adjustments between company reserves (Note 48)                                    | -                                     | 1,379                                                                                  | 1,379                             | -                                       | (1,379)                                                                                  | (1,379)                             | -                          |
| Adjustments between accounting basis and funding basis under regulations (Note 5) | 5,365                                 | -                                                                                      | 5,365                             | (5,365)                                 | -                                                                                        | (5,365)                             | -                          |
| <b>Increase / (decrease) in 2020/21</b>                                           | <b>7,586</b>                          | <b>630</b>                                                                             | <b>8,216</b>                      | <b>4,303</b>                            | <b>(4,748)</b>                                                                           | <b>(445)</b>                        | <b>7,771</b>               |
| <b>Balance at 31 March 2021</b>                                                   | <b>31,115</b>                         | <b>(625)</b>                                                                           | <b>30,490</b>                     | <b>301,776</b>                          | <b>1,037</b>                                                                             | <b>302,813</b>                      | <b>333,303</b>             |

The notes are shown on pages 21 – 88 and 97 –102

## STATEMENT OF ACCOUNTS 2020/21

### GROUP CASH FLOW STATEMENT

The cash flow statement shows the changes in cash and cash equivalents of the group (excluding those of the joint venture Gloucestershire Airport Limited) during the reporting period. The statement shows how the group generates and uses cash by classifying cash flows as operating, investing and financing activities. Cash flows between the council/CBH Limited and the airport are included; cash flows between the council and CBH Limited are excluded.

| 2019/20<br>£'000 |                                                                                                                        | 2020/21<br>£'000 |
|------------------|------------------------------------------------------------------------------------------------------------------------|------------------|
| 15,993           | Net (surplus) or deficit on the provision of services                                                                  | (1,300)          |
| (28,971)         | Adjust net surplus or deficit on the provision of services for non-cash movements (note 50)                            | (31,077)         |
| 3,462            | Adjust for items in the net surplus or deficit on the provision of services that are investing or financing activities | 2,446            |
| (9,516)          | <b>Cash (inflows) / outflows generated from operating activities</b>                                                   | (29,931)         |
| 54,257           | Investing activities (note 51)                                                                                         | 10,889           |
| (63,844)         | Financing activities (note 52)                                                                                         | 33,678           |
| <b>(19,103)</b>  | <b>Net (increase) / decrease in cash and cash equivalents</b>                                                          | <b>14,636</b>    |
| 2,317            | Cash and cash equivalents at beginning of the year                                                                     | 21,420           |
| 21,420           | Cash and cash equivalents at end of the year (note 42)                                                                 | 6,784            |
| <b>19,103</b>    | <b>Net increase / (decrease) in cash and cash equivalents</b>                                                          | <b>(14,636)</b>  |

The notes are shown on pages 21 – 88 and 96 - 102

## 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.

### **38. Cheltenham Borough Homes Limited**

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Cheltenham Borough Homes Limited (CBH) is a company limited by guarantee and is governed by its memorandum and articles of association. The liability in respect of the guarantee is set out in the memorandum of association and is limited to £1 per member of the company, the sole member being Cheltenham Borough Council. The company commenced operations on 1st April 2003, with a seven year contract to manage and maintain the council's social housing stock. The contract was renewed on 1st April 2010 for a further ten years. This was replaced by a new 30 year contract from 1st April 2015. The registered name of the company is Cheltenham Borough Homes Limited (Registration No. 04587658).

During 2010/11 the company commenced the construction of new rented housing stock to be owned and managed by the company. To facilitate this process the company set up a wholly owned subsidiary during 2009/10, the registered name of which is Cheltenham Borough Homes Services Limited (CBHS Limited) (Registration No. 07118944). The principal activity of CBHS is the supply of construction services to CBH.

The audited group accounts for CBH Limited (including CBHS Limited) show net liabilities at 31 March 2021 of £11.875 million (£5.259 million at 31<sup>st</sup> March 2020) and an after tax deficit of £0.998 million in the year to 31<sup>st</sup> March 2021 (£2.188 million in the year to 31<sup>st</sup> March 2020).

The net liabilities of the company are valued at cost (in accordance with company accounting rules) and may not therefore reflect their market value. The accounts of the company show a contingent liability of £38,039 at 31<sup>st</sup> March 2021 (£38,039 at 31<sup>st</sup> March 2020).

Since CBH's accounts show non-current assets at historic cost, the company's dwellings were re-valued at 31<sup>st</sup> March 2020 at Current value to bring them into line with the council's accounting policies. The Current value was assessed by internal and external valuers using the existing use value for social housing (EUV-SH) appropriate to the dwellings' tenure as affordable homes. There were no significant operational additions or disposals during the year, however a number of apartments were purchased for refurbishment and future letting. If CBH charged depreciation on the Current value of the dwellings, instead of their historic cost, the charge would be around £90,000 less.

The full accounts of Cheltenham Borough Homes Limited and Cheltenham Borough Homes Services Limited for the year ending 31<sup>st</sup> March 2021 can be obtained from the Company Secretary at the company's registered office – Cheltenham House, Clarence Street, Cheltenham, Gloucestershire, GL50 3JR.

### **39. Gloucestershire Airport Limited**

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Gloucestershire Airport Limited is a wholly owned local authority airport company which was voluntarily established during 1992/93 by Cheltenham Borough Council and Gloucester City Council, using powers available to them under the Airports Act 1986. This replaced the previous joint committee arrangements. The shares allotted were divided equally between the two councils. The market value of the shares is unknown as they are not listed, however their current fair value



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has been estimated and is included in the council's single entity accounts under long term investments: financial assets at fair value through other comprehensive income.

The registered name of the airport company is Gloucestershire Airport Limited (Registration No. 02774189). The draft accounts of the company show net assets at 31<sup>st</sup> March 2021 of £26.619 million (restated £25.200 million at 31<sup>st</sup> March 2020), and an after tax profit of £0.345 million for the year to 31<sup>st</sup> March 2021 (restated £0.410 million to 31<sup>st</sup> March 2020). The council's commitment to meet losses is limited to the shares that it holds.

The following table discloses the council's share of the airport's results and net assets.

|                                               | <b>Gloucester-<br/>shire Airport<br/>Limited<br/>2020/21</b> | <b>Council's<br/>share<br/>2020/21</b> | <b>Gloucester-<br/>shire Airport<br/>Limited<br/>2019/20<br/>Restated</b> | <b>Council's<br/>share<br/>2019/20<br/>Restated</b> |
|-----------------------------------------------|--------------------------------------------------------------|----------------------------------------|---------------------------------------------------------------------------|-----------------------------------------------------|
|                                               | <b>£'000</b>                                                 | <b>£'000</b>                           | <b>£'000</b>                                                              | <b>£'000</b>                                        |
| Turnover                                      | 3,454                                                        | 1,727                                  | 4,730                                                                     | 2,365                                               |
| Profit on ordinary activities before taxation | 391                                                          | 196                                    | 1,136                                                                     | 568                                                 |
| Less tax on profit on ordinary activities     | 46                                                           | 23                                     | 726                                                                       | 363                                                 |
| Profit for the financial year after taxation  | 345                                                          | 173                                    | 410                                                                       | 205                                                 |

|                                                     | <b>31 March<br/>2021</b> | <b>31 March<br/>2021</b> | <b>31 March<br/>2020<br/>Restated</b> | <b>31 March<br/>2020<br/>Restated</b> |
|-----------------------------------------------------|--------------------------|--------------------------|---------------------------------------|---------------------------------------|
|                                                     | <b>£'000</b>             | <b>£'000</b>             | <b>£'000</b>                          | <b>£'000</b>                          |
| Non-current Assets                                  | 36,008                   | 18,004                   | 34,751                                | 17,375                                |
| Current Assets                                      | 1,169                    | 585                      | 820                                   | 410                                   |
| Liabilities due within one year                     | (3,085)                  | (1,543)                  | (2,466)                               | (1,233)                               |
| Liabilities due after one year (excluding pensions) | (2,003)                  | (1,002)                  | (1,407)                               | (703)                                 |
| Net Pension Liability *                             | -                        | -                        | (1,326)                               | (663)                                 |
| Deferred tax liabilities                            | (5,470)                  | (2,735)                  | (5,172)                               | (2,586)                               |

\*The company ceased participation in the Local Government Pension Scheme with effect from 1<sup>st</sup> April 2020.

The airport did not pay any dividends in the year to 31<sup>st</sup> March 2021 (nil to 31<sup>st</sup> March 2020).

During 2011/12 the council loaned £1.190 million to the airport towards the cost of the runway safety project, of which £0.063 million was outstanding at 31<sup>st</sup> March 2021. Further loans of £0.165 million were advanced in 2020/21 towards capital items. In addition the council provided the company with a temporary overdraft during 2020/21 of £1.050 million, which remained at 31<sup>st</sup> March 2021.

The Airport's accounts for the year ended 31<sup>st</sup> March 2021 can be obtained from the Managing Director at the company's registered office - The Terminal Building, Staverton, Cheltenham, Gloucestershire, GL51 6SR.

### 40. Publica Group (Support) Limited

The council has a significant interest in this company, the results for which are not included in the Group Accounts on the basis of immateriality. During 2020/21 the company generated a surplus of £Nil (£16,124 in 2019/20) and had net assets at 31<sup>st</sup> March 2021 of £120,932 (£120,932 at 31<sup>st</sup> March 2020), of which the council's share is £30,233 in both years.

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### 41. Short term debtors

These are as stated in note 27 to the single entity statements, with the addition of CBH debtors (excluding those with the council), which are sundry debtors.

### 42. Cash and Cash Equivalents

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

|                                                              | 31st March 2021<br>£'000 | 31st March 2020<br>£'000 |
|--------------------------------------------------------------|--------------------------|--------------------------|
| Cash held by the council and subsidiaries                    | 2                        | 6                        |
| Bank current accounts of the council and subsidiaries        | 588                      | 2,419                    |
| Short term deposits and money market funds                   | 6,940                    | 18,995                   |
| <b>Cash and cash equivalent assets</b>                       | <b>7,530</b>             | <b>21,420</b>            |
| Cash and cash equivalent liabilities - bank overdraft        | (746)                    | -                        |
| <b>Net Cash and cash equivalents per Cash flow Statement</b> | <b>6,784</b>             | <b>21,420</b>            |

### 43. Short term Creditors

|                                       | 31st March 2021<br>£'000 | 31st March 2020<br>£'000 |
|---------------------------------------|--------------------------|--------------------------|
| Central Government Bodies             | 26,714                   | 4,297                    |
| Other Local Authorities               | 699                      | 1,153                    |
| Public corporations and trading funds | -                        | 20                       |
| Other entities and individuals-       |                          |                          |
| - Council Taxpayers                   | 139                      | 123                      |
| - Business Ratepayers                 | 2,004                    | 1,833                    |
| - Ubico Limited                       | -                        | 46                       |
| - Housing Rents                       | 526                      | 442                      |
| - Sundry Creditors                    | 5,641                    | 8,217                    |
|                                       | <b>35,723</b>            | <b>16,131</b>            |

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## 44. Group Property, Plant & Equipment

| 2019/20        |                          |                               |                        |                  |                |                           |                 | 2020/21                                                                                              |                          |                               |                        |                  |                |                           |                |
|----------------|--------------------------|-------------------------------|------------------------|------------------|----------------|---------------------------|-----------------|------------------------------------------------------------------------------------------------------|--------------------------|-------------------------------|------------------------|------------------|----------------|---------------------------|----------------|
| Dwellings      | Other Land and buildings | Vehicles, Plant and equipment | Infra-structure assets | Community assets | Surplus assets | Assets under construction | Total           | Dwellings                                                                                            | Other Land and buildings | Vehicles, Plant and equipment | Infra-structure assets | Community assets | Surplus assets | Assets under construction | Total          |
| £'000          | £'000                    | £'000                         | £'000                  | £'000            | £'000          | £'000                     | £'000           | £'000                                                                                                | £'000                    | £'000                         | £'000                  | £'000            | £'000          | £'000                     | £'000          |
| 217,473        | 137,810                  | 6,692                         | 14,004                 | 148              | 5,312          | 1,251                     | 382,690         | <b>Cost or valuation</b>                                                                             |                          |                               |                        |                  |                |                           |                |
| 12,668         | 97                       | 2,263                         | 218                    | -                | 39,600         | 1,800                     | 56,646          | At 1 April                                                                                           | 219,736                  | 142,733                       | 6,753                  | 14,222           | 148            | 42,407                    | 429,579        |
| (8,104)        | 4,960                    | -                             | -                      | -                | 146            | -                         | (2,998)         | Additions                                                                                            | 10,436                   | 169                           | 438                    | 114              | -              | 8                         | 21,093         |
| (1,153)        | (74)                     | -                             | -                      | -                | (2,100)        | -                         | (3,327)         | Revaluation increases / (decreases) recognised in the Revaluation Reserve                            | 7,412                    | (4,257)                       | -                      | -                | -              | 576                       | 3,731          |
| (1,107)        | -                        | (1,605)                       | -                      | -                | -              | -                         | (2,712)         | Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services | -                        | 825                           | -                      | -                | -              | 1,096                     | 1,921          |
| -              | -                        | -                             | -                      | -                | -              | -                         | -               | Derecognition - disposals                                                                            | (1,070)                  | (1,190)                       | (380)                  | -                | -              | -                         | (2,640)        |
| -              | (60)                     | -                             | -                      | -                | -              | -                         | (60)            | Derecognition - other                                                                                | -                        | -                             | -                      | -                | -              | -                         | -              |
| (41)           | -                        | (597)                         | -                      | -                | (551)          | 529                       | (660)           | Assets reclassified to/from held for resale                                                          | -                        | (48)                          | -                      | -                | -              | 60                        | 12             |
| <b>219,736</b> | <b>142,733</b>           | <b>6,753</b>                  | <b>14,222</b>          | <b>148</b>       | <b>42,407</b>  | <b>3,580</b>              | <b>429,579</b>  | Other Reclassifications                                                                              | 1,767                    | -                             | -                      | -                | -              | (1,767)                   | -              |
|                |                          |                               |                        |                  |                |                           |                 | <b>At 31 March</b>                                                                                   | <b>238,281</b>           | <b>138,232</b>                | <b>6,811</b>           | <b>14,336</b>    | <b>148</b>     | <b>44,147</b>             | <b>453,696</b> |
| (6)            | (4,470)                  | (2,850)                       | (3,256)                | -                | (143)          | (33)                      | (10,758)        | <b>Accumulated Depreciation and Impairment</b>                                                       |                          |                               |                        |                  |                |                           |                |
| (4,613)        | (4,339)                  | (559)                         | (527)                  | -                | (61)           | -                         | (10,099)        | At 1 April                                                                                           | (13)                     | (7,536)                       | (3,409)                | (3,783)          | -              | (204)                     | (14,978)       |
| 4,606          | 1,273                    | -                             | -                      | -                | -              | -                         | 5,879           | Depreciation charge                                                                                  | (4,796)                  | (4,438)                       | (566)                  | (525)            | -              | (66)                      | (10,391)       |
| -              | -                        | -                             | -                      | -                | -              | -                         | -               | Depreciation written out to the Revaluation Reserve                                                  | 4,809                    | 10,422                        | -                      | -                | -              | 223                       | 15,454         |
| -              | -                        | -                             | -                      | -                | -              | -                         | -               | Depreciation written out to the surplus/ deficit on the provision of services                        | -                        | 278                           | -                      | -                | -              | 25                        | 303            |
| -              | -                        | -                             | -                      | -                | -              | -                         | -               | Impairments                                                                                          | -                        | -                             | -                      | -                | -              | (9)                       | (9)            |
| <b>(13)</b>    | <b>(7,536)</b>           | <b>(3,409)</b>                | <b>(3,783)</b>         | <b>-</b>         | <b>(204)</b>   | <b>(33)</b>               | <b>(14,978)</b> | <b>At 31 March</b>                                                                                   | <b>-</b>                 | <b>(1,274)</b>                | <b>(3,975)</b>         | <b>(4,308)</b>   | <b>-</b>       | <b>(22)</b>               | <b>(9,621)</b> |
| <b>219,723</b> | <b>135,197</b>           | <b>3,344</b>                  | <b>10,439</b>          | <b>148</b>       | <b>42,203</b>  | <b>3,547</b>              | <b>414,601</b>  | <b>Net Book Value at 31 March</b>                                                                    | <b>238,281</b>           | <b>136,958</b>                | <b>2,836</b>           | <b>10,028</b>    | <b>148</b>     | <b>44,125</b>             | <b>444,075</b> |

#### **45. Other Long term liabilities**

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These comprise the group pension fund liabilities of Cheltenham Borough Council and Cheltenham Borough Homes Limited (CBH). Further details of the council's liabilities are included in note 34 on pages 82 - 87 and for CBH in their accounts. These show a pension liability at 31<sup>st</sup> March 2021 of £14.091 million (£7.449 million at 31<sup>st</sup> March 2020).

#### **46. Long term investments and Long term debtors**

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Long term investments differ from note 26 in the single entity accounts by the fair value of the shares in Gloucestershire Airport Limited, which is replaced in the group accounts by a long term investment in the Airport equivalent to a 50% share of the company's net assets, shown immediately below long term investments.

Long term debtors differ from note 26 in the single entity accounts by the elimination on consolidation of the loans to CBH Limited of £7.759 million.

#### **47. Usable Reserves**

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These are detailed in the Group Movement in Reserves Statement.

#### **48. Group Movements in the Movement in Reserves Statement**

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Adjustments are required between group usable and unusable reserves:

- for the receipt by CBH of social housing capital grants, which in the company accounts remain in the Income and Expenditure Reserve but in the group accounts are reversed out

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to the Capital Adjustment Account, as they have been used to finance newly constructed properties

- for the value of land donated to CBH by the council, which in the company accounts has been credited to Income and Expenditure Reserve but in the group accounts are eliminated as inter-organisational transactions within the Capital Adjustment Account
- for revaluation gains or losses arising from the difference between the cost of CBH properties shown in the company accounts and their existing use for social housing value (EU-SH) included in the Group Balance Sheet.

### 49. Unusable Reserves

|                                                         | 31st March<br>2021<br>£'000 | 31st March<br>2020<br>£'000 |
|---------------------------------------------------------|-----------------------------|-----------------------------|
| Revaluation Reserve                                     | 184,880                     | 168,945                     |
| Capital Adjustment Account                              | 205,168                     | 192,729                     |
| Financial Instruments Adjustment Account                | (1,455)                     | (1,601)                     |
| Financial Instruments Revaluation Reserve               | (167)                       | (166)                       |
| Pooled Funds Adjustment Account                         | (644)                       | (1,050)                     |
| Collection Fund Adjustment Account                      | (15,044)                    | (647)                       |
| Pensions Reserve                                        | (73,082)                    | (58,756)                    |
| Deferred Capital Receipts Reserve                       | 3,479                       | 3,926                       |
| Accumulating Compensated Absences<br>Adjustment Account | (322)                       | (122)                       |
| <b>Total Unusable Reserves</b>                          | <b>302,813</b>              | <b>303,258</b>              |

### 50. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

|                   | 2020/21<br>£'000 | 2019/20<br>£'000 |
|-------------------|------------------|------------------|
| Interest received | (421)            | (513)            |
| Interest paid     | 3,891            | 3,986            |

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

|                                                                                            | 2020/21<br>£'000 | 2019/20<br>£'000 |
|--------------------------------------------------------------------------------------------|------------------|------------------|
| Depreciation                                                                               | (10,593)         | (10,297)         |
| Impairment and downward valuations                                                         | 2,216            | (2,100)          |
| Amortisations                                                                              | (211)            | (200)            |
| Increase (-) / decrease in creditors                                                       | (20,897)         | (7,001)          |
| Increase / decrease (-) in debtors                                                         | (4,307)          | 7,612            |
| Increase / decrease (-) in inventories (stock)                                             | (22)             | 74               |
| Movement in pensions                                                                       | 5,595            | (4,902)          |
| Carrying amount of non-current assets sold or derecognised                                 | (1,450)          | (2,712)          |
| Other non cash items charged to the net surplus or deficit<br>on the provision of services | (1,408)          | (9,445)          |
|                                                                                            | <b>(31,077)</b>  | <b>(28,971)</b>  |

### 51. Cash Flow Statement – Investing Activities

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|                                                                                                    | 2020/21<br>£'000 | 2019/20<br>£'000 |
|----------------------------------------------------------------------------------------------------|------------------|------------------|
| Purchase of property, plant and equipment, investment property and intangible assets               | 20,484           | 58,457           |
| Purchase of Investments                                                                            | 28,500           | 11,604           |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (2,893)          | (2,488)          |
| Proceeds from the sale of short and long term investments                                          | (35,059)         | (13,023)         |
| Other receipts from investing activities                                                           | (143)            | (293)            |
| <b>Net cashflows from investing activities</b>                                                     | <b>10,889</b>    | <b>54,257</b>    |

### 52. Cash Flow Statement – Financing activities

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|                                                 | 2020/21<br>£'000 | 2019/20<br>£'000 |
|-------------------------------------------------|------------------|------------------|
| Cash receipts of short and long term borrowing  | (228,605)        | (265,001)        |
| Other receipts for financing activities         | 24,053           | 513              |
| Repayments of short and long term borrowing     | 238,230          | 200,644          |
| <b>Net cash flows from financing activities</b> | <b>33,678</b>    | <b>(63,844)</b>  |

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

The Housing Revenue Account (HRA) reflects a statutory obligation to keep a separate revenue account for the provision and maintenance of council owned houses and flats. The HRA Income and Expenditure Statement shows the cost in the year of providing these housing services.

|                                                                                                                          | 2020/21         | 2019/20         |
|--------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                                                                          | £'000           | £'000           |
| <b>Expenditure</b>                                                                                                       |                 |                 |
| Repairs and Maintenance                                                                                                  | 3,816           | 3,989           |
| Supervision and Management                                                                                               | 8,011           | 7,531           |
| Rents, Rates, Taxes and Other Charges                                                                                    | 89              | 60              |
| Depreciation and Impairment of Non-current Assets                                                                        | 4,391           | 5,576           |
| Debt Management Costs                                                                                                    | 86              | 85              |
| Movement in Bad Debts                                                                                                    | 69              | 157             |
| <b>Total Expenditure</b>                                                                                                 | <b>16,462</b>   | <b>17,398</b>   |
| <b>Income</b>                                                                                                            |                 |                 |
| Dwelling Rents                                                                                                           | (18,960)        | (18,506)        |
| Non-dwelling Rents                                                                                                       | (477)           | (499)           |
| Charges for services and facilities                                                                                      | (591)           | (558)           |
| Contributions towards expenditure                                                                                        | (486)           | (603)           |
| Revaluation gains on Non-current Assets                                                                                  | -               | -               |
| Other Income                                                                                                             | -               | (2)             |
| <b>Total Income</b>                                                                                                      | <b>(20,514)</b> | <b>(20,168)</b> |
| <b>Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement</b>                        | <b>(4,052)</b>  | <b>(2,770)</b>  |
| HRA share of Corporate and Democratic core                                                                               | 160             | 155             |
| <b>Net cost of HRA Services</b>                                                                                          | <b>(3,892)</b>  | <b>(2,615)</b>  |
| <b>HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b> |                 |                 |
| Gain on sale of HRA Non-current Assets                                                                                   | (947)           | (734)           |
| Interest Payable and Similar Charges                                                                                     | 1,797           | 1,748           |
| Interest and Investment Income                                                                                           | (76)            | (107)           |
| Capital Grants and Contributions Receivable                                                                              | (2,490)         | (675)           |
| <b>Surplus for the Year on HRA Services</b>                                                                              | <b>(5,608)</b>  | <b>(2,383)</b>  |

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### MOVEMENT ON THE HRA STATEMENT

This statement shows how the surplus or deficit on the HRA Income and Expenditure Statement reconciles to the movement in the Housing Revenue Account Balance, which is governed by statute.

|                                                                               | 2020/21<br>£'000 | 2019/20<br>£'000 |
|-------------------------------------------------------------------------------|------------------|------------------|
| <b>Balance on the HRA at the end of the previous year</b>                     | <b>7,069</b>     | <b>8,825</b>     |
| Surplus for the year on the HRA Income and Expenditure Statement              | 5,608            | 2,383            |
| Adjustments between accounting basis and funding basis under statute (note 1) | (11,177)         | (4,139)          |
| <b>Increase/(decrease) in the HRA</b>                                         | <b>(5,569)</b>   | <b>(1,755)</b>   |
| <b>Balance on the HRA at the end of the current year</b>                      | <b>1,500</b>     | <b>7,069</b>     |

### NOTES TO THE HRA STATEMENTS

#### 1. Adjustments between accounting and funding basis under the legislative framework

|                                                                                                                     | 2020/21<br>£'000 | 2019/20<br>£'000 |
|---------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Items included in the HRA Income and Expenditure Account but excluded from the Movement in the HRA Balance</b>   |                  |                  |
| Capital contributions applied                                                                                       | (2,489)          | (675)            |
| (Gain)/loss on sale of HRA non-current assets                                                                       | (947)            | (734)            |
| Revaluation adjustments – non-current assets                                                                        | -                | -                |
| Movements in the fair value of non-current assets                                                                   | (735)            | 640              |
|                                                                                                                     | <b>(4,171)</b>   | <b>(769)</b>     |
| <b>Items not included in the HRA Income and Expenditure Account but included in the Movement in the HRA Balance</b> |                  |                  |
| Capital expenditure funded by the HRA                                                                               | (7,006)          | (3,370)          |
| <b>Net adjustments between accounting basis and funding basis under the regulations</b>                             | <b>(11,177)</b>  | <b>(4,139)</b>   |

#### 2. Housing Stock

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

| Type                       | Total at 1 April<br>2020 | Additions | Sales     | Total at 31<br>March 2021 |
|----------------------------|--------------------------|-----------|-----------|---------------------------|
| Houses and Bungalows       | 2,097                    | 14        | 8         | 2,103                     |
| Flats                      | 2,369                    | 22        | 8         | 2,383                     |
| Shared Ownership (flats)*  | 15                       | -         | 2         | 13                        |
| Shared Ownership (houses)* | -                        | 1         | -         | 1                         |
| <b>Total Stock</b>         | <b>4,481</b>             | <b>37</b> | <b>18</b> | <b>4,500</b>              |

\*Council share of shared ownership properties.



### 3. HRA Non-Current Assets

The non-current assets included in the Balance Sheet that relate to the HRA are shown below:

|                                     | 1 April<br>2020<br>£'000 | Revaluations/<br>Impairments<br>£'000 | Additions<br>£'000 | Reclass-<br>ifications<br>£'000 | Disposals<br>£'000 | Depreci-<br>ation<br>£'000 | 31 March<br>2021<br>£'000 |
|-------------------------------------|--------------------------|---------------------------------------|--------------------|---------------------------------|--------------------|----------------------------|---------------------------|
| Dwellings                           | 213,060                  | 12,205                                | 10,437             | 1,767                           | (1,070)            | (4,791)                    | 231,608                   |
| Assets under<br>construction        | 3,388                    | (8)                                   | 6,518              | (1,767)                         | -                  | -                          | 8,130                     |
| Garages*                            | 2,267                    | -                                     | 16                 | -                               | -                  | (34)                       | 2,249                     |
| Other land and<br>Buildings**       | 2,145                    | (14)                                  | -                  | -                               | -                  | (26)                       | 2,105                     |
| Infrastructure                      | 5,403                    | -                                     | 158                | -                               | -                  | (261)                      | 5,300                     |
| Surplus assets                      | 12,705                   | 357                                   | 8                  | -                               | -                  | (9)                        | 13,061                    |
| Investment property                 | 1,896                    | 391                                   | -                  | -                               | -                  | -                          | 2,287                     |
| Equipment                           | 19                       | -                                     | -                  | -                               | -                  | (3)                        | 16                        |
| Intangible Assets                   | 11                       | (2)                                   | -                  | -                               | -                  | -                          | 9                         |
| <b>Total non-current<br/>assets</b> | <b>240,894</b>           | <b>12,929</b>                         | <b>17,137</b>      | <b>-</b>                        | <b>(1,070)</b>     | <b>(5,124)</b>             | <b>264,765</b>            |

\*Garages are included in Other Land & Buildings on the Balance Sheet.

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

HRA dwellings are revalued every five years (the last revaluation was undertaken as at 31st March 2020). In interim years the dwelling valuation is updated by the movement in the house price index for Cheltenham published by the Land Registry. The valuation is at Existing Use Value for Social Housing (EUV-SH) or market value (MV) adjusted by a factor to reflect the fact that the properties are socially rented. The adjustment factor is published by the Department for Communities and Local Government and is set regionally. The south-west adjustment factor is currently 35% of Market Value.

### 5. Dwellings Valuation

The vacant possession value of dwellings within the HRA (i.e. their value without secure tenants) at 1st April 2021 was £661,736,947.

The difference between the vacant possession value and the lower Balance Sheet valuation (existing use value for social housing (EUV-SH)) measures the economic cost of providing council housing at less than open market rents.

## STATEMENT OF ACCOUNTS 2020/21

### 6. Major Repairs Reserve

An analysis of the movements on the reserve during the year is shown below:

|                                      | £'000    |
|--------------------------------------|----------|
| Balance 1 April 2020                 | -        |
| Transfer to reserve                  | 5,124    |
| Financing of HRA capital expenditure | (5,124)  |
| <b>Balance 31 March 2021</b>         | <b>-</b> |

### 7. HRA Capital Expenditure

A summary of HRA capital expenditure and sources of finance for 2020/21 is shown below:

| Category                     | Total<br>Expenditure<br><br>£'000 | Sources of Finance                   |                              |                              |                              |                 |                |                           |
|------------------------------|-----------------------------------|--------------------------------------|------------------------------|------------------------------|------------------------------|-----------------|----------------|---------------------------|
|                              |                                   | Major<br>Repairs<br>Reserve<br>£'000 | Capital<br>Receipts<br>£'000 | Capital<br>Contribs<br>£'000 | Revenue<br>Contribs<br>£'000 | Grants<br>£'000 | Loans<br>£'000 | Commuted<br>Sums<br>£'000 |
| New Build                    | 6,518                             | -                                    | (1)                          | -                            | 3,465                        | 2,038           | 1,016          | -                         |
| Acquisitions                 | 4,066                             | -                                    | 1,161                        | -                            | 2,708                        | -               | -              | 197                       |
| Major repairs & improvements | 6,371                             | 5,110                                | 339                          | 254                          | 668                          | -               | -              | -                         |
| Garages                      | 16                                | 16                                   | -                            | -                            | -                            | -               | -              | -                         |
| Infrastructure               | 158                               | -                                    | -                            | 1                            | 157                          | -               | -              | -                         |
| Land                         | 8                                 | -                                    | -                            | -                            | 8                            | -               | -              | -                         |
| <b>Total</b>                 | <b>17,137</b>                     | <b>5,126</b>                         | <b>1,499</b>                 | <b>255</b>                   | <b>7,006</b>                 | <b>2,038</b>    | <b>1,016</b>   | <b>197</b>                |

### 8. HRA Capital Receipts

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

|                                | 2020/21<br>£000 | 2019/20<br>£000 |
|--------------------------------|-----------------|-----------------|
| Sales of Dwellings             | 1,884           | 1,709           |
| Sales of Land                  | -               | -               |
| Sales of Investment Property   | -               | -               |
| Mortgage Principal             | 2               | 2               |
| Sale of Shared Ownership Flats | 152             | 149             |
| <b>Total</b>                   | <b>2,038</b>    | <b>1,860</b>    |

### 9. Rent Arrears

Rent arrears at 31st March 2021 amounted to £775,569 (£824,906 as at 31st March 2020) and the Balance Sheet includes a bad debt provision of £344,000 relating to those arrears (£402,000 as at 31st March 2020).

**10. Interest and Investment Income**

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This includes £76,268 interest from notional cash balances and mortgage interest of £116 (£106,865 and £170 respectively in 2019/20).

**GLOSSARY OF FINANCIAL TERMS**

|                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Accounting Code of Practice</b> | Although the preparation and control of accounting is regulated, there is no statutory basis for accounting entries. Instead, Local Authorities have to comply with the CIPFA/LASAAC Code of Practice on Local authority accounting in the United Kingdom (The Code).                                                                                                                                                             |
| <b>Accounting Period</b>           | The period of time covered by the accounts, normally a period of twelve months commencing on 1 <sup>st</sup> April for local authority accounts. The end of the accounting period is the balance sheet date.                                                                                                                                                                                                                      |
| <b>Accounts</b>                    | A generic term for statements setting out details of income and expenditure or assets and liabilities or both, in a structured manner. Accounts may be categorised either by the type of transactions they record, e.g. revenue account, capital account or by the purpose they serve, e.g. management accounts, final accounts, balance sheets.                                                                                  |
| <b>Accounting Policies</b>         | The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its financial statements.                                                                                                                                                                                                                                 |
| <b>Accruals</b>                    | Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.                                                                                                                                                                                                                                              |
| <b>Actual</b>                      | Actual, as opposed to budget, expenditure and income directly attributable to an accounting period.                                                                                                                                                                                                                                                                                                                               |
| <b>Actuarial Basis</b>             | The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.                                                                                                                                                                                                                                                             |
| <b>Amortised cost</b>              | Financial instruments are shown on the balance sheet at amortised cost, being the principal amount of the loan plus or minus the balance of any premium or discount associated with that loan, plus any interest accrued at the balance sheet date.                                                                                                                                                                               |
| <b>Audit of Accounts</b>           | An audit is an examination by an independent expert of an organisation's financial affairs to check that the relevant legal obligations and codes of practice have been followed.                                                                                                                                                                                                                                                 |
| <b>Balances</b>                    | Working balances are reserves needed to finance expenditure in advance of income from debtors, precepts and grants. Any excess may be applied, at the discretion of the council, to reduce future demands on the Collection Fund or to meet unexpected costs during the year. Balances on holding accounts and provisions are available to meet expenditure in future years without having adverse effect on revenue expenditure. |
| <b>Billing Authority</b>           | The authority that sets council tax and collects it from council tax payers.                                                                                                                                                                                                                                                                                                                                                      |
| <b>Budget</b>                      | A financial plan that expresses an organisation's service delivery plans and capital programmes in monetary terms.                                                                                                                                                                                                                                                                                                                |
| <b>Budget Strategy</b>             | A document setting out how an organisation is going to meet its policies and priorities, taking into account the resources available to the organisation. This will                                                                                                                                                                                                                                                               |

## STATEMENT OF ACCOUNTS 2020/21

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include proposals for efficiency savings and possible service changes or reductions, which may free up resources for use on other policies or priorities.

|                                      |                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Capital Expenditure</b>           | This is expenditure on items providing benefits to the organisation over more than one year, such as land, buildings or vehicles.                                                                                                                                                                                                                        |
| <b>Capital Financing</b>             | The raising of money to finance capital expenditure. In the past the cost of capital assets was usually met by borrowing, but capital expenditure may also be financed by other means such as contributions from revenue accounts, the proceeds from the sale of capital assets, and capital grants and contributions from developers or others.         |
| <b>Capital Financing Requirement</b> | The capital financing requirement measures the council's underlying need to borrow for capital purposes.                                                                                                                                                                                                                                                 |
| <b>Capital Grants</b>                | Grants received towards capital expenditure on a specific service or project.                                                                                                                                                                                                                                                                            |
| <b>Capital Programme</b>             | This is a financial plan of the capital expenditure projects that the organisation intends to carry out over a specified time period.                                                                                                                                                                                                                    |
| <b>Capital Receipt</b>               | This is income resulting from the sale of assets such as land or property. The Government decides what proportion of each capital receipt can be used by the council to finance new capital expenditure. Capital receipts cannot be used to fund revenue expenditure.                                                                                    |
| <b>Cash &amp; Cash equivalents</b>   | Cash in hand plus deposits in banks or building societies, repayable on demand or within 24 hours, and deposits maturing within 3 months of the date taken out.                                                                                                                                                                                          |
| <b>CIPFA</b>                         | The Chartered Institute of Public Finance and Accountancy. This is the professional body for accountants working in local government and other public bodies. The Institute provides financial and statistical information services for local government and advises central Government and other bodies on local government and public finance matters. |
| <b>Collection Fund</b>               | This is a statutory fund kept separate from the main accounts of the council. It records all income due from Council Tax and National Non Domestic Rates and shows how that income was shared between central government, the County Council and the Police and Crime Commissioner.                                                                      |
| <b>Consistency</b>                   | One of the fundamental accounting concepts, it requires accountants to treat similar items of income and expenditure in the same way both within an accounting period and from one accounting period to the next.                                                                                                                                        |
| <b>Contingent Asset</b>              | An asset which exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events, for example a claim for compensation that a council is pursuing through the due legal process, where the outcome will only be decided by the decision of the courts.                |
| <b>Contingent Liability</b>          | A liability which exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events, for example, the default by a borrower on a loan from a third party for which the council has given a guarantee.                                                                 |
| <b>Council Tax</b>                   | A local tax levied on dwellings within the local authority area. The level of taxation is based on the capital value of the property, which is categorised into one of eight bands from A to H, and the number of people living in the dwelling.                                                                                                         |

## STATEMENT OF ACCOUNTS 2020/21

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|                            |                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Creditors</b>           | Amounts owed by the council for work done, goods received or services rendered within the accounting period, but for which payment was not made at the balance sheet date.                                                                                                                                                                                                                                                                |
| <b>Current Assets</b>      | Assets which can be expected to be consumed or realised during the next accounting period.                                                                                                                                                                                                                                                                                                                                                |
| <b>Current Liabilities</b> | Amounts which will become due or could be called upon during the next accounting period.                                                                                                                                                                                                                                                                                                                                                  |
| <b>Debtors</b>             | An amount due to an organisation within the accounting period not received at the balance sheet date.                                                                                                                                                                                                                                                                                                                                     |
| <b>Depreciation</b>        | A charge made to the revenue account each year that reflects the reduction in value of assets used to deliver services. This is the loss in value of an asset, owing to age, wear and tear, deterioration, or obsolescence.                                                                                                                                                                                                               |
| <b>Employee Costs</b>      | These include salaries, wages and employers' national insurance and pension contributions, together with training expenses and charges relating to the index-linking of pensions of former employees.                                                                                                                                                                                                                                     |
| <b>Estimates</b>           | <p>Original estimate: the estimate for the new year approved before the start of the financial year, usually at the previous November's price levels.</p> <p>Revised estimate: the original estimate for the year updated by price changes since it was prepared and by supplementary estimates and virements.</p>                                                                                                                        |
| <b>Final Accounts</b>      | Accounts prepared for an accounting period, usually in a summarised form. They include a statement showing the net surplus (profit) or deficit (loss) on the provision of services and a balance sheet. They are produced as a record of stewardship for interested parties. Local authorities are required by the Accounts and Audit Regulations 1993 (as amended) to publish a Statement of Accounts at the end of each financial year. |
| <b>Finance Lease</b>       | A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee (the person or organisation leasing the asset).                                                                                                                                                                                                                                                                       |
| <b>Financial Year</b>      | The local authority financial year commences on 1 <sup>st</sup> April and finishes on 31 <sup>st</sup> March in the following year.                                                                                                                                                                                                                                                                                                       |
| <b>Government Grants</b>   | Grants made by the Government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some Government grants have restrictions on how they may be used, whilst others are general purpose.                                                                                                                                                                                        |
| <b>Impairment</b>          | Impairment of an asset is caused by a consumption of economic benefits (e.g. physical damage such as an office fire) or a deterioration in the quality of service provided by the asset (e.g. an industrial unit closing and becoming a storage facility), or by a general fall in prices of that particular asset or class of assets.                                                                                                    |
| <b>Interest</b>            | An amount received or paid for the use of a sum of money when it is invested or borrowed.                                                                                                                                                                                                                                                                                                                                                 |

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|                                                                       |                                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>International Financial Reporting Standards (IFRS)</b>             | Provide the required accounting treatment and disclosure of transactions so that an organisation's financial statements present fairly the financial position of the organisation.                                                                                                                                                                   |
| <b>Inventories</b>                                                    | Items of raw materials and stores a council has purchased to use on a continuing basis but which have not yet been used.                                                                                                                                                                                                                             |
| <b>Joint Venture</b>                                                  | An entity in which the reporting authority has an interest on a long-term basis and is jointly controlled by the reporting authority and one or more entities under a contractual or other binding agreement.                                                                                                                                        |
| <b>Materiality</b>                                                    | One of the main accounting concepts, it ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.                                                                                                                 |
| <b>Minimum Revenue Provision (MRP)</b>                                | The minimum amount which must be charged to a council's revenue account as a contribution towards the reduction in its overall borrowing requirement. The amount represents that which the council considers to be prudent, taking into account the period over which the borrowing was taken, which is usually equivalent to the life of the asset. |
| <b>National Non Domestic Rates (NNDR)</b>                             | An NNDR rate (multiplier) is set annually by central government and is applied to the rateable value of a business to calculate the non-domestic rates collected by Billing Authorities. The rates collected are shared between central government, district and county councils in statutory proportions.                                           |
| <b>Non-Current Asset</b>                                              | Assets which can be expected to be of use or benefit to the council for more than one accounting period.                                                                                                                                                                                                                                             |
| <b>Operating Lease</b>                                                | A lease under which the ownership of the asset remains with the lessor (the person or organisation leasing the asset) and is equivalent to contract hiring.                                                                                                                                                                                          |
| <b>Precepts</b>                                                       | The levy made by a precepting authority (County Council, Police Authority, Parish Council) on the billing authority, requiring it to collect income from Council Taxpayers on their behalf.                                                                                                                                                          |
| <b>Provision</b>                                                      | A sum of money set aside in the accounts for liabilities or losses that are due but where the amount due or the timing of the payment is not known with certainty.                                                                                                                                                                                   |
| <b>Revenue Expenditure</b>                                            | Expenditure on the day to day running costs of the council such as wages and salaries, utility costs, repairs and maintenance.                                                                                                                                                                                                                       |
| <b>Revenue Expenditure funded from capital under statute (REFCUS)</b> | Expenditure which can by law be financed from capital resources (e.g. capital receipts) but which does not result in a non-current asset for the authority e.g. renovation grants.                                                                                                                                                                   |
| <b>Revenue Support Grant</b>                                          | A general grant paid by central Government to local authorities to provide the services that it is responsible for delivering.                                                                                                                                                                                                                       |
| <b>Subsidiary</b>                                                     | An entity is a subsidiary of the reporting council if the council is able to exercise control over the operating and financial policies of the entity, and is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.                                                                         |



**CHELtenham**  
BOROUGH COUNCIL

**Annual Governance Statement  
2020/21**



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## 1. Scope of Responsibility

Cheltenham Borough Authority (“the authority”) is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards;
- Public money is safeguarded and properly accounted for
- Public money is used economically, efficiently and effectively; and
- There is a sound system of governance, incorporating the system of internal control and risk management

The authority has a Best Value duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these responsibilities, the authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and including arrangements for the management of risk.

The authority has developed and approved a code of corporate governance, which is consistent with the core principles and sub-principles as set out in the CIPFA/SOLACE “Delivering Good Governance in Local Government: Framework (2016)” (‘the Framework’). This statement explains how the authority has complied with the code and also meets the requirements of Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 (England) which requires the authority to conduct a review at least once a year on the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts.

In addition to this, CIPFA issued its “Statement on the Role of the Chief Finance Officer in Local Government (2015)”. The Annual Governance Statement (AGS) reflects compliance with that Statement for reporting purposes. The Executive Director Finance and Assets is the Statutory Section 151 Officer (S151 Officer) for Cheltenham Borough Council.

In February 2021 CIPFA published Bulletin 06, the Application of the Good Governance Framework 2020/21, which contains guidance concerning the impact of the continuing Covid-19 pandemic on governance in local government bodies and the requirements of the Delivering Good Governance in Local Government Framework 2016 CIPFA and Solace (the Framework). It also takes into account the introduction of the CIPFA Financial Management Code 2019 (FM Code) during 2020/21. This AGS has been prepared taking into account this latest guidance.

## **2. Purpose of Governance Framework**

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

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to:

- Identify and prioritise the risks to the achievement of the authority's policies, aims and objectives;
- Evaluate the likelihood of those risks occurring;
- Assess the impact should those risks occur; and
- Manage the risks efficiently, effectively and economically

The governance framework has been in place at the authority for the year ended 31 March 2021 and up to the date of approval of the Annual Statement of Accounts. It should be noted that any changes to CBC arrangements due to COVID19 and the impact on our governance are recorded in this document.

## **3. Governance Environment**

The key elements of the authority's governance arrangements are outlined in the Local Code of Corporate Governance. The governance framework includes arrangements for:

- Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users;
- Reviewing the authority's vision and its implications for the authority's governance arrangements;
- Measuring the quality of services for users, ensuring that they are delivered in accordance with the authority's objectives and ensuring that they represent the best use of resources;
- Defining and documenting the roles and responsibilities of the executive (Cabinet), non- executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication;
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;
- Reviewing and updating Financial Rules, Contract Rules, Constitution, Scheme of Delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
- Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained;
- Ensuring the authority's financial management arrangements meet the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015);
- Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities;

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- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- Whistleblowing referrals and for receiving and investigating complaints from the public;
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by the appropriate training;
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation; and
- Incorporating good governance arrangements in respect of partnerships, including shared services and other joint working and reflecting these in the authority's overall governance arrangements.

### **4. Impact of COVID19**

COVID19 has had a significant impact on the way we worked during 2020/21. Reduced capacity due to redeployment of resources and those shielding, constraints resulting from home working, social distancing and the financial impact of the pandemic has led to changes in the way CBC operated.

Whilst these changes were significant to the way we operated within a very short space of time CBC put in place a number of measures to ensure there was minimal impact on the governance of the organisation.

From a financial perspective to monitor the impact of COVID19 CBC provided the Ministry for Housing, Communities and Local Government (MHCLG) monthly financial information through the online reporting system DELTA.

Despite the impact of COVID19, CBC was able to effectively maintain services through its business continuity arrangements, support the emergency response efforts in conjunction with the Local Resilience Forum and lead recovery efforts into 2021.

As a result of CBC's efforts during 2020/2021, the Council won two national awards; the Royal Town Planning Institute (RTPI) award for Planning Heroes in a Pandemic and the iESE Transformation Award in the Working Together category. CBC was one of the first Councils in the UK to publish its Recovery Strategy back in May 2020.

2020/2021 was a hugely challenging year and a significant test of our business continuity arrangements, emergency response and recovery efforts. As part of our commitment to continuous improvement SWAP Audit undertook a review of CBC's Response to COVID-19 which resulted in a 'substantial' audit assurance opinion.

Changes made during 2020/21 as a result of COVID19 and their impact/effectiveness are listed underneath each of the principles.

## 5. Principles

The main areas of the authority's governance framework, and the key evidence of delivery, are set out over the next pages under the headings of the core principles and sub-principles from the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016).

### Principle A

#### **Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

- The roles and responsibilities of Members and all holders of an office are set out in the authority's Constitution. The Constitution also sets out how decisions are made and the procedures that are followed to ensure these are efficient, transparent and accountable to local people. The Constitution is supported and underpinned by a Code of Conduct for Members', Code of Conduct for Employees and a Protocol for Member/Officer Relations.
- On 23 March 2020 CBC full council agreed, in advance of anticipated emergency Government legislation, to make arrangements for continuity of decision making by temporarily making changes to the Council's Constitution.
- These proposed changes, documented in the council report, were necessary to enable decisions to be taken on non-executive and regulatory functions via temporary changes to the scheme of delegation.
- The alternative arrangements put in place did not override the requirement for decisions to be made within the legal framework of the Local Government Act 1972 and other legislation.
- Throughout this period officers continued to seek legal advice prior to making any decisions and the process and procedures for recording decisions still applied to ensure open and transparent decision making. CBC continued to publish decisions taken and those decisions were still subject to the call-in process and on 15 June 2020 a report went to council outlining urgent decisions which had been taken during the emergency.
- Within 6 weeks from the start of lockdown all members were rapidly given laptops to enable CBC council and committee meetings to continue online with the first virtual meeting taking place on Thursday 14 May. This enabled the democratic process and decision making to be rapidly restored. The Public have the ability to access all meetings on the CBC YouTube channel.
- New rules were introduced for online meetings with members having to be seen on camera at all times to ensure meetings were quorate, they had to be shown for all parts of the debate prior to voting for/against recommendations with each member canvassed individually for their vote.
- The Code of Conduct for Members' requires declarations at meetings to be made by Members where necessary and these declarations are recorded in the minutes of the meeting. This has continued to happen as part of our online meetings with any declarations made and recorded in the minutes.
- The authority has a Standards Committee to maintain and promote high standards of conduct by

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observing and monitoring the operation of the Code of Conduct for Members'. Any concerns about conduct raised throughout the year 2020/21 continued to be dealt with through online meetings and email.

- Statutory Officers' responsibilities are defined in the Constitution and are employed in accordance with statutory guidance.
- The Executive Director Finance and Assets leads the promotion and delivery of good financial management through the Executive Leadership Team, attendance at Council, Cabinet and Committee meetings and organises specialist workshops/training for officers and Members as appropriate and as part of the member induction programme following borough elections every 2 years. Induction is open to all members.
- Due to the financial impact of COVID19 a revised budget was presented and approved by full Council in November 2020 by the Executive Director of Finance and Assets.
- Registers of interest are completed by Members and officers and a register of gifts and hospitality is maintained. Declarations of interest are declared and recorded at meetings.
- The Monitoring Officer and Executive Director Finance and Assets are members of the authority's Executive Leadership Team and meet with the Chief Executive to discuss any matters relevant to their statutory functions.
- Internal audit reviews are designed to ensure services are complying with internal and external policies and procedures / statutory legislation. Where non-compliance is identified, this is reported to management and to Members via the Audit, Compliance and Governance Committee.
- Whistleblowing Policies are in place.
- We work with a Gloucestershire wide Counter Fraud unit to help prevent and detect fraud and corrupt practices, including abuse of position. The service reports to Audit, Compliance and Governance Committee twice a year. Throughout 2020/21 the Counter Fraud unit have been working closely with our Revenues and Benefits team to ensure that all discretionary grant schemes put in place as a result of COVID19 have sufficient pre and post payment checks and controls in place to give assurance that the COVID19 business grants were paid to eligible business.
- During the COVID19 pandemic CBC recognised the leadership role it had in the community. As well as providing emergency support to people and communities through the 'Community Support Hub' the communication team recognised they had a role to play to ensure people upheld COVID regulations. As well as passing on key Government and County Council messages where appropriate an on street presence was established to remind and support CBC businesses and residents on rules around COVID19 safety and social distancing measures.
- During the pandemic CBC launched a number of new communication campaigns designed to not only remind people of key COVID19 messages but also to recognise the effort their residents had been making to comply with COVID19 regulations. The Council's external communications were recognised as examples of best practice by CommsHero and Commscreatives, two leading edge communications companies.

### Principle B

#### Ensuring openness and comprehensive stakeholder engagement

- The annual accounts are published in a timely manner and in accordance with specified timescales so that the financial position and performance of the authority is open to public scrutiny. COVID19 changed reporting timescales during 2020/21 but CBC continued to meet all deadlines and requirements.
- Committee meetings, agendas and minutes are published in accordance with the Forward Plan and publication of agendas is done in accordance with the Local Government Act 1972. Where statutory timescales are not met then the appropriate consultation takes place with the Chair of the Overview and Scrutiny Committee with regard to call-in. Council, Cabinet and Committee reports clearly outline their purpose, so the public can understand what the decision is aiming to achieve. Reports also address financial, legal, equalities, risk and sustainability implications to aid Members in their decisions making.
- Members and the public are able to ask questions at Council, Cabinet and the Overview and Scrutiny Committee. Public questions can be asked at other committee meetings, e.g. Audit, Licensing and Planning. All meetings are held in public unless exempt business is under discussion. This continued during 2020/21 and COVID19 although the public had to watch all proceeding via the CBC YouTube channel.
- Members of the public are able to speak at Planning Committee although during 2020/21 this was via an online link sent to them via the CBC democratic services team.
- Overview and Scrutiny committee promotes open and transparent decision-making, democratic accountability and holds the Cabinet to account for its decisions.
- Following the independent review undertaken in 2019-20 of the Overview and Scrutiny committee implementation of the action plan continued throughout the year with all actions now being completed.
- At the start of the pandemic all partner stakeholders Publica, Ubico, The Cheltenham Trust and Cheltenham Borough homes were involved in all of our Business Continuity meetings to ensure they were supported and we consulted on the best way to continue providing services.
- As part of the budget setting process consultation takes place through the authority's website and by attendance at meetings of the parish councils and business community by the Executive Director Finance and Assets and Cabinet Member Finance / Leader of the Council. During 2020/21 all such interactions were all undertaken online and through telephone calls.
- Engagement with staff happens in a number of ways; whole authority staff sessions, directorate team meetings, monthly managers meetings and one-to-one meetings. During 2020/21 the impact of COVID19 meant all of these interactions continued but were undertaken via our WebEx system. As well all of the meetings above during the first eight months of the pandemic weekly information bulletins were sent to all staff, members and partners updating them on the latest CBC news as well the latest pandemic information for our Borough.
- Outside the budget process, engagement and consultation with the public is undertaken through public meetings, surveys and other mechanisms as required throughout the year or around specific topics, e.g. Cheltenham Plan. During the initial stages of the pandemic no consultations were undertaken other than online however, as restrictions eased appointments were made so individuals could come to the municipal offices to view plans etc.
- A Statement on Community Involvement is approved which sets out the opportunities by which the public and organisations can engage with the planning system, including the procedures and methods used to consult on planning applications.
- Performance against the corporate plan is monitored via Overview and Scrutiny and reported on an annual

basis to Cabinet.

- During 2020/21 additional meetings (every two weeks) with the Leader and Lead Member for Finance were undertaken to ensure the financial impact of COVID19 was monitored, discussed and managed.
- Transparency data is published on the website and includes supplier payments, senior management structure charts, annual pay policy statement, and our gender pay gap report for the previous financial year. Where data is not available in the published data sets, instructions are available on how to make a Freedom of Information Request and the procedure that will be followed to answer the request.
- In November, the Local Government Association (LGA) took part in a mini form of peer review through a Renewal and Recovery Panel to provide feedback on the Council's emergency response and recovery efforts. This report was published and is available on the Council's website.

## **Principle C**

### **Defining outcomes in terms of sustainable economic, social, and environmental benefits**

- The vision for Cheltenham is articulated in the Cheltenham Place Vision document. The vision sets out the ambitions, aspirations and actions that the authority, together with its key partners, will take to bring about a thriving town in terms of businesses and their workforces, culture and creativity, people and communities. During COVID19 our Marketing Cheltenham team supported CBC through the delivery of key COVID19 messages as well as supporting businesses as rules were relaxed.
- Our Corporate Plan sets out the authority's purpose, principles and priorities for the future. Guided by an agreed set of principles the priorities in the plan were developed to make the biggest difference to Cheltenham's communities, businesses and residents, in line with Cheltenham's place vision. This plan is now supported by our COVID19 recovery strategy (see below).
- As with all areas of the world COVID19 has had a substantial impact on our town and visitor economy. In May 2020 the Cabinet put in place a new recovery strategy for CBC. This strategy does not replace our Place Vision or Corporate Plan but compliments these strategic documents by defining our priorities and a 'Local New Deal' for Cheltenham.
- In response to the initial lockdown during 2020 to ensure the most vulnerable were supported, we rapidly established a community 'help-hub'. Working with Gloucestershire County Council, supported by Cheltenham Borough Homes and The Cheltenham Trust (TCT) we re-deployed staff to support hundreds of vulnerable residents to ensure they had the essentials of food, their prescriptions, as well as to hear a friendly voice. With our well-established community connections and Councillor insight, we gathered intelligence from across the town, swiftly realising that local food banks were struggling to meet demand. Therefore, the Mayor's Foodbank fund was established and raised thousands of pounds. Combining our community grant funding with additional funding from Gloucestershire County Council we were able to give funding grants to those charities/community groups that were providing essential support for the most vulnerable.
- The Borough has a statutory development plan in place made up of the Gloucester, Cheltenham and Tewkesbury Joint Core Strategy (adopted 2017) and The Cheltenham Plan (adopted 2020), together these plans make provision for the long term growth of our area delivering sustainable, social and



environment benefits across the Borough. A review of the JCS is underway and Cheltenham continues to work collaboratively with its partners Tewkesbury Borough and Gloucester City on development plan formulation and its delivery. We await guidance from government arising from the recent White Paper that will drive fundamental reforms of the planning system; this guidance is expected later this year.

- Following the Council's Cabinet formally declaring a climate emergency in July 2019 in 2020/21 specific funding was made in the budget to start work on both CBC and Cheltenham becoming carbon neutral by 2030. Changes were made to Cabinet portfolios with the Leader assigning two new posts, one covering economy and development and, the other covering climate and communities.

## **Principle D**

### **Determining the interventions necessary to optimise the achievement of the intended outcomes**

- A mixed economy approach to service delivery is in place. In order to continue to deliver the priority outcomes of Members, and to operate within a more constrained financial cost base, the authority has over a number of years created a number of new organisations to deliver once in-house provided services.
- Each partner service is assigned a client officer who undertakes frequent and direct liaison with the service provider and monitors the contract performance and delivery. Each member of the Executive Leadership Team holds accountability for one of these services and provides the strategic guidance and support to the client officers. Executive Leadership Team and client officers keep relevant Cabinet members apprised of commissioned service performance as well as Cabinet Members being engaged directly in performance meetings with commissioned service providers.
- During 2020/21 a number of services provided for CBC by The Cheltenham Trust were either unable to operate due to the COVID19 restrictions or able to operate in a limited capacity. During this period the Executive, Client officers, Members and leadership of the Cheltenham Trust worked together to maximise income (through changed operations and grant funding), minimise redundancies (through furloughing of employees), to ensure that these services were sustained at a level to enable them to restart and continue operating following the pandemic.
- We also worked with our Partners, Cheltenham Borough Homes and The Cheltenham Trust, to provide support to our communities through our Community Help Hub providing food, shopping, general wellbeing support and a prescription collection service.
- We continue to work on achieving the aims of our commercial strategy that sets out the authority's ambition to be an enterprising and commercially focused authority. This will be even more important in the future following COVID19. By continuing to drive down the Council's net costs and increase income via a commercial mind-set with the aim to hold down council tax as far as possible, now and in the longer

term helps the Authority protect frontline services from cuts which is exceptionally important following COVID19.

- The drive towards financial sustainability includes identifying new opportunities to generate income and investment in projects that provide good financial returns. The authority's commercial strategy aligns closely with other key strategies including place-making, economic growth, digital transformation, workforce and skills development, investment and asset management. Whilst the pandemic has caused financial challenges it also has the potential to create an opportunity for the future in a review of the way we work as a Council. The Director of Finance and Assets oversees all commercial work to ensure it fits with our role as a council and within our financial framework.
- The authority's budgets are prepared annually in accordance with objectives, strategies and the MTFS is finalised following consultation with Members, customers, stakeholders and officers.
- Financial stewardship in respect of both capital and revenue proposals is reviewed and challenged by the Budget Scrutiny Working Group and considered regularly by the Executive Leadership Team.
- The MTFS is a live document and is updated as necessary, to respond to the changing environment and in such circumstances would be discussed by the Executive Leadership Team to determine any necessary mitigating actions that would then be discussed with the Cabinet. Due to the financial impact of COVID19 a revised budget was presented and approved by full Council in September 2020 by the Executive Director of Finance and Assets.
- Processes are in place to identify and respond to external changes, for example: changes to legislation and regulation, emerging risks and opportunities, risk management, development and delivery of the corporate strategy, performance management, mediumterm financial planning, budget monitoring are designed to capture and incorporate external factors and to enable the authority to respond appropriately.
- Corporate risks are considered by the Executive Leadership Team (ELT) on a monthly basis. Operational risks are monitored and managed at Manager level. Any strategic risks scoring 16 or more are escalated to the corporate risk register. CBC now has two senior officers qualified in risk management (MOR).
- In previous years ELT met on a weekly basis to deal with matters of urgency, items require strategic consideration or to make decisions. During the 2020/21 COVID19 pandemic ELT met daily to assess the situation and deal with the consequences of the pandemic. This enabled consistent, coordinated yet rapid decision making leading to CBC being able play a lead role in the Borough supporting businesses, the community and our own staff ensuring that all government advice was acted upon promptly and our vulnerable people had the necessary support.
- Initially during the pandemic a number of projects, e.g. townscape were halted to ensure we adhered to government guidance on the safety of the workforce etc. This also meant we were able to quickly redeploy resource to the more urgent needs such as getting food, prescriptions and support to those in

need.

## **Principle E**

### **Developing the entity's capacity, including the capability of its leadership and the individuals within it**

- During 2020/.21 we continued to work on our organisational change programme, although with a reduced level of resource, focusing on the development of a range of leadership programmes for our people designed to give them behaviours and skills for the future.
- Throughout the pandemic we utilised our Learning and Management System to offer our people a range of wellbeing courses designed to support them through the difficulties being experienced as a result of COVID19. As well as learning through our LMS managers undertook training on 'managing remotely' to ensure they had the relevant skills to both deliver services and support their teams remotely.
- Publica support services continue to work with CBC in the areas of Human Resources, Finance and ICT. Specifically important during 2020/21 has been the support received by CBC from Publica in the area of Health and Safety and ICT. To ensure that we adopted safe working practices that adhered to the changing government guidance throughout the pandemic a new health and safety group was formed. This group which initially met twice a week was responsible for advising managers and reviewing risk assessments to ensure our staff were safe in their workspaces (both home and office), safe in the delivery of services and had all the relevant personal protective equipment. Publica ICT acted swiftly ensuring that within a very short space of time all staff and members had laptops with the relevant technology enabling them work from home. The Council's previous investment in smart working technology was a key reason why CBC was able to become a virtual Council in a short space of time, as well as being able to continue to maintain data security.
- All new employees take part in an induction programme, online during the pandemic, and ongoing staff development needs are identified through the appraisal process and 1:1's. The launch of our new online one to one process has been delayed due to COVID19 but will be rolled out in the first quarter 2021/22. The Chief Executive is appraised by the Group Leaders.
- The introduction of regular all manager, all employee and member WebEx meetings enabled information to be easily and consistently cascaded.
- All new Members undertake a comprehensive Members induction programme that is delivered after each borough election (i.e. every 2 years). New Members are matched with a senior officer under a "buddy" system to provide practical support as they develop into their roles. Training is provided for Members on an ongoing basis as appropriate and necessary. Members on certain committees (e.g. Planning and Licensing) are required to undertake initial and ongoing "top up" training in order to take their place on the committee. The authority is a member of the Local Government Association who provide individual mentoring and support to Members and officers as necessary or requested.
- During the last year Members have undertaken learning and development in a number of areas including Planning Reform, Equalities and Diversity, the NHS and City Fibre.

**Principle F**

**Managing risks and performance through robust internal control and strong public financial management**

- A corporate governance group meets on a quarterly basis, is chaired by the Executive Director of People and Change, and its attendees are the other statutory officers, plus internal audit, counter fraud, risk manager and HR.
- Officers are required to maintain Service / Operational Risk Registers and the ELT reviews the corporate risk register on a monthly basis that is then provided to informal cabinet.
- Any service level risks that score 16 or above are incorporated in the corporate risk register.
- The MTFS is reviewed and updated on a regular basis so that Members and ELT are aware of the financial standing of the authority in terms of delivering against cost reduction or revenue raising targets. Performance against budget is reported to Cabinet and any significant variances explained. During 2020/21 additional meetings were held with the Leader and Lead Member for Finance to monitor the impact of COVID19.
- During 2020/21 the decision was taken to bring the finance function, being undertaken by Publica, back in house. A Head of Finance was externally recruited with the successful candidate starting in January 2020.
- The Statement of Accounts is produced and published annually in accordance with statutory legislation – these statutory dates were adjusted for the 2020/21 year due to COVID19. Aligned with this is the production of this Annual Governance Statement that identifies how the authority has met its governance reporting obligations.
- External Audit recommendations are reported to Audit, Compliance and Governance Committee following the completion of their annual audit process with follow-ups of recommendations also reported. Any recommendations are incorporated into the planning for the next years Audit.
- Internal Audit is delivered through SWAP Internal Audit Services(SWAP) and processes ensure compliance with Public Sector Internal Auditing Standards. Internal Audit agreed actions are followed up and reported to Audit, Compliance and Governance Committee with further follow up being reported where agreed actions have not been implemented in full. During 2020/21 SWAP continued to undertake scheduled audits wherever possible.
- Copies of all Internal Audit reports are provided to the Executive Director Finance and Assets who ensures that other relevant Executive Directors are made aware of any significant issues or recommendations.
- The Audit, Compliance and Governance Committee reviews and approves the Risk Management Policy on an annual basis. Risks are identified when undertaking Internal Audit reviews and reported when necessary.
- A risk-based Audit Plan is drafted annually following consultation with Officers, Members and the Executive Director Finance and Assets. The Audit Plan is approved at Audit, Compliance and Governance Committee prior to the financial year.

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- Audit reports, once completed are discussed with the service manager. Executive summaries, including findings, and progress on the Annual Plan are reported to Audit, Compliance and Governance Committee, on a quarterly basis.
- Agreed Actions made in audit reports are followed up 6 months after the completion of the audit and findings reported to Audit, Compliance and Governance Committee.
- The authority's services are delivered through a mix of direct service delivery and delivery through other standalone organisations, e.g., Cheltenham Borough Homes delivers housing; Ubico deliver environmental services including waste management, street cleansing and grounds maintenance; The Cheltenham Trust is responsible for the authority's town hall, Pittville Pump Room, The Wilson, Leisure@ and Prince of Wales Stadium. Contracts and agreements are in place with each of these organisations that include performance management and reporting arrangements. Client officers monitor contractual requirements and performance measures. During 2020/21 CBC have been working with all of these organisations to understand the impact of COVID19, work with and support these organisations to ensure the continued delivery of services wherever possible.
- Organisational performance against the authority's corporate plan objectives is reviewed by the Executive Leadership Team to ensure key programmes of work remain on track to achieve CBC goals and objectives.
- A Counter Fraud Unit supports all the Gloucestershire Local Authorities, West Oxfordshire District Council and other third parties. Where investigations identify possible improvements to the internal control framework, the Counter Fraud Unit will liaise with the Internal Audit Team to ensure the improvements are followed up and implemented by Management. During COVID19 the Counter Fraud team have been working with CBC to ensure that COVID19 grant payments are only made to qualifying organisations and to reduce the risk fraud.
- Our Data Protection Policy provides a framework for all other Information security and Information Management Policies all of which are available to all data users on the Councils intranet. It also provides the responsibilities and accountabilities for the roles of the Data Protection Officer, Senior Information Risk Officer (SIRO) and the Single Point of Contact (SPoC).
- A range of training documentation is produced to support the training on Data Protection. Documentation is regularly reviewed and used to deliver an agreed annual training programme that includes induction for elected Members and employees.
- The authority is part of the Gloucestershire Information Sharing Partnership. This will enable data to be shared when necessary.
- Audit reviews ensure data is held securely whether electronic or hard-copy.

### **Principle G**

#### **Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

- The authority publishes its performance in achieving delivery of its corporate plan objectives on an

## STATEMENT OF ACCOUNTS 2020/21

annual basis. Performance monitoring reports considered by Overview and Scrutiny are published on the authority's website in accordance with publication standards and guidelines.

- Data in respect of transparency is published on the authority's website.
- The Council's Audit, Governance & Compliance Committee review the Local Code of Corporate Governance
- The Statement of Accounts is produced and published annually in accordance with statutory legislation. Aligned with this is the production of the Annual Governance Statement which identifies how the authority has met its governance reporting obligations
- External Audit recommendations are reported to Audit, Compliance and Governance Committee, following the completion of their annual audit process, follow-ups of recommendations are also reported
- Internal Audit processes ensure compliance with Public Sector Internal Auditing Standards. Internal Audit agreed actions are followed-up and reported to Audit Committee, further follow-up is planned if agreed actions have not been implemented in full.

### 6. Review of Effectiveness

The authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers, the annual opinion from the Head of Internal Audit, the officer Corporate Governance Groups and comments made by the external auditors, other review agencies and inspectorates.

The authority's process for maintaining and reviewing the effectiveness of the governance framework has included the following:

- Directors complete an Annual Assurance Statement at the end of each financial year. These governance declarations provide appropriate management assurance that key elements of the system of internal control are in place and are working effectively and help to identify areas for improvement.
- Annual Assurance Statements are also completed by Client Officers in respect of external service providers, The Cheltenham Trust, One Legal, Publica, Ubico and CBH.
- Where the assurance review highlights elements that do not fully or partially meet the systems of internal control then the Directors and Client officers explain what action needs to be taken within an agreed timeframe.
- ELT review the Corporate Risk Register on a monthly basis and service risk registers are managed by each manager.
- The SWAP Assistant Director (Head of Internal Audit) provides the Audit, Compliance and Governance Committee, as the Committee charged with governance, with an Annual Opinion on the control environment of the authority, which includes its governance arrangements.
- Investigation of, and decisions on, allegations of failure to comply with Members Code of Conduct are considered and determined through processes involving the Monitoring Officer/Independent Person(s)/Standards Committee/Sub-Committee as set out in the Constitution.

- A full induction programme is delivered for newly elected members.

The Executive Director Finance and Assets ensures training and awareness sessions are carried out for the Audit, Compliance and Governance Committee periodically.

- The External Auditors (Grant Thornton) present progress reports to the Audit, Compliance and Governance Committee. The Chief Executive and Executive Director Finance and Assets attend audit liaison meetings with the external auditors on a regular basis.
- The External Auditor's Annual Audit Letter and follow-up of management responses to issues raised in the Letter or other reports are overseen by the Audit, Compliance and Governance Committee.
- Performance with regard to achievement of corporate priorities, budgets and risk are reported and monitored as outlined in this statement.
- The Audit, Compliance and Governance Committee review the Annual Governance Statement.
- The Audit, Compliance and Governance Committee review the Annual Statement of Accounts and reports from both Internal Audit (SWAP) and External Audit (Grant Thornton), including quarterly progress reports.
- Council approves the annual budget, reviews and approves the Treasury Management Strategy.
- Internal Audit monitors the quality and effectiveness of systems of internal control. Audit reports include an opinion that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports including agreed actions for improvement are detailed in an action plan agreed with the relevant Executive Director/Service Manager.

On the balance of our 2020/21 audit work for Cheltenham Borough Council, enhanced by the work of external agencies, I am able to offer a **Low Substantial Assurance** opinion in respect of the areas reviewed during the year.

## **7. Significant Governance Issues During 2019/2020**

In preparing the 2019/2020 statement and reviewing the effectiveness of the governance arrangements a number of areas were identified where the Council needs to focus attention and improve arrangements over the next financial year. These areas of work were to strengthen the control framework. These actions and outcomes are set out in the table below.

| No | Key Area of Focus | Planned Actions                                                                                 | Lead officer  | Outcome                                             |
|----|-------------------|-------------------------------------------------------------------------------------------------|---------------|-----------------------------------------------------|
| 1  | Clearview         | Focus on full implementation of Risk, Organisational Performance and Project Management modules | Darren Knight | Progress delayed and rollout ongoing into 2021/2022 |

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|   |                                                                              |                                                                                             |                            |                                                              |
|---|------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|----------------------------|--------------------------------------------------------------|
| 2 | Procurement                                                                  | Ensure there is capacity to undertake all procurements required by CBC                      | Gill Morris                | Not completed ongoing review.                                |
| 3 | Financial Rules Training                                                     | Develop module for Learning Management System                                               | Gemma Bell                 | Not completed due to COVID19 rollover to 2021-22 action plan |
| 4 | Availability of Training Budgets                                             | Consolidate training budgets and ensure they are available to support training requirements | Darren Knight / Paul Jones | Completed and ready for 2021/2022                            |
| 5 | The Cheltenham Trust manual financial processes as per audit recommendations | Processes to be reviewed.                                                                   | Paul Jones                 | Completed                                                    |
| 6 | Impact of COVID19                                                            | Recovery Strategy                                                                           | ELT / Darren Knight lead   | Completed and Recovery Strategy approved by Cabinet          |

### 8. Significant Governance Issues During 2020/2021

There were no significant governance issues identified during 2020/2021.

### 9. Approval of Leader and Chief Executive

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit, Compliance and Governance Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

**Signed on behalf of Cheltenham Borough Council:**

**Rowena Hay**

**Leader of the Authority**

**Date: 29.10.2021**

**Gareth Edmundson**

**Chief Executive**

**Date: 29.10.2021**



## Independent auditor's report to the members of Cheltenham Borough Council

### Report on the Audit of the Financial Statements

#### Opinion on financial statements

We have audited the financial statements of Cheltenham Borough Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, Movement in Reserves Statement, the Cash Flow Statement, the Collection Fund – Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Statement of Movement in Reserves and the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2021 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director - Finance & Assets use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Executive Director - Finance & Assets conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Executive Director - Finance & Assets use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

## STATEMENT OF ACCOUNTS 2020/21

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The responsibilities of the Executive Director - Finance & Assets with respect to going concern are described in the 'Responsibilities of the Authority, the Executive Director - Finance & Assets and Those Charged with Governance for the financial statements' section of this report.

### Other information

The Executive Director - Finance & Assets is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

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

We have nothing to report in respect of the above matters.

### Responsibilities of the Authority, the Executive Director - Finance & Assets and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 12, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director - Finance & Assets. The Executive Director - Finance & Assets is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director - Finance & Assets determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## STATEMENT OF ACCOUNTS 2020/21

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In preparing the financial statements, the Executive Director - Finance & Assets is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority and the group will no longer be provided.

The Audit, Compliance and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003; the Local Government Act 1972; the Local Government and Housing Act 1989 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.
- We enquired of senior officers and the Audit, Compliance and Governance Committee, concerning the group and Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit, Compliance and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, we determined that the principal risks were in relation to:
  - those of a large value in isolation or when compared to the average value
  - journals posted without a description, by the senior officers or by users who seldom post journals
  - journal entries that increased revenues or that reclassified costs from the income statement to the balance sheet
  - closing entry journals.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Executive Director - Finance & Assets has in place to prevent and detect fraud;
  - journal entry testing, with a focus on the above-mentioned principal risks as well as other risk factors determined by the engagement team;

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- challenging assumptions and judgements made by management in its significant accounting estimates in respect valuation of land and buildings, council dwellings, investment properties and surplus assets, defined benefit pensions liability valuations, depreciation and fair value estimates
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to valuation of land and buildings, council dwellings, investment properties and surplus assets, defined benefit pensions liability valuations, depreciation and fair value estimates.
- Assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's and component auditor's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority and group including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.
- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

### Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

#### Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

#### Responsibilities of the Authority

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

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### **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

### **Report on other legal and regulatory requirements – Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate for Cheltenham Borough Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report.

### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Barrie Morris, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor