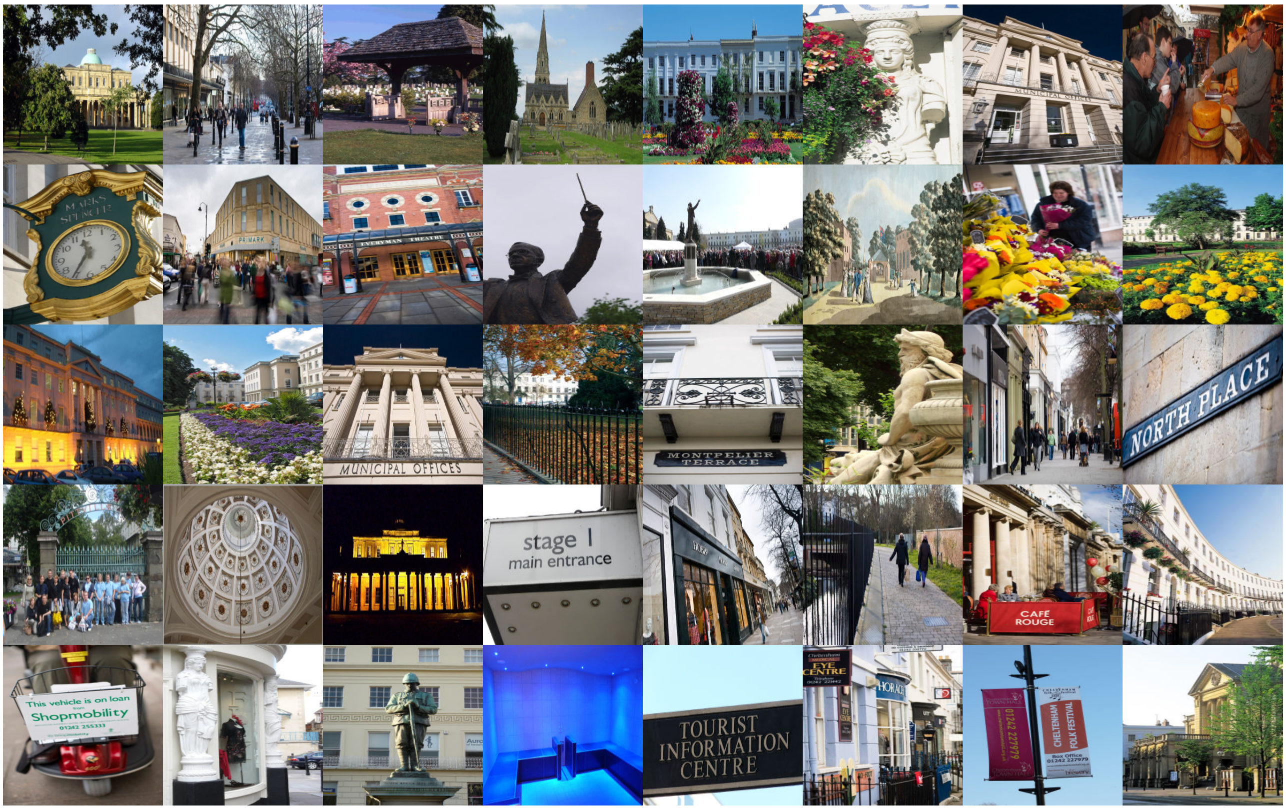
Appendix 1

CHELTENHAM BOROUGH COUNCIL

Statement of Accounts 2012/13



CONTENTS

Page(s)	
3 - 6	Introduction to Cheltenham Borough Council
7 - 15	Explanatory Foreword
16	Statement of Responsibilities for the Statement of Accounts
17	Comprehensive Income and Expenditure Statement
18	Balance Sheet
19	Movement in Reserves Statement
20	Cash Flow Statement
21 – 85	Notes to the Accounts
86 – 96	Group Accounts and Notes
97 - 101	Housing Revenue Account and Notes
102 - 104	Collection Fund and Notes
105 - 120	Annual Governance Statement including Statement on the System of Internal Financial Control
121 - 124	Glossary of Terms
125 - 127	Independent Auditors report

INTRODUCTION TO CHELTENHAM BOROUGH COUNCIL

Address and Telephone Number	
Address:	Municipal Offices, Promenade, Cheltenham, Gloucestershire, GL50 9SA
Telephone (All Departments):	01242 262626
Fax (All Departments):	01242 227131
Website:	www.cheltenham.gov.uk
Mayor and Deputy Mayor in the 2012/13 Municipal Year	
Mayor:	Councillor C Hay
Deputy Mayor:	Councillor W Flynn
Cabinet in 2012/13	
Leader of the council	Councillor S Jordan
Cabinet Member Corporate Services	Councillor J Walklett
Cabinet Member Sport and Culture	Councillor R Hay
Cabinet Member Built Environment	Councillor A McKinlay
Cabinet Member Finance and Community Development	Councillor J Rawson
Cabinet Member Housing and Safety	Councillor P Jefferies
Cabinet Member Sustainability	Councillor R Whyborn
Chairman of Committees in 2012/13	
Licensing Committee	Councillor G Barnes
Planning Committee	Councillor H McCloskey
Overview and Scrutiny Committee	Councillor D Smith
Audit Committee	Councillor P Massey
Appointments Committee	Councillor R Hay
Standards Committee	Councillor W Flynn
Chief Officers in 2012/13	
Chief Executive	Mr. A North
Strategic Director	Mr. G Lewis
Strategic Director	Mrs. P Pratley
Director of Resources (Section 151 Responsible Officer)	Mr. M Sheldon
Monitoring Officer / Borough Solicitor	Ms. S Freckleton
External Auditor in 2012/13	
Appointed Auditor:	Grant Thornton UK LLP
Address:	Hartwell House, 55 - 61 Victoria Street, Bristol, BS1 6FT
Bankers in 2012/13	
Bankers:	Lloyds TSB
Address:	130 High Street, Cheltenham, GL50 1EW

CHELTENHAM PROFILE

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

Cheltenham is home to a number of festivals that take place throughout the year which include the world-renowned Jazz, Music, Science and Literature Festivals. Cheltenham Racecourse hosts sixteen days of racing over 8 events every year including the Gold Cup Festival.

The borough also plays host to the Everyman Theatre and the Playhouse Theatre, both of which offer a rich and varied programme of professional and amateur performing arts. Cheltenham Art Gallery and Museum has national recognition as a museum with an outstanding collection. A major new extension is due to open in the Autumn of 2013.

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

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

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

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

POLITICAL STRUCTURE

The council has 40 elected members and holds elections every two years for which 50% of the seats are put up for re-election. Following the elections in May 2012 overall political control remained with the Liberal Democrats.

The council is chaired by the Mayor and is responsible for setting the budget and policy framework within which decisions are made. The cabinet consists of the Leader and up to seven Councillors appointed by the council.

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

PERFORMANCE MANAGEMENT

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

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

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

Our overarching message is simply:

"Working together to create a great future for Cheltenham"

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

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

The importance of performance management

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

Overall the council performed well during 2012/13. We continue to get recognition for our high standards, good performance, sound financial management and value for money.

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

Performance during 2012/13

In the 2012-13 action plan, we identified 78 milestones to track our progress. Out of these:

- 72% (56) of milestones have been completed at the end of the year.
- 8% (6) of milestones have not been completed at the year end and will not be achieved within a reasonable time frame.
- 20% (16) of milestones have not yet completed, but are expected to be achieved within a reasonable time frame

In the 2012-13 action plan, we identified 52 key indicators to track our progress. Out of these:

- 32 were indicators which CBC is directly accountable for and targets have been set.
- 12 were indicators which CBC is directly accountable for and no targets have been set.
- 8 were community-based indicators for economic development and community

Out of the 32 indicators with targets:

- 81% (26) were met
- 16% (5) did not meet targets
- 3% (1) have not yet been updated

EXPLANATORY FOREWORD

The purpose of this explanatory forward is to provide electors, local taxpayers, members of the authority and other interested parties with an easy to understand guide to the most significant matters reported in the accounts. It provides an explanation in overall terms of the authority's financial position and assists in the interpretation of the accounting statements, including the Group Accounts. The statements should inform readers of the cost of services provided by the council in the year 2012/13 and the council's assets and liabilities at the year end.

INTRODUCTION

The Accounts for the year ending 31st March 2013 have been prepared and published in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: 2012/13 Accounts (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This incorporates International Financial Reporting Standards (IFRS), so that the accounts are compliant with these standards.

The following statements are included:

Statement of Responsibilities for the Statement of Accounts	Sets out the respective responsibilities of the authority and the Director of Resources for the accounts.
Comprehensive Income and Expenditure Statement	This reports the net cost for the year of ***all*** the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers.
Balance Sheet	This summarises the overall financial position of the council at 31st March 2013, showing its assets, liabilities and reserves.
Movement in Reserves Statement	This details the movement in the year of all the authority's reserves.
Cash Flow Statement	This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
Group Accounts	These bring together the accounts of Cheltenham Borough Council, Cheltenham Borough Homes, Ubico Ltd and Gloucestershire Airport Ltd, in which the council has a 50% shareholding
Housing Revenue Account	A separate account, required by law, which shows income and expenditure associated with the provision of council housing.
Collection Fund	Reflects the statutory requirement to maintain a separate Collection Fund which shows the transactions in relation to non-domestic business rates and the council tax, indicating how the amounts collected are distributed to Gloucestershire County Council, Gloucestershire Police Authority and Cheltenham Borough Council.
Annual Governance Statement	This sets out how the council is meeting its obligations and the improvements it intends to make to its systems of internal control and corporate governance arrangements.

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

COUNCIL SPENDING

Cheltenham Borough Council is a large organisation employing over 400 people. The activities vary widely and include the provision and upkeep of council housing, provision for the collection of refuse, leisure and recreation, car parking, cemeteries and crematoria, environmental health and many other services.

GENERAL FUND REVENUE BUDGET

In February 2012, the council set a net budget of £13.716m for spending on General Fund Services (excluding spending on council housing), of which £109k was to be financed by government revenue support grant, £5.608m from non -domestic rates and £7.965m from local council tax payers. The table below compares the financial outturn with the budget as detailed in the council's budget book, followed by a brief explanation of the financial aspects of the council's activities, drawing attention to the main characteristics of the council's financial position. This represents the council's management accounts that are included in the Comprehensive Income and Expenditure Statement on page 17, in accordance with the Code.

	Original Budget 2012/13	Revised Budget 2012/13	Outturn 2012/13	Variance 2012/13
SERVICES	**£**	**£**	**£**	**£**
Strategic Management	2,919,900	3,054,600	2,650,528	(404,072)
Commissioning	5,557,750	5,875,700	4,909,911	(965,789)
Built Environment	300,450	702,650	265,961	(436,689)
Resources	2,706,325	3,282,775	3,025,112	(257,663)
Wellbeing & Culture	4,755,850	4,702,950	4,378,688	(324,262)
Bad debt provision	40,000	40,000	21,842	(18,158)
Target savings	(480,000)			
TOTAL NET SERVICE EXPENDITURE	**15,800,275**	**17,658,675**	**15,252,04**	**(2,406,633)**
Capital charges	(1,913,300)	(1,152,600)	(925,405)	227,195
Interest and investment income	373,900	334,500	90,038	(244,462)
Use of balances and reserves	(95,955)	(2,289,955)	134,650	2,424,605
New Homes Bonus	(250,000)	(535,700)	(536,268)	(568)
Council Tax Freeze Grant	(199,000)	(396,987)	(199,137)	197,850
Other Government Grants		(100,000)	(100,000)	0
NET BUDGET	**13,715,920**	**13,517,933**	**13,715,920**	**197,987**
FINANCED BY:				
Revenue Support Grant	(108,705)	(108,705)	(108,705)	0
National Non-Domestic Rate	(5,607,741)	(5,409,754)	(5,607,741)	(197,987)
Collection Fund Contribution	(34,000)	(34,000)	(34,000)	0
Council Tax	(7,965,474)	(7,965,474)	(7,965,474)	0
	(13,715,920)	**(13,517,933)**	**(13,715,920)**	**(197,987)**

The council is required to analyse the expenditure for the year 2012/13 in a standard way in order to enable comparisons to be made between different local authorities and other organisations. This representation of the above position is contained in the form of the Comprehensive Income and Expenditure Statement. The council has its own management arrangements and presents budgets and monitoring statements to cabinet and council which are grouped according to these local arrangements.

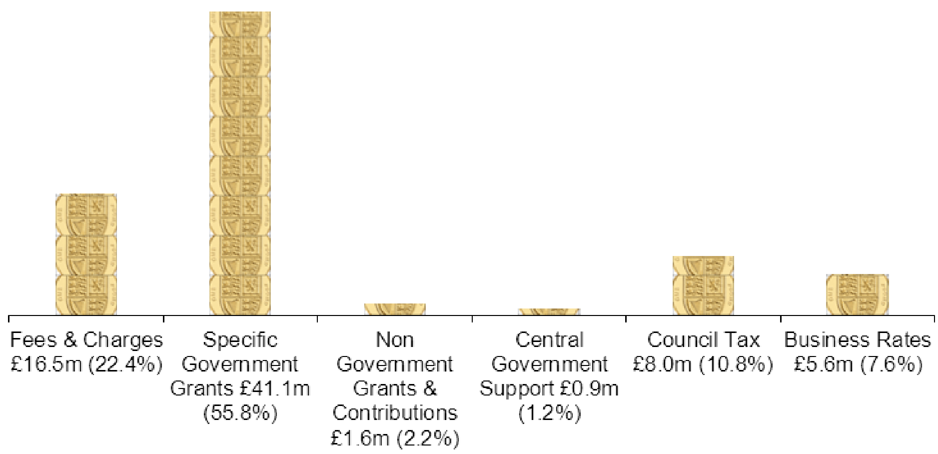
BUDGET SAVINGS

During 2012/13 the council continued with the process of formal monitoring of budgets which are reported to cabinet on a quarterly basis. This has assisted in strengthening the sound management of the council's finances and provides a mechanism to ensure that any budgetary problems are identified and rectified as soon as possible during the year.

The council's track record of strong financial management was maintained during 2012/13 which resulted in council services being delivered within revised budget, with an overall residual saving made in 2012/13 of £201,801. The budget saving has been transferred to the carry forward earmarked reserve and is included in the "use of balances and reserves" line in the Financial Outturn table on page 8.

WHERE THE MONEY CAME FROM

The following chart provides an analysis of our main sources of income this year for the General Fund (i.e. it excludes income in respect of the Housing Revenue Account). The Government provides our main source of income in the form of general and specific grants. The Government also determines the amount of business rates we receive through pooling arrangements (total collected 2012/13 £51.851m, of which £5.6m is retained as part of the council's accounts).



TREASURY MANAGEMENT / BORROWING FACILITIES

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

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

In October 2008, many local authorities had deposits in various Icelandic banks with a range of payment due dates. In the week beginning 6th October 2008, a number of the banks went into administration. The council had £11 million invested with three of these banks. Although a large proportion of the deposits have now been repaid, the remaining amounts invested with these banks continue to be subject to the respective administration and receivership processes. Of the original amounts invested (plus interest due to the claim dates) of £11.640 million, repayments of £8.063 million (69%) had been received to 31st March 2013 and a further £0.092 million had been received by 30 June 2013. Further details are given in Note 27 to the accounts.

Interest rates have remained constant throughout the year at 0.5%, with no Bank of England interest rate changes during the period 1st April 2012 to 31st March 2013.

The conclusion of the year's activity was that the council paid £2.094m in borrowing costs (which was £718 more than budgeted for the year); earned £74,128 on investments (which was £15,728 more than budgeted (this excluded interest on the written down value of the Icelandic investments, details of which are shown in note 27). The overall impact was an additional surplus to the General Fund of £15,010 compared to the revised budget.

PENSION LIABILITY

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

The council's net liability, according to the actuarial assessment at 31st March 2013, was £53,724,000 which was an increase of £7,252,000 over the figure for 31st March 2011 of £46,472,000. This is principally due to the fact that the financial assumptions as 31st March 2013 are less favourable than they were at 31st March 2012 as a result of falling real bond yields and poor asset returns. All else being equal, these factors serve to increase the value of the liabilities and thus have a negative impact on the IAS19 pension position.

ACCOUNTING POLICIES

The council has reviewed its accounting policies during the year and revised them in accordance with the 2012/13 Code of Practice in Local Authority Accounting. The policies are detailed in note 1 to the accounts (pages 21 to 34) and the changes in accounting policies are detailed in note 1(xxx) on page 34.

CHANGES IN STATUTORY FUNCTIONS

Tenancy Strategy

The council is required under Part 7 of the Localism Act 2011 to publish a tenancy strategy, setting out the matters to which the registered providers of social housing for its district are to have regard in formulating policies relating to:

- the kinds of tenancies granted
- the circumstances in which the council will grant a tenancy of a particular kind
- where a tenancy is granted for a term certain, the lengths of the terms, and
- the circumstances in which the council will grant a further tenancy on the coming to an end of an existing tenancy.

The council published a tenancy strategy by 14th November 2012. This strategy is available for inspection at all reasonable hours, without charge, by members of the public, and the council must provide (on payment if required by the authority of a reasonable charge) a copy of anything so published to any member of the public who asks for one.

Local Government Finance Act 2012 (Royal Assent 1/11/12)

- Enables local authorities to retain a proportion of the business rates generated in their area as a "local share" and borrow against future business rate growth through Tax Increment Finance schemes.
- Provides a framework for the localisation of support for council tax in England, which will give councils increased financial autonomy and a greater stake in the economic future of their local area. (It has been estimated that the localisation of council tax support can produce savings of £500 million across Great Britain and these changes are expected to realise the share of these savings attributable to England.)
- Makes changes to council tax rules to provide further flexibility on the council tax local authorities can charge on empty properties and other small changes aimed at modernising the system.

This does not affect the 2012/13 accounts but will affect those for 2013/14.

Public Services (Social Value) Act 2012 (Royal Assent 8/3/12)

Requires public authorities to consider the economic, social and environmental well-being of their area when undertaking public procurements.

The Act sets out a number of requirements that public authorities must comply with before starting the procurement process, including considering:

- How what is being procured might improve the economic, social and environmental well-being of its area (section 1(3)).
- How that improvement might be secured (section 1(3)).
- Whether to have a consultation on the potential improvements themselves or how they might be secured (section 1(7)).

The Act only applies to contracts and framework agreements for services that are subject to the Public Contracts Regulations 2006 (SI 2006/5) and will not apply to call-off contracts awarded under a framework agreement.

Electoral Registration and Administration Act 2013 (Royal Assent 31/1/13)

Makes provision for the registration of electors and the administration and conduct of elections; and amends section 3(2)(a) of the Parliamentary Constituencies Act 1986. The Act aims to reduce electoral fraud by speeding up the introduction of Individual Electoral Registration and to modernise the electoral registration system, making it convenient for people to register to vote. The Electoral Registration and Administration Act 2013 will open up new methods to enable voting, including electronic voting. The Act's main aims are to:

- Tackle electoral fraud;
- Improve the integrity of our electoral system, in particular the electoral register;
- Modernise the electoral registration system, making it more convenient for people to register to vote;
- Make a number of improvements to the running of elections.

CAPITAL EXPENDITURE

In 2012/13 the council spent £11.625m on capital projects and grants, compared with the revised budget of £14.435m.

Included in the expenditure for the year was £4.476m on major repairs and maintenance of council houses, £0.266m on disabled adaptations within the council housing stock, £0.498m on private sector disabled facility grants and adaptation support grants, £0.155m on other grants mainly for private sector housing improvements, £2m on housing enabling through partnership working with Cheltenham Borough Homes (CBH) and £3.284m million on the Art Gallery and Museum Development .

The major variances between the revised budget and outturn position are in respect of the Art Gallery and Museum Development which is being financed from lottery funding and reserves, the purchase of Vehicles and recycling caddies and delays in progress of the transformational improvement programme at St Pauls.

Like most local authorities, the council has been paying for a proportion of its capital expenditure from the proceeds of the sale of its assets. As a result of the downward trend in the economy and housing market specifically, this source of financing has been significantly reduced and only £0.513m of capital receipts were available to finance capital expenditure in 2012/13. The remaining sources of finance were Government Grants £0.406m, developer contributions and partnership funding £1.959m, major repairs reserve £4.727m, borrowing £2.003m, with £2.017m coming from revenue financing.

During the year the council sold 14 dwellings under the 'right to buy' scheme.
The council plans to continue to fund capital from a range of sources including revenue reserves, developer contributions and capital receipts and will make further use of prudential borrowing to support the council's approved major capital schemes.

DEVELOPMENTS IN SERVICE DELIVERY

On 1 April 2012, Ubico Ltd. was formed – a company wholly owned by its shareholders, Cheltenham Borough Council and Cotswold District Council. The company is responsible for delivering the shareholders' environmental services within their respective Council boundaries. Cheltenham Borough Council services were delivered from 1st April 2012 and Cotswold District Council services were delivered from August 2012.

GO Shared Services was also set up with effect from 1st April 2012. This is a service to provide Human Resources, Payroll, Finance and Procurement functions shared with Cotswold DC, Forest of Dean DC and West Oxfordshire DC, using a common platform (Agresso Enterprise Resource Planning (ERP) system).

Through its commissioning programme, the council is looking at alternative delivery models for providing services including the third sector, creation of separate trading companies and Trusts. Existing projects underway include the provision of Leisure & Culture services, Green Environment and the Housing Options Service.

Other major ongoing projects include the Joint Core Strategy and the Cheltenham Development Task Force. These provide the opportunity to work together to create a great future for Cheltenham, as well as making a significant contribution to the council's financial gap.

Civic Pride

The Cheltenham Development Task Force continues to make progress. Key sites, identified in the Central Area Ambition leaflet, that have progressed include North Place & Portland Street and the Brewery phase 2 which have secured the support of the planning committee and the Albion Street block which will be considered by the planning committee summer 2013.

Subject to conclusion of the associated legal documents North Place and Portland Street could be on-site by early 2014.

In addition to these schemes, a range of other initiatives have been progressing with both investor and public partner led schemes. These include approval from the Department of Transport for funding to support the Cheltenham Travel Plan which is the subject of a major consultation exercise summer 2013; discussions relating to future improvements to St. Mary's Minster churchyard and other public realm improvements – several phases of which have either been delivered or in progress eg Promenade upgrade.

Gloucestershire Airport – runway project

In the autumn of 2009, the council agreed to facilitate borrowing to finance the runway safety project at Gloucestershire Airport (GAL), to provide a safer runway with a computerised instrument landing system (ILS). This will enable the airport to attract more profitable corporate business, increase the profitability for the airport and the council, a shareholder in the company.

The construction works on two of the key aspects of the project were completed in Spring 2012. The procurement and related works for the implementation of the ILS have been completed and await Civil Aviation Authority (CAA) approval.

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

Bridging the Gap

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

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

In response to this, the council created a programme of activity called 'Bridging the Gap' which develops ideas for meeting the funding gap. So far, the 'Bridging the Gap' programme has been very successful and delivered savings and additional income to bridge the £1.1m funding gap in 2012/13, with £1.245m anticipated for 2013/14.

The average level of council tax paid by Cheltenham's residents for services provided by the council (based upon a band D equivalent in 2012/13) was £187.12. (2011/12 was £187.12). Given the impact of the financial climate on residents, the ability to significantly raise council tax to maintain services is limited. Therefore, the BtG programme has enabled the council to drive down costs and maintain services and make a contribution to helping to keep its share of the overall level of council tax increases to a minimum.

Art Gallery & Museum redevelopment scheme

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

The AG&M was shut on 1st April 2011 for decanting, ahead of work that commenced on site in July 2011. Work is nearing completion on site and the new AG&M is scheduled to re-open in the autumn of 2013.

Phase I & II of the fundraising campaign resulted in external fundraising for the project, including £750k from the Heritage Lottery Fund. Whilst the council has underwritten a maximum shortfall of £919k, Phase 3 of the fundraising campaign was launched in May 2011 in order to reach the projects total funding target of £5.6m. Fundraising is still continuing through the Art Gallery & Museum Development Trust and is expected to continue to March 2014, beyond the re-opening of the new galleries.

St. Paul's Regeneration and other social housing schemes

During 2012/13 the Council's ALMO, Cheltenham Borough Homes Ltd (CBH), completed the development of 30 social rented and 18 shared ownership housing units in the St Paul's Regeneration Area. This scheme was funded by a combination of social housing grant from the Homes and Communities Agency (HCA), capital grant from the Council and borrowing through the Council. CBH is also currently redeveloping 4 redundant HRA garage sites to create a further 14 houses for affordable rent.

The Council, working in partnership with CBH, continues to evaluate a number of opportunities to redevelop HRA sites which includes the St Paul's Phase 2 scheme

HRA Self Financing

The Localism Act that passed into law in November 2011 has enabled the reform of council housing finance. The Housing Revenue Account subsidy system was abolished with effect from 1st April 2012 and replaced with self-financing whereby authorities support their own housing stock from their own income. This reform required a re-adjustment of each authority's housing–related debt based on the valuation of its council housing stock. On the settlement date of 28th March 2012 the council was permitted to borrow £27.414 million from the Public Works Loan Board (PWLB), which was paid to the government to pay off debt. In return the council will cease to pay negative subsidy to the government. This change has proved to be beneficial to the authority, giving additional resources to address local housing needs, including the improvement of existing stock and the development of new units.

EVENTS AFTER THE BALANCE SHEET DATE

A Shared Information, Communications & Technology (ICT) service has been set up with effect from 1st April 2013. This function is shared with Forest of Dean Council, using common ICT platforms, enabling service resilience within the councils.

A new Joint Waste partnership has been set up with effect from 1st April 2013. This service is shared with Forest of Dean District Council, Gloucestershire County Council and Cotswold District Council.

The on-street car parking enforcement service has transferred back to Gloucestershire County Council with effect from 1st April 2013. This has in turn been outsourced to APCOA by the County at the same date.

Within the Ubico company accounts, the redistribution of the year end surplus is subject to approval by the Shareholders and may require some changes to the Shareholders Agreement. As a result of this delay in approval, the draft statements are likely to be subject to a post 30th June amendment for both Ubico and Cheltenham Borough Council.

FURTHER INFORMATION

Further information about the accounts is available from the GO Shared Service (Finance), Cheltenham Borough Council, Municipal Offices, Promenade, Cheltenham. This is part of the council's policy of providing full information about the council's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The accounts are available for inspection by appointment between 16th July and 10th August 2013 at the Municipal Offices and the appointed day whereby local government electors for the area may exercise their rights under Sections 15 and 16 of the Audit Commission Act 1998 to question the auditor about or make objections to the accounts for the year ended 31st March 2013 is designated as 13th August 2013.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities:

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the statement of accounts

Director of Resources (Section 151 Officer):

The Director of Resources is responsible for the preparation of the authority's Statement of Accounts which, in terms of the Code, is required to give a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March, 2013.

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

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

The Director of Resources has also:-

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

The Statement of Accounts for 2012/13 provides a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2013.

……………………………... **Date………………………**

Director of Resources (Section 151 Officer)

The Statement of Accounts for 2012/13 have been approved by the council's Audit Committee at its meeting on 25th September 2013.

…………………………………

Chair of Audit Committee **Date……………………..**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2011/12 restated				2012/13		
Gross expenditure	Gross income	Net expenditure		Gross expenditure	Gross income	Net expenditure
£'000	£'000	£'000		£'000	£'000	£'000
			Continuing Operations			
9,877	(8,747)	1,130	Central Services to the public	9,610	(8,078)	1,532
10,017	(3,500)	6,517	Cultural and related services	9,823	(3,758)	6,065
7,449	(4,524)	2,925	Environment & Regulatory services	7,541	(4,284)	3,257
2,989	(1,475)	1,514	Planning services	2,951	(1,707)	1,244
4,590	(6,158)	(1,568)	Highways and Transport services	4,998	(6,364)	(1,366)
17,233	(18,052)	(819)	Local Authority housing (HRA)	17,712	(19,269)	(1,557)
27,414	-	27,414	Exceptional item - HRA self financing settlement (note 8)	-	-	-
34,808	(33,579)	1,229	Other housing services	35,022	(34,453)	569
2,384	(361)	2,023	Corporate & Democratic core	4,056	(2,028)	2,028
1,656	(150)	1,506	Non Distributed costs	1,990	(153)	1,837
118,417	**(76,546)**	**41,871**	**Total Cost of Services**	**93,703**	**(80,094)**	**13,609**
882	(676)	206	Other operating expenditure *(note 12)*	793	(977)	(184)
265	(1,399)	(1,134)	Financing and Investment Income and Expenditure *(note 13)*	4,395	(1,149)	3,246
	(15,905)	(15,905)	Taxation and non-specific grant income *(note 14)*	-	(16,799)	(16,799)
119,564	**(94,526)**	**25,038**	**(Surplus) or Deficit on the provision of services**	**98,891**	**(99,019)**	**(128)**
		(1,555)	(Surplus) / Deficit on revaluation of non-current assets (*note 34)*			(7,104)
			Revaluation Reserve - Impairments not charged to I&E *(note 34)*			712
		8,230	Actuarial (gains) / losses on pension fund assets / liabilities *(note 42)*			6,511
		6,675	**Other Comprehensive Income and Expenditure**			**119**
		31,713	**Total Comprehensive Income and Expenditure**			**(9)**

BALANCE SHEET

This statement shows the value as at the balance sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).

The second category of reserves comprises those that the authority is not able to use to provide services. This category includes reserves that held unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movements in Reserves Statement Line 'Adjustments between accounting basis and funding basis under the regulations.'

31 March 2012		Note	31 March 2013
£'000			£'000
236,384	Property, Plant & Equipment	21	235,740
28,196	Heritage Assets	22	31,221
22,784	Investment Property	23	21,651
543	Intangible Assets	25	733
2,655	Long Term Investments	27	2,418
3,727	Long Term Debtors	27	6,681
294,289	**Long Term Assets**		**298,444**
4,093	Short term Investments	27	1,528
-	Assets held for sale	26	281
124	Inventories	28	58
4,883	Short term Debtors	29	6,664
2,621	Cash and cash equivalents	30	3,847
11,721	**Current assets**		**12,378**
(1,772)	Bank overdraft	30	(87)
(7,424)	Short term borrowing	27	(2,658)
(9,495)	Short term creditors	31	(11,397)
(141)	Provisions	32	(363)
(18,832)	**Current Liabilities**		**(14,505)**
(54,674)	Long term borrowing	27	(56,552)
(83)	Grants receipts in advance - capital	19	(83)
(184)	Grants receipts in advance - revenue	19	(184)
(46,472)	Other long term liabilities	42	(53,724)
(101,413)	**Long term liabilities**		**(110,543)**
185,765	**Net Assets**		**185,774**
(17,838)	Usable Reserves	33	(19,239)
(167,927)	Unusable Reserves	34	(166,535)
(185,765)	**Total Reserves**		**(185,774)**

MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	**Total Usable Reserves £'000**	Unusable Reserves £'000	**Total Reserves £'000**
Balance at 31 March 2011	**2,667**	**11,044**	**3,673**	**1,162**	**300**	**700**	**19,546**	**197,932**	**217,478**
Movement in Reserves during 2011/12									
Surplus or (deficit) on the provision of services	1,565		(26,603)				**(25,038)**		**(25,038)**
Other comprehensive Income & expenditure							**-**	(6,675)	**(6,675)**
Total comprehensive Income & Expenditure	1,565	-	(26,603)	-	-	-	**(25,038)**	(6,675)	**(31,713)**
Adjustments between accounting basis and funding basis under regulations (Note 6)	(3,225)		26,027	897	(300)	(69)	**23,330**	(23,330)	
Net decrease before transfers to reserves	(1,660)	-	(576)	897	(300)	(69)	**(1,708)**	(30,005)	**(31,713)**
Transfers to/from earmarked reserves (Note 33)	1,246	(1,246)					**-**		
Increase / (decrease) in 2011/12	(414)	(1,246)	(576)	897	(300)	(69)	**(1,708)**	(30,005)	**(31,713)**
Balance at 31 March 2012	**2,253**	**9,798**	**3,097**	**2,059**	**-**	**631**	**17,838**	**167,927**	**185,765**
Movement in Reserves during 2012/13									
Surplus or (deficit) on the provision of services	(235)		363				**128**		**128**
Other comprehensive Income & expenditure							**-**	(119)	**(119)**
Total comprehensive Income & Expenditure	(235)	-	363	-	-	-	**128**	(119)	**9**
Adjustments between accounting basis and funding basis under regulations (Note 6)	(1,647)		102	2,297	399	122	**1,273**	(1,273)	**-**
Net decrease before transfers to reserves	(1,882)	-	465	2,297	399	122	**1,401**	(1,392)	**9**
Transfers to/from earmarked reserves (Note 33)	1,650	(1,650)					**-**		**-**
Increase / (decrease) in 2012/13	(232)	(1,650)	465	2,297	399	122	**1,401**	(1,392)	**9**
Balance at 31 March 2013	**2,021**	**8,148**	**3,562**	**4,356**	**399**	**753**	**19,239**	**166,535**	**185,774**

CASH FLOW STATEMENT

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

2011/12 Restated £'000	Operating Activities	2012/13 £'000	2012/13 £'000
(7,327)	Council Tax receipts	(7,565)	
(4,658)	National non-domestic rate receipts from national pool	(5,608)	
(39,975)	DWP grants for benefits	(40,491)	
(2,163)	Other government grants	(1,481)	
(7,203)	Rents (after rebates)	(7,799)	
(19,691)	Cash received for goods and services	(14,955)	
(280)	Interest received	(72)	
-	Other receipts from operating activities	(4,608)	
(81,297)	**Cash inflows generated from operating activities**		(82,579)
17,006	Cash paid to and on behalf of employees	9,806	
20,723	Housing Benefit paid	21,088	
204	Precepts paid	180	
460	Payments to Capital Receipts Pool	271	
27,187	Cash paid to suppliers of goods and services	24,422	
1,301	Interest paid	1,564	
7,537	Other payments for operating activites	5,989	
74,418	**Cash Outflows generated from operating activities**		63,320
(6,879)	**Net cashflow from operating activities**		**(19,259)**
	Investing activities		
8,353	Purchase of property, plant and equipment, investment property and intangible assets	8,811	
-	Purchase of Investments	1,450	
2,393	Other payments for investing activites	2,003	
(1,909)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,728)	
(8,397)	Proceeds form the sale of short and long term investments	(4,463)	
(347)	Other receipts from investing activites	(14)	
93	**Net cashflows from investing activites**		**5,059**
	Financing activites		
(135,677)	Cash receipts of short and long term borrowing	(17,001)	
-	Other receipts from financing activities	(418)	
114,092	Repayments of short and long term borrowing	20,400	
27,414	Payment to Secretary of State - Self financing of HRA	-	
-	Other payments for financing activities	8,308	
5,829	**Net cash flows from financing activites**		**11,289**
(957)	**Net (increase) / decrease in cash and cash equivalents**		**(2,911)**
(108)	Cash and cash equivalents at beginning of the year		849
849	Cash and cash equivalents at end of the year (note 30)		3,760
957	**Net increase / (decrease) in cash and cash equivalents**		**2,911**

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i) GENERAL PRINCIPLES

The Statement of Accounts summarises the council's transactions for the 2012/13 financial year and its position at the year-end of 31st March 2013. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003 (as amended), which require the accounts to be prepared in accordance with proper accounting practice. The Statement has been prepared primarily in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (The 'Code') and the Service Reporting Code of Practice 2012 (SERCOP),* supported by International Financial Reporting Standards (IFRS).

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

ii) ACCOUNTING CONCEPTS

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

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

- Relevance
- Reliability
- Comparability
- Materiality

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

Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

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

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

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

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

Going Concern

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

Primacy of legislative requirements

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

iii) PROVISIONS

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

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

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

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

iv) RESERVES

The council sets aside specific amounts as earmarked usable reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to form part of the Surplus or Deficit in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance statement in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. The purpose of each of these earmarked reserves is explained in Note 33 to the financial statements on page 78.

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

v) GRANTS AND CONTRIBUTIONS

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

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

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been, or it is reasonably certain that they shortly will be, satisfied. Conditions are stipulated that specify that the grants or contributions are required to be consumed by the recipient as specified, or they must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors or Capital Grants Received in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

vi) EMPLOYEE BENEFITS

Benefits Payable during Employment

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

Termination Benefits

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

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

vii) Post Employment Benefits

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

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

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

- The assets of the Gloucestershire pension fund attributable to the council are included in the balance sheet at their fair value:
    - quoted securities – current bid value

  - unquoted securities – professional estimate of fair value
  - unitised securities – current bid price
  - property – market value.

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

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

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

  - Interest cost: the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

  - Actuarial gains and losses: changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.

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

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

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

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

Further information on pension costs and the accounting arrangements can be found in Note 42 to the financial statements on pages 80 to 85.

vii) VAT

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

viii) OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA SeRCOP 2012/13. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

ix) INTANGIBLE ASSETS

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

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

x) PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis are classified as Property, Plant and Equipment.

Recognition

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

Measurement

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Disposals and Asset Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale, except in the year in which they were classified for sale. Right to Buy dwellings become surplus on the day that the transfer to the tenant takes place (completion of the sale), and therefore are deemed operational until they are sold.

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

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets with a determinable finite life, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Council dwellings – depreciated on the basis of the Major Repairs Allowance, a measure of the "wearing out" of the stock, provided by the government.
- Other buildings – straight-line allocation over the life of the property as estimated by the valuer; generally 20 to 50 years
- Vehicles, plant and equipment – straight-line allocation over 4 to 10 years, depending on the enhanced life of the asset.
- Infrastructure – straight-line allocation over 40 years.

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

Where a Property, Plant and Equipment asset has major components whose cost is significant in relation to the total asset portfolio with different estimated useful lives, these are depreciated separately. An asset is deemed significant if its building element gross book value exceeds the de minimis level of £872,100, as per the council's draft componentisation policy.

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

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

xi) HERITAGE ASSETS

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

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

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

Archaeology

The Authority 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 Authority does not recognise these assets on its balance sheet.

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

xii) CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

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

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

xiv) LEASES

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

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

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

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

Operating Leases

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

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

xv) FINANCIAL INSTRUMENTS

Financial liabilities

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

For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

Available-for-sale financial Assets

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

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

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

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

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

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

xvi) INVENTORIES AND LONG TERM CONTRACTS

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

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

xvii) 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.

xviii) CASH AND CASH EQUIVALENTS

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

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

xix) EXCEPTIONAL ITEMS

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

xx) CONTINGENT LIABILITIES

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

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

xxi) CONTINGENT ASSETS

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

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

xxii) PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

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

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

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

xxiii) EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

xxiv) INVESTMENT PROPERTY

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xxv) JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

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

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

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

xxvi) INTERESTS IN COMPANIES AND OTHER ENTITIES – GROUP ACCOUNTS

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

Basis of Consolidation

The Group Accounts bring together the council's accounts with those of Gloucestershire Airport Ltd and Ubico Ltd, in which the council each has a 50% shareholding, and Cheltenham Borough Homes (CBH) in which the council has 100% shareholding. The accounts of CBH include those of Cheltenham Borough Homes Services Ltd, a wholly owned subsidiary of Cheltenham Borough Homes Limited. Both Gloucestershire Airport Ltd and Ubico Ltd have been treated as jointly controlled entities (joint ventures) and CBH as a subsidiary company.

Accounting Policies

The financial statements in the Group Accounts are prepared in accordance with the policies set out above, with the following additions and exceptions:-

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

Property, Plant and Equipment held by Gloucestershire Airport and CBH are valued at historic cost. For the purposes of the Group Accounts, the airport's PPE have been re-valued in order to bring them in line with the council's accounting policies. A formal valuation of the runway and buildings at the Airport, with a valuation date of 31st March 2012, was undertaken by an external valuer in 2012.

Dwellings owned by CBH are valued at cost as a proxy for fair (market) value for existing use. Unlike dwellings owned by the council, their value is not adjusted for social housing use, due to their different tenure.

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

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

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

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

xxvii) INTEREST ON INVESTMENT AND BORROWING

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

xxviii) FOREIGN CURRENCY TRANSLATION

Where the Authority has entered into a transaction denominated in a foreign currency the transaction is converted into Sterling at the exchange rate applicable on the date it is received or paid. Where amounts denominated in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xxviii) DISCONTINUED OPERATIONS

Discontinued Operations are shown separately on the face of the Comprehensive Income and Expenditure Statement.

xxviv) LONG TERM LOANS

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

xxx) CHANGES IN ACCOUNTING POLICIES

There are no specific changes to accounting policies for 2012/13.

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

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council. As required by the Code, full adoption of the standard will be required for the 2013/14 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2012/13) financial statements.

The accounting policy changes to report in 2012/13 relate to:

- amendments to IAS 1 –Presentation of Financial Statements – other comprehensive income
- amendments to IFRS 7 Financial Instruments: Disclosures – offsetting financial assets and liabilities
- amendments to IAS 19 – Employee benefits

Community Assets

Community Assets mainly comprise parks, gardens and open spaces. The Code added the option for authorities to extend the measurement and disclosures. The authority has so far not changed its accounting policy in this way as it does not have the management information to make reasonable valuation estimates of community assets, which are currently held at historic cost on the balance sheet where known. This means that in most cases the assets are currently held at nil value.

3. Critical judgements used in applying accounting policies

In applying the accounting policies set out on pages 21 to 34, the authority has had to make certain judgments about balances and transactions which may be uncertain depending on future events. The only material critical judgement relates to the impairment of investments in the Icelandic bank Landsbanki. In the absence of further information, it has been assumed that outstanding payments will be received evenly between December 2012 and December 2019, however they may be received from the administrators earlier (note 27, pages 60 to 63 provides further information).

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

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

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

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

There are no known items in the balance sheet at 31st March 2013 for which there is a *significant* risk of material adjustment in the forthcoming financial year.

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

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

6. Adjustments between Accounting Basis and Funding Basis under regulations

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

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

2011/12							2012/13					
General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000		General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
						Adjustments to / from the Capital Adjustment Account						
						<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>						
(2,677)	(3,322)				5,999	Charges for depreciation and impairment of non-current assets	(2,538)	(7,315)				9,853
-	-				-	Revaluation losses on Property, Plant and Equipment	-					-
2,331	(125)				(2,206)	Movements in the fair value of Investment Properties	-					-
(96)	-				96	Amortisation of Intangible Assets	(108)					108
912	72			86	(1,070)	Capital grants and contributions	2,109				(122)	(1,987)
(943)	-			(17)	960	Revenue Expenditure Funded from Capital Under Statute	(433)					433
(1,688)	(277)				1,965	Amounts of non-current assets written off on sale as part of the gain/loss on disposal	(2,723)	(695)				3,418
-	(27,414)				27,414	HRA Self Financing Payment to Secretary of State						
						<u>Insertion of items not debited or credited to Comprehensive Income and Expenditure Statement</u>						
748					(748)	Statutory provision for the financing of capital investment (Minimum Revenue Provision)	875					(875)
2,500					(2,500)	Voluntary provision for the financing of capital	700	1,392				(2,092)
						Capital expenditure charged against the						-
1,012	1,127				(2,139)	General Fund and HRA balances	2,016					(2,016)
						Adjustments to/from Deferred Capital Receipts						
						Transfer of sale proceeds credited as part of the gain/loss on sale of non-current assets	1,364					(1,364)
						Adjustments to / from the Capital Receipts Reserve						
1,705	662	(2,413)			46	Transfer of sale proceeds credited as part gain/loss on the sale of non-current assets	1,340	1,384	(2,724)			-
		1,012			(1,012)	Use of capital receipts to fund capital			513			(513)
						Contribution from capital receipts to finance						-
(504)		504				payments to capital receipts pool	(346)		346			-
						Transfer from Deferred Capital Receipts			(386)			386
-					-	Capital Grants and loans repaid	14		(46)			32
3,300	(29,277)	(897)	-	69	26,805	**Carried forward**	2,270	(5,234)	(2,297)	-	(122)	5,383

2011/12 General Fund Balance £'000	2011/12 Housing Revenue Account £'000	2011/12 Capital Receipts Reserve £'000	2011/12 Major Repairs Reserve £'000	2011/12 Capital Grants Unapplied £'000	2011/12 Unusable Reserves £'000		2012/13 General Fund Balance £'000	2012/13 Housing Revenue Account £'000	2012/13 Capital Receipts Reserve £'000	2012/13 Major Repairs Reserve £'000	2012/13 Capital Grants Unapplied £'000	2012/13 Unusable Reserves £'000
3,300	(29,277)	(897)	-	69	26,805	**Brought forward**	2,270	(5,234)	(2,297)	-	(122)	5,383
						Adjustments to / from the Major Repairs Reserve (MRR)						
	3,241		(3,241)		-	Reversal of Major Repairs Allowance credited to the HRA		5,126		(5,126)		-
			3,541		(3,541)	Use of the MRR to finance capital expenditure				4,727		(4,727)
						Adjustments to the Pensions Reserve						
(3,399)					3,399	Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement	(3,609)					3,609
3,228					(3,228)	Employers' pension contributions and payments direct to pensioners in the year	2,868					(2,868)
						Adjustments to / from the Financial Instruments Adjustment account						
146	9				(155)	Amount by which finance costs charged to Comprehensive Income and Expenditure Statement are different from those chargeable according to statute	146	6				(152)
						Adjustments to the Collection Fund Adjustment Account						
(38)					38	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from that calculated according to statute	(51)					51
						Adjustments to / from the Accumulating Compensated Absences Adjustment Account						
(12)					12	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is different from that chargeable according to statute	23					(23)
3,225	**(26,027)**	**(897)**	**300**	**69**	**23,330**	**Total Adjustments**	**1,647**	**(102)**	**(2,297)**	**(399)**	**(122)**	**1,273**

7. Changes in Operations and Discontinued Operations

From 1st January 2012, the council's responsibility for the administration of four trust funds (The Hay Trust, Caroline Strickland Homes, Walker Memorial Fund and the Turner Long Fund) ended, and the trusts' resolution documents were amended to remove the requirement for the council to nominate trustees. The trusts continue to operate under the management of a third sector organisation. The trusts' balances were held outside of the council's accounts, and the balances held by the trusts at the date of transfer in 2011/12 are shown on page 79, note 41.

On 1 April 2012, Ubico Ltd. was formed – a company wholly owned by it's shareholders, Cheltenham Borough Council and Cotswold District Council. The company is responsible for delivering the shareholders environmental services within their respective Council boundaries. Cheltenham Borough Council services were delivered from 1st April 2012 with Cotswold District Council services were delivered from August 2012.

8. Exceptional Items

There are no exceptional items arising in 2012/13.

9. Trading Operations

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

2011/12 Restated						2012/13				
Income	**Expenditure**	**Net (surplus)/ deficit**	**Contrib- ution to Revenue**	**(Surplus) / deficit**		**Income**	**Expenditure**	**Net (surplus)/ deficit**	**Contrib- ution to Revenue**	**(Surplus) / deficit**
£'000	**£'000**	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
					Included within Net cost of Services					
(1,414)	2,107	693	-	693	Town Hall / Pump room	(659)	1,560	901		901
(1,464)	3,084	1,620	-	1,620	Leisure@Cheltenham	(1,495)	3,006	1,511		1,511
(1,424)	729	(695)	-	(695)	Cemetery and Crematorium	(1,500)	840	(660)		(660)
(5,173)	3,282	(1,891)	-	(1,891)	Car Parks	(5,566)	3,800	(1,766)		(1,766)
(9,475)	**9,202**	**(273)**	**-**	**(273)**	**Total**	**(9,220)**	**9,206**	**(14)**	**-**	**(14)**
					Other Trading Activities					
(274)	212	(62)		(62)	Glos CC (schools)	-	-	-	-	-
(72)	60	(12)	12	-	TIC shop / agency	(72)	60	(12)	(12)	
(346)	**272**	**(74)**	**12**	**(62)**	**Total**	**(72)**	**60**	**(12)**	**(12)**	**-**

Town Hall & Pump Room and Leisure@ Cheltenham trading operations are included within the Culture and related services cost of services in the Comprehensive Income and Expenditure Statement.

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

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

10. Expenditure on Publicity

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

	2012/13 £'000	2011/12 £'000
Recruitment advertising	6	7
Other advertising	141	145
Information relating to regional government	-	-
Event promotion	86	105
TOTAL	**233**	**257**

11. Agency Services

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

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

2011/12 Expenditure	2011/12 Income	2011/12 Net Expenditure		2012/13 Expenditure	2012/13 Income	2012/13 Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
257	196	61	Verges and highway trees	270	193	77
1,635	1,635	-	Car parking (on-street)	1,989	1,989	-
122	125	(3)	Administrative costs	103	103	-
2,014	**1,956**	**58**	**Total**	**2,362**	**2,285**	**77**

12. Other operating Expenditure

2011/12 £'000	Analysis of other operating expenditure	2012/13 £'000
(402)	(Gains) / losses on the disposal of fixed assets	(671)
(62)	(Surpluses) / deficits on trading operations	(29)
165	Parish council precepts	170
505	Contribution to the housing capital receipts pool	346
206	**Total**	**(184)**

13. Financing and Investment income and expenditure

2011/12 Restated £'000	Analysis of Financing and Investment income and expenditure	2012/13 £'000
1,302	Interest payable and similar charges	2,131
(253)	Impairment of Icelandic bank investments	14
	Exchange rate (profit) / loss Icelandic Banks	(47)
(654)	Interest and investment income	(271)
	Income and Expenditure on Investment properties	
(2,756)	and changes in their fair value	(369)
1,227	Pensions interest costs and return on assets	1,788
(1,134)	**Total**	**3,246**

14. Taxation and non specific grant income

2011/12 £'000	Analysis of taxation and non-specific grant income	2012/13 £'000
(8,106)	Demand on the collection fund	(8,118)
(2,156)	General government grants	(944)
(4,658)	Non domestic rates	(5,608)
(985)	Capital grants and contributions	(2,129)
(15,905)	**Total**	**(16,799)**

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

15. Members' Allowances

In 2012/13 the council paid £318,633 (2011/12 £321,111) in allowances to its 40 members. The expenditure reflects members' allowances approved by council for 2012/13. Full details of the Members' Allowances scheme for 2012/13 can be found on the council's website.

16. Officers' Emoluments

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

Remuneration Band	**No of Employees 2012/13**	**No of Employees 2011/12**
£50,000 - £54,999	1	-
£55,000 - £59,999	-	1
£60,000 - £64,999	3	4
£65,000 - £69,999	-	2
£70,000 - £74,999	1	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	1	2
£90,000 - £94,999	2	2
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	1
£115,000 - £119,999	1	-
£120,000 - £124,999	-	-
Total	**9**	**12**

The following tables set out the remuneration disclosures for Senior Officers whose *salary* is less than £150,000 but equal to or more than £50,000 per year.
2012/13 Senior Officers emoluments – Salary between £50,000 and £150,000 per year

Post holder information	Salary	Expenses Allowances	Compensation for loss of office	Benefits in Kind e.g. car allowance	Other payments	Total remuneration excluding pension contributions 2012/13	Pension contributions	Total Remuneration inc. pension contbns 2012/13
	£	£	£	£	£	£	£	£
Chief Executive (note 1)	108,083	1,214	-	-	7,744	117,041	16,291	133,332
Executive Director	92,522	400	-	-	-	92,922	13,056	105,978
Executive Director	89,104	94	-	-	-	89,198	13,009	102,207
Civic Pride Managing Director	89,104	1,249	-	465	-	90,818	13,009	103,827
Director of Resources	72,710	173	-	-	-	72,883	10,416	83,299
Director of Wellbeing and Culture	61,019	650	-	-	-	61,669	8,909	70,578
Director of Commissioning	61,019	88	-	-	-	61,107	8,909	70,016
Director Built Environment	61,019	-	-	-	-	61,019	8,909	69,928
TOTAL	**634,580**	**3,868**	**-**	**465**	**7,744**	**646,657**	**92,508**	**739,165**

Note 1: 'Other payments' relate to Returning Officer fees paid in respect of elections
Note 2: In addition, Cheltenham Borough Council pay a contribution of 35% of the salary costs of a Shared Monitoring Officer with Tewkesbury Borough Council.

2011-12 Senior Officers emoluments – Salary between £50,000 and £150,000 per year

Post holder information	Salary	Expenses Allowances	Compensation for loss of office	Benefits in Kind e.g. car allowance	Other payments	Total remuneration excluding pension contributions 2010/11	Pension contributions	Total Remuneration inc. pension contbns 2010/11
	£	£	£	£	£	£	£	£
Chief Executive (note 1)	108,083	943	-	465	3,179	112,670	16,244	128,914
Executive Director	89,104	392	-	465	-	89,961	13,009	102,970
Executive Director	89,104	201	-	465	-	89,770	13,009	102,779
Civic Pride Managing Director	89,104	847	-	1,239	-	91,190	13,009	104,199
GO Shared ERP Programme Manager (note 2)	89,104	545	-	1,239	-	90,888	13,009	103,897
Director Operations	63,019	1,290	-	775	-	65,084	8,909	73,993
Director Resources	67,992	323	-	-	-	68,315	9,762	78,077
Director People OD & Change	61,487	657	-	465	-	62,609	8,909	71,518
Director Commissioning	61,019	14	-	465	-	61,498	8,875	70,373
Director Built Environment	61,019	-	-	465	-	61,484	8,909	70,393
Director Wellbeing & Culture	61,019	568	-	516	-	62,103	8,909	71,012
TOTAL	**840,054**	**5,780**	**-**	**6,559**	**3,179**	**855,572**	**122,553**	**978,125**

Note 1: ‘Other payments’ relate to Returning Officer fees paid in respect of elections
Note 2: GO Shared ERP Programme Manager – jointly funded by CBC, Cotswold District Council, West Oxfordshire District Council and Forest of Dean District Council.
Note 3: In addition, Cheltenham Borough Council pay a contribution of 35% of the salary costs of a shared Monitoring Officer with Tewkesbury Borough Council.

17. Related Party Transactions

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

Central Government

The UK Government has effective control over the general operations of the council - it is responsible for providing the statutory framework and legislation within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits). Grants received from government departments are shown in Note 19.

Members and Officers

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2012/13 is shown in Note 15. No member or officer has declared an interest with any outside commercial organisation. Several Members serve officially on bodies that receive major grants from the council and these are listed below.

Assisted organisations

The council provided financial assistance to 61 local bodies (26 in 2011/12) and voluntary organisations totalling £1,161,971 (£1,213,738 in 2011/12). It is the council's best value policy to have a Service Level Agreement in place for all grants exceeding £10,000, referred to as Conditional Offers of Grants.

Council employees are eligible to be members of the Local Government Pension Scheme, administered by Gloucestershire County Council. The total employer's contributions into the superannuation fund by the council were £1,166,458 in 2012/13 (£3,228,000 in 2011/12).

The total grants over £35,000 made during 2012/13 are as follows, together with the number of members who are officially appointed to serve on those organisations:

	Cash Grant £	Support Costs £	Total Grant £	No's of Members
Everyman Theatre	200,050	(60,156)	139,894	
Cheltenham Festivals	154,000	97,500	251,500	1
County Community Projects (CCP)	145,709	22,034	167,743	
Playhouse Theatre	65,700	(56,889)	8,811	2
Gloucestershire Association for Voluntary & Community Action	44,000	21,043	65,043	1
Hesters Way Partnership	38,200	18,269	56,469	4
Oakley Partnership	38,200	18,269	56,469	1
	685,859	**60,070**	**745,929**	

Companies and joint ventures

The Gloucestershire Everyman Theatre leases the theatre from the Council. In 2012/13 the Council approved a grant of £200,050 and the Everyman Theatre began to repay a loan of £1 million to fund restoration costs carried out by the theatre company in 2011/12.

The council has a 50% share in Gloucestershire Airport. The Airport's accounts have been consolidated into the Group Accounts, which are shown on pages 86 to 96. Two members serve on the Airport's Board of Directors, over which the council has no control.

Gloucestershire Airport purchased goods and services from the council totalling £18,006 during 2012/13 (£24,088 in 2011/12). At 31st March 2013 £12,343 was owed by the Airport to the council (£12,188 at 31st March 2012) in respect of these goods and services. In addition the council loaned a further £355,000 to the Airport during 2012/13 (£1.195 million in 2011/12) making the total loan £1.55m. A loan of £1.2m is shown as a long term debtor on the council's balance sheet whilst £350,000 is a short term debtor by way of an overdraft facility provided to the Airport by the council to support their Runway Safety Project.

The council has an Arm's Length Management Organisation (Cheltenham Borough Homes). The accounts for this company have been consolidated into the Group Accounts, which are shown on Pages 86 to 96. Four councillors serve on the company's Board of Directors.

The council procured supplies and services totalling £11,311,482 from Cheltenham Borough Homes during 2012/13 (£9,690,972 in 2011/12), £1,308,301 (£307,200 in 2011/12) of which is included in the council's Balance Sheet and excluded from the Group Balance Sheet (see pages 86 to 96 and Note 43 to the Group Accounts on Page 91). In the previous financial year the council loaned CBH £1.4m for development at St Paul's and Brighton Road. A further £2m was loaned in 2012/13.

Cheltenham Borough Homes procured supplies and services from Cheltenham Borough Council of £711,660 during 2012/13 (£702,138 in 2011/12), £132,218 (£587,388 in 2011/12) of which is included in the council's Balance Sheet and adjusted for within the Group Balance Sheet (see Pages 86 to 96 and Note 43 to the Group Accounts on Page 91).

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

The council procured supplies and services totalling £6,394,741 from Ubico Ltd during 2012/13 (£0 in 2011/12), £6,405 (£0 in 2011/12) of which is included in the council's Balance Sheet and excluded from the Group Balance Sheet (see pages 86 to 96 and Note 45 to the Group Accounts on Page 93).

Ubico Ltd procured supplies and services from Cheltenham Borough Council of £1,437,909 during 2012/13 (£0 in 2011/12), £856,420 (£0 in 2011/12) of which is included in the council's Balance Sheet and adjusted within the Group Balance Sheet (see pages 86 to 96 and Note 45 to the Group Accounts on Page 93).

On 31st March 2013, the council had 4 councillors who were members of the following parish councils:

Leckhampton with Warden Hill	2
Prestbury	1
Charlton Kings	1

18. External Audit Costs

The total audit fees paid to the council's external auditor and the Audit Commission in 2012/13 were £101,579 (£129,327 in 2011/12), made up as follows:

	2011/12 £	2012/13 £
Certification of grant claims and returns	26,080	25,444
Statutory inspection	-	-
Audit of accounts		
(including whole of government accounts)	99,627	71,023
Other work provided by the appointed auditor:		
- Use of resources / value for money work	-	-
- Consideration of public questions	3,620	3,962
- National Fraud Initiative	-	1,150
Total	**129,327**	**101,579**

In addition, £12,750 will be payable to the external auditor in 2013/14 in respect of the completion of the 2012/13 grant certification audit work.

19. Grant Income

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

	2011/12 £'000	2012/13 £'000
Credited to Taxation and Non Specific grant income		
Revenue Support Grant	(1,440)	(109)
New Homes Bonus	(338)	(536)
Performance Reward Grant	(180)	-
Council Tax Freeze Grant	-	(199)
High Street Innovation Grant	0	(100)
Non Domestic Rates	(4,658)	(5,608)
Capital Grants and Contributions	(984)	(2,129)
Total	**(7,600)**	**(8,681)**
Credited to Services		
Civic Pride Grant	(10)	-
Flood defence grants	(558)	(49)
Election grants	(142)	(106)
Homelessness grants	(242)	(344)
Housing Benefits subsidy & Administration grants	(32,409)	(33,067)
Council Tax Benefits subsidy & Administration grants	(7,386)	(7,256)
NNDR – Cost of Collection grants	(192)	(194)
Recycling grants	(100)	(90)
Contaminated Land Grants	(25)	-
Art Gallery & Museum Grants	(75)	(130)
Other Grants	(40)	(237)
Other partnership funding and contributions	(1,591)	(1,199)
Total	**(42,770)**	**(42,672)**
Receipts in Advance – Revenue		
Commuted Grounds Maintenance contributions	(184)	(184)
Receipts in Advance – Capital	(83)	(83)

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

The analysis of income and expenditure by service in the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP) 2012/13. However decisions about resource allocations are taken by the council's Cabinet on the basis of budget reports analysed across divisions headed by Directors. These reports are prepared on a different basis from the accounting policies used in these financial statements. Specifically:

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

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

Segmental Analysis - General Fund Services 2012/13	Employees Costs	Other Service Expenses	Support Service Costs	Total Expenditure	Fees & Other income	Gov't Grants	Total Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Strategic Management	1,405	1,778	213	3,396	-2,417	0	-2,417	979
Built Environment	2,041	5,038	842	7,921	-8,557	-42	-8,599	-678
Commissioning	911	7,137	-156	7,892	-2,667	-450	-3,117	4,775
Resources	4,679	44,151	-3,535	45,295	-2,158	-40,311	-42,469	2,826
Wellbeing and Culture	2,355	5,413	800	8,568	-3,601	0	-3,601	4,967
Operations	0	0	0	0	0	0	0	0
Programmed Maintenance (Revenue)	0	0	0	0	0	0	0	0
Business Change	0	0	0	0	0	0	0	0
Bad debt provision	0	22	0	22	0	0	0	22
	11,391	**63,539**	**-1,836**	**73,094**	**-19,400**	**-40,803**	**-60,203**	**12,891**

* Operations Division no longer exists - functions transferred to Ubico Ltd on 1st April 2013.
** Programme Maintenance and Business Change accounted for within service areas since 1st April 2013.

Segmental Analysis - General Fund Services 2011/12	Employees Costs	Other Service Expenses	Support Service Costs	Total Expenditure	Fees & Other income	Gov't Grants	Total Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Strategic Management	646	18	-677	-13	-14	0	-14	-27
Commissioning	757	1,781	410	2,948	-118	-142	-260	2,688
Built Environment	3,000	4,911	689	8,600	-7,387	-757	-8,144	456
Resources	5,370	41,347	-3,624	43,093	-1,659	-39,987	-41,646	1,447
Wellbeing and Culture	3,970	4,720	959	9,649	-5,171	-35	-5,206	4,443
Operations	4,454	2,934	684	8,072	-3,156	-119	-3,275	4,797
Programmed Maintenance (Revenue)	0	428	0	428	0	0	0	428
Business Change	122	226	526	874	-246	0	-246	628
Bad debt provision	0	31	0	31	0	0	0	31
	18,319	**56,396**	**-1,033**	**73,682**	**-17,751**	**-41,040**	**-58,791**	**14,891**

Reconciliation of Directorate Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement 2012/13

	Group Analysis	Not Reported to Management	Not included in CIES	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
Reconciliation of Net Cost of Services in CIES							
Cost of Services in General Fund Service Analysis	12,891				12,891		12,891
Add HRA income less expenditure		(1,411)			(1,411)		(1,411)
Add amounts not reported to management		2,129			2,129		2,129
Net Cost of Services in CIES	**12,891**	**718**			**13,609**		**13,609**
Fees, charges and other service income	(19,400)				(19,400)		(19,400)
Interest and investment income					-	(318)	(318)
Income from investment properties					-	(370)	(370)
Income from council tax					-	(8,128)	(8,128)
Income from NNDR					-	(5,608)	(5,608)
Government grants	(40,803)				(40,803)	(944)	(41,747)
Capital grants and contributions received					-	(2,129)	(2,129)
Surplus on HRA		(1,411)			(1,411)		(1,411)
Trading Account (Surplus) / Deficit					-	(28)	(28)
Total Income	**(60,203)**	**(1,411)**	**-**	**-**	**(61,614)**	**(17,525)**	**(79,139)**
Employee expenses	11,391				11,391		11,391
Other service expenses inc. support costs	61,703				61,703		61,703
Depreciation, amortisation and impairment					-	14	14
Interest payments					-	2,131	2,131
Precepts and levies					-	180	180
Payments to Housing Capital Receipts Pool					-	346	346
Revenue funded from capital under statute		1,059			1,059		1,059
Accumulated Absences Account		23			23		23
IAS 19 Pension adjustment		1,047			1,047		1,047
(Gain)/Loss on disposal of fixed assets					-	(671)	(671)
Pension scheme interest costs					-	1,788	1,788
Total Operating Expenses	**73,094**	**2,129**	**-**	**-**	**75,223**	**3,788**	**79,011**
(Surplus)/Deficit on provision of services	**12,891**	**718**	**-**	**-**	**13,609**	**(13,737)**	**(128)**

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

	2011/12 £000
Net expenditure in the Segmental Service Analysis	**14,891**
Net expenditure of services and support services not included in service analysis	25,566
Amounts included in analysis not included in cost of services in Comprehensive Income & Expenditure Statement	472
Amounts in the Comprehensive Income & Expenditure Statement not reported to management in the segmental analysis	942
Cost of services in Comprehensive Income & Expenditure Statement	**41,871**

Reconciliation to Subjective Analysis 2011/12

	Service Analysis £000	Services & Support Services not in analysis £000	Amounts not included in I & E statement cost of services £000	Amounts not reported in management decision making £000	Cost of Services £000	Corporate Amounts £000	Deficit on provision of services £000
Employees costs	18,319				18,319		18,319
Other service exps	56,396		12		56,408		56,408
Support service costs	(1,033)				(1,033)		(1,033)
Allocation of recharges		27			27		27
Pension adjustments re IAS 19		(1,056)			(1,056)	1,227	171
Exceptional items			0		0	(253)	(253)
HRA Surplus		26,595			26,595		26,595
Parish council precepts						165	165
Contribution to the housing capital receipts pool						505	505
Interest payable and similar charges						1,302	1,302
Total Expenditure	**73,682**	**25,566**	**12**	**0**	**99,260**	**2,946**	**102,206**
Fees & Other Income	(17,751)				(17,751)		(17,751)
Government Grants	(41,040)				(41,040)		(41,040)
Impairments							0
Revenue funded from capital under statute				942	942		942
Trading operations			51		51	(62)	(11)
Investment properties			409		409	(425)	(16)
Gains / (losses) on the disposal of fixed assets						(966)	(966)
Investment losses						(1,767)	(1,767)
Interest and investment income						(654)	(654)
Taxation and non-specific grant income						(15,905)	(15,905)
Total income	**(58,791)**	**0**	**460**	**942**	**(57,389)**	**(19,779)**	**(77,168)**
Deficit on the provision of services	**14,891**	**25,566**	**472**	**942**	**41,871**	**(16,833)**	**25,038**

21. Property, Plant & Equipment

2011/12									2012/13							
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
								Cost or valuation								
152,037	75,373	4,993	8,454	226	25	-	241,108	At 1 April	155,957	75,355	6,975	9,114	226	4,017	1,013	252,657
4,072	79	1,982	660	-	-	1,013	7,806	Additions	4,137	64	324	541			3,447	8,513
713	(47)	-	-	-	-	-	666	Revaluation increases / (decreases) recognised in the Revaluation Reserve						3,759		3,759
-	-	-	-	-	-	-	-	Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services								-
(277)	(50)	-	-	-	-	-	(327)	Derecognition - disposals	(564)		(1,639)			(188)		(2,391)
-	-	-	-	-	3,404	-	3,404	Assets reclassified to/from held for resale						(281)		(281)
(588)	-	-	-	-	588	-	-	Other Reclassifications		(31)				31		-
-	-	-	-	-	-	-	-	Other movements								-
155,957	**75,355**	**6,975**	**9,114**	**226**	**4,017**	**1,013**	**252,657**	**At 31 March**	**159,530**	**75,388**	**5,660**	**9,655**	**226**	**7,338**	**4,460**	**262,257**
								Accumulated Depreciation and Impairment								
(3,129)	(3,642)	(2,345)	(845)	-	-	-	(9,961)	At 1 April	(6,371)	(5,469)	(3,041)	(1,072)	-	(320)		(16,273)
(3,242)	(1,834)	(696)	(227)	-	-	-	(5,999)	Depreciation charge	(5,032)	(1,802)	(588)	(241)				(7,663)
-	-	-	-	-	-	-	-	Depreciation written out to the Revaluation Reserve		6				(6)		-
-	-	-	-	-	-	-	-	Depreciation written out to the surplus/ deficit on the provision of services								-
-	-	-	-	-	-	-	-	Impairment losses / (reversals) recognised in the Revaluation Reserve	(712)					320		(392)
-	-	-	-	-	-	-	-	Impairment losses / (reversals) recognised in the surplus / deficit on the provision of services	(2,190)	(102)						(2,292)
-	7	-	-	-	-	-	7	Derecognition - disposals			103					103
-	-	-	-	-	(320)	-	(320)	Assets reclassified to/from held for resale								-
-	-	-	-	-	-	-	-	Other Reclassifications								-
-	-	-	-	-	-	-	-	Other movements								-
(6,371)	**(5,469)**	**(3,041)**	**(1,072)**	**-**	**(320)**	**-**	**(16,273)**	**At 31 March**	**(14,305)**	**(7,367)**	**(3,526)**	**(1,313)**	**-**	**(6)**	**-**	**(26,517)**
149,586	**69,886**	**3,934**	**8,042**	**226**	**3,697**	**1,013**	**236,384**	**Net Book Value at 31 March**	**145,225**	**68,021**	**2,134**	**8,342**	**226**	**7,332**	**4,460**	**235,740**

Depreciation

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

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

Revaluations

The Authority re-values its land and buildings every five years, the last formal revaluation for non-dwelling land and buildings being completed in 2009/10 with a re-valuation date of 1st April 2009. Valuations were carried out externally by GVA Grimley. Valuations of land and buildings were carried out using the methodologies and bases of estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The last formal revaluation for dwellings was completed in 2010/11 with a revaluation date of 1st April 2010. The revaluation was carried out internally by the council's property section, headed by David Roberts MRICS.

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

Effects of changes in Estimates

In 2010/11 the authority re-valued its dwelling stock at 1st April 2010, with the result that its net book value was reduced by £46 million. As there was no balance on the revaluation reserve for these assets, all of the reduction in value has been charged to the Housing Revenue Account (HRA) and Comprehensive Income and Expenditure Statement. The valuation takes into account the social housing use of the stock (to reflect the secure tenancies), and the downward revaluation is wholly due to a reduction in the discount factor for social housing from 44% to 31%, as recommended by the latest government valuation guidance. The uplift for 12/13 for dwelling stock is nil (11/12 £0.712m).

Componentisation

Under the Code, the Authority is required to account separately for expenditure on major building components incurred from 1st April 2010, so that they can be depreciated over their respective useful lives. No components were identified in 2012/13

Reclassifications

A number of HRA dwellings which were being assessed in 2010/11 were identified as surplus assets during 2011/12. Some of these have been reclassified in 2012/13 as Current Assets Held for Sale.

Ubico vehicles

Vehicles in respect of Ubico activities were transferred to the company in 2012/13 under a finance lease, and now form part of Ubico's balance sheet. The finance lease repayments from Ubico score as capital receipts.

Capital Expenditure and Financing

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

	2012/13 £'000	2011/12 £'000
Opening Capital Financing Requirement	**74,444**	**45,488**
Capital Investment		
Intangible Assets	299	191
Property, Plant and Equipment	8,513	7,806
Long Term Loans	2,003	3,595
HRA Settlement Payment	-	27,414
Revenue Expenditure Funded from Capital under Statute	810	1,382
	11,625	**40,388**
Sources of Finance		
Capital Receipts	(513)	(1,012)
Government Grants	(405)	(423)
Capital Contributions and Partnership Funding	(1,460)	(1,071)
Lottery Funding	(499)	-
Revenue Financing		
Minimum Revenue Provision (MRP)	(875)	(748)
Voluntary Revenue Provision	(2,092)	(2,500)
HRA	-	(1,127)
Major Repairs Reserve	(4,727)	(3,541)
Revenue Reserves	(2,016)	(1,010)
	(12,587)	**(11,432)**
Closing Capital Financing Requirement	**73,482**	**74,444**
Explanation of movement in year		
Increase in underlying need to borrow –HRA Settlement Payment	-	27,414
Increase in underlying need to borrowing (unsupported by Government financial assistance)	2,005	4,790
MRP	(2,267)	(748)
Voluntary Revenue Provision	(700)	(2,500)
Increase (Decrease) in Capital Financing Requirement	**(962)**	**28,956**

Commitments under capital contracts

At 31st March 2013 the council was committed to completing all schemes within its capital programme. This included contractual commitments at 31st March 2013 of £1.257 million for works on properties (£3.864 million at 31st March 2012), £0.210 million for works on cycle paths and other infrastructure (£0.194 million as at 31st March 2012), £15,000 for insulation works (£15,000), £11,000 for CCTV in car parks (£11,000), a total of £1.257 million (£4.084 million at 31st March 2012). Most of this is anticipated to be incurred by 31st March 2014.

22. Heritage Assets

The Code of Practice on Local Authority Accounting 2011/12 (the Code) introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in the accounting policies, the authority is now required to show heritage assets on the balance sheet at valuation. At 31st March 2013 such assets were valued at £31.221 million (£28.196 million at 31st March 2012), matched mainly by an increase in the Revaluation Reserve.

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

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

The authority has recognised its heritage assets on the balance sheet using detailed insurance valuations (which are based on market values) for the collections. On 1 April 2010 the major works of art works were re-valued and all of the insurance valuations were updated on 1st April 2011 and again at 1st April 2012. The authority considers that the assets will have indeterminate lives and does not consider it appropriate to charge depreciation.

The authority 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. Further to this, the commencement of the construction works for the Art Gallery and Museum redevelopment has meant that the collections are currently being de-canted, thus restricting access.

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
- Costume and Textiles: Garments, underwear and accessories from the 17th century onwards.
- The Arts and Crafts Movement: Books, ceramics, furniture, metalwork, paintings, textiles, archives, designs and drawings relating to the English Arts and Crafts Movement from the 1860's to the present day, recognised nationally by the government as a Dedicated Collection.
- Archaeology; Prehistoric, Romano- British and medieval archaeology
- Local History: Printed ephemera, photographs, postcards, topographical prints and objects relating to the history of Cheltenham
- Numismatics: British and foreign coins from the Roman empire to the 21st century
- Firearms and edged weapons: British and European examples
- Natural Sciences: Geology, herbaria, eggs
- Social History: Objects relating to English domestic, personal and working life from the 17th century to the present day.

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

The collections are managed by curators reporting to the Museum Manager, who manage the collections in accordance with policy and guidance.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment - see note xi in accounting policies.

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

	Ceramics	Art Collection	Furniture	Civic Regalia & Silver	Textiles and other	Total Assets
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
1 April 2011	1,881	20,382	1,698	279	3,066	27,306
Additions	-	205	-	-	150	355
Revaluations	37	403	34	5	56	535
31 March 2012	**1,918**	**20,990**	**1,732**	**284**	**3,272**	**28,196**
Cost or Valuation						
1 April 2012	1,918	20,990	1,732	284	3,272	28,196
Additions	-	-	-	-	-	-
Revaluations	124	(628)	1,945	(98)	799	2,142
Update for inflation	61	604	109	6	103	883
31 March 2013	**2,103**	**20,966**	**3,786**	**192**	**4,174**	**31,221**

The last formal valuation was carried out in 2009 by the valuer Gulls, and as a result the values of certain works of art were increased significantly. There were no material additions, disposals or impairments in 2012/13, however the insurance inventory was reviewed during the year for completeness and accuracy and as a result many items were revalued for insurance purposes, in addition to a general uplift being applied for inflation.

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

Community Assets

Community assets mainly comprise parks, gardens and open spaces. The Code added the option for authorities to extend the measurement and disclosures required by heritage assets to community assets. The authority has so far not adopted to change its accounting policy in this way as it does not currently have the management information to make reasonable valuation estimates of community assets, which are held at historic cost on the balance sheet, where known. This means in most instances the assets are currently held at nil value.

23. Investment Properties

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

2011/12 £'000		2012/13 £'000
752	Rental income from Investment Property	886
2,331	Gain on revaluation	0
(327)	Direct Operating Expenses	(517)
2,756	**Net gain / (loss)**	**369**

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

2011/12 £'000		2012/13 £'000
22,223	**Balance at 1st April**	**22,784**
	Additions:	
	Purchases	
	Subsequent expenditure	
(1,645)	Disposals	(1,130)
2,206	Net gains / (losses) from fair value adjustments	
	Transfers	
	Other changes	(3)
22,784	**Balance at 31st March**	**21,651**

All the properties were recently re-valued during 2011/12 with a re-valuation date of 1st April 2011, so the carrying value approximates to their fair value. Valuations were carried out internally, using the methodologies and bases of estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

There is a completion of sale contract for the majority of the Midwinter site but the sale is split into four tranches. The first tranche was conveyed in 2011/12, the second tranche was conveyed on 1st October 2012, the third tranche will be conveyed on 1st October 2013 and the fourth tranche on 1st April 2014.

24. Assets held under leases

The Authority as Lessee

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

The Authority as Lessor

Vehicles and Plant
Vehicles in respect of Ubico activities were transferred to the company in 2012/13 under a finance lease, and now form part of Ubico's balance sheet. The finance lease is recorded on the council's Balance Sheet as a long term debtor, matched by a Deferred Capital Receipt. The value of the lease on transfer at 1 April 2012 was £1,364,213 and after repayments in year from Ubico of £369,750 (which score as capital receipts) left a net long term debtor of £994,462 at 31 March 2013.

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

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

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

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

The authority does not have any leases where the accounting treatment has changed and all leases in existence from 1st April 2011 onwards have been deemed to be operating leases

The council received £1,703,518 in rental income in 2012/13 on its granted leases from commercial and Housing Revenue Account land and buildings (£1,528,353 in 2011/12).

The future minimum lease payments receivable under non-cancellable leases in future years are £4.96m.

25. Intangible Assets

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

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

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

2011/12 Software £'000		2012/13 Software £'000
	Balance at 1st April :	
786	- Gross carrying amounts	977
(338)	- Accumulated amortisation	(434)
448	**Net carrying amount at start of year**	**543**
191	Expenditure in year	298
(96)	Amortisation in Year	(108)
543	**Balance at 31st March**	**733**
	Comprising:	
977	- Gross carrying amounts	1,275
(434)	- Accumulated amortisation	(542)
543		**733**

During 2010/11 the council, in partnership with Cotswold, Forest of Dean and West Oxfordshire District Councils and Cheltenham Borough Homes (CBH) purchased an Enterprise Resource Planning System, providing a single finance, payroll, Human Resources, and procurement system. This system was implemented during 2011/12, and went 'live' for Cheltenham on 1st April 2012.

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

26. Assets Held for Sale

	Current 31st March 2013 £'000	31st March 2012 £'000
Balance outstanding at start of year	**-**	**3,084**
Assets newly classified as held for sale - Property, Plant and Equipment	281	-
Revaluation losses	-	-
Revaluation gains	-	-
Impairment losses	-	-
Assets declassified as held for sale	-	(3,084)
Fair value of assets sold	-	-
Other movements	-	-
Balance outstanding at year end	**281**	**-**

The assets held for sale at 31st March 2013 relate to Housing assets previously classified as Surplus Assets.

Contracts for the sale of the North Place and Portland Street car park sites were exchanged with the preferred bidder, Auger Buchler, in April 2012. However since the sales are subject to planning permission the assets have been classified as surplus assets within Property, Plant and Equipment. It is understood that the developers are keen to mobilise should planning permission be secured.

27. Financial Instruments

Overall Investments

Categorised according to the period remaining to maturity or until payment is received	31st March 2013 £'000	31st March 2012 £'000
Long Term (over 1 year)		
Loans and Receivables – Icelandic banks	1,983	2,220
Unquoted equity investments	435	435
	2,418	**2,655**
Current or Short Term (less than 1 year)		
Loans and Receivables – Icelandic banks	468	1,436
– Other organisations	350	2,021
Fair Value through Profit & Loss – Icelandic banks	710	636
	1,528	**4,093**

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

Impairment adjustments have been made to the deposits with the Icelandic-owned banks. Short term investments include 'escrow' accounts, containing the repayments received during the year that were denominated in Icelandic Krona (ISK), the value of which have been converted to Sterling at the prevailing ISK exchange rate on 31st March 2013. Further details are given in the section on Icelandic banks below.

The unquoted equity investment of £435,222 (shown at cost), consists of shares held in Gloucestershire Airport (see Group Accounts, pages 86 to 96), for which a fair value cannot reliably be measured. This is because the range of reasonable fair value estimates could be significant due to the runway development project, currently underway. There are no current plans to dispose of the shares.

Investments in Icelandic Banks

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

Although a large proportion of the deposits have now been repaid, the remaining amounts invested with these banks continue to be subject to the respective administration and receivership processes. The amounts and timing of repayments to depositors such as the council are determined by the administrators and receivers. Of the original amounts invested (plus interest due to the claim dates) of £11.640 million, repayments of £8.063 million (69%) had been received to 31st March 2013. A further £0.092 million had been received by 30 June 2013.

In order to recognise any potential losses (including loss of interest from the original maturity date until the estimated date of repayment), the authority made impairment charges to its Income and Expenditure Statement in 2008/09, which were revised in 2009/10, 2010/11 and 2011/12, based on the best information and guidance available at the time. Further details are given in the Statement of Accounts for these years. As the amounts and timings of any remaining payments to be made by the administrators and receivers are not definite, it is likely that further adjustments will be made to the accounts in future years.

Kaupthing, Singer and Freidlander Ltd (KS&F)

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

The latest creditor progress report issued by the administrators covering the period up to 7th April 2013 indicates a return to creditors in the range of 84% to 86.5%. Claims are based on the principal and interest outstanding at 7th October 2008. Up until 31st March 2013 repayments of 76% had been received, with a further distribution of 3% (£92,154) received in June 2013.

For the purpose of calculating the impairment adjustment in 2012/13 the authority has assumed the mid point in the latest range (i.e.85.25%), as recommended by current accounting guidance. The remaining 9.25% outstanding at 31st March 2013 has been assumed to be received in three annual instalments beginning in June 2013. The increase in the recoverable amount compared to that assumed at 31st March 2012 (83.5%), offset only by a slight extension in the repayment profile, results in a reduced impairment adjustment for these deposits in 2012/13, of £42,367, which has been credited to the Comprehensive Income and Expenditure Statement.

Landsbanki Islands Hf

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

The latest information from the winding up board indicates that recoveries will exceed the value of priority claims, so that it is now considered likely that council will recover 100% of its claim, subject to potential exchange rate fluctuations. Claims are based on principal and interest outstanding at 22nd April 2009, however as the loans matured after 22nd April 2009, interest can only be claimed up to that date at the contractual rate.

Up until 31st March 2013 49.65% of the claim (as denominated in Sterling) had been repaid to the authority, however a small proportion of this (approximately 1%) continues to be held in an interest-earning 'escrow' account, denominated in Icelandic Krona, which is included on the Balance Sheet in short term investments at 31st March 2013. This is because, under applicable currency controls operating in Iceland, the permission of the Central Bank of Iceland is required to release Icelandic Krona payments held within the Icelandic banking system.

For 2012/13 the authority has therefore assumed a recovery rate of 100% as denominated in Sterling. The future pattern of the remaining payments (50.35% of the claim) is not known, so it has been assumed that 7.5% will be received in December annually until 2018, with the remaining 5.35 in December 2019, in accordance with the best information available. An adverse movement in the effect of exchange rates during the year, offset by a slightly improved repayment profile compared to that assumed for 2011/12, results in an increased impairment adjustment of £56,417 for these deposits in 2012/13, which has been charged to the Comprehensive Income and Expenditure Statement.

However there is an exchange rate risk arising from:
* a proportion of the repayments to date continuing to be held in Icelandic Krona (ISK)
* future repayments being made in a basket of different currencies
and the amounts ultimately received in Sterling will depend on the prevailing exchange rate at the time of repayment or conversion.
This may mean the council receiving more or less than 100% of the value of the investments shown on the council's balance sheet, depending on future exchange rate movements. The risk is not however deemed significant enough to materially affect the carrying values of the deposits.

There is also an ongoing dispute over whether the total claims should be valued at the 22 April 2009 exchange rates or at spot rates. This is being trialled in the Icelandic Courts shortly and is likely to be subject to appeal to the Icelandic Supreme Court. For the purposes of stating the carrying value of the deposits, the 22 April 2009 exchange rates have been assumed as this is more prudent.

Glitnir Bank Hf

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

In March 2012 the winding up board made repayments to priority creditors, which for the council amounted to £3.238 million. The repayment, mainly in a basket of currencies converted to Sterling when received, equated to 100% of the claim as denominated in that basket of currencies at 22nd April 2009 (the claim date), or 97% of the claim, as denominated in Sterling at the time of conversion. However, as with the Landsbanki deposits, a proportion of the repayment (approximately 19% of the amount repaid) continues to be held in an interest-earning 'escrow' account, denominated in Icelandic Krona (ISK), which is included on the Balance Sheet in short term investments at 31 March 2013.

The council has therefore received all of the money to which it is entitled from the Glitnir winding up board, albeit a proportion is held in Icelandic Krona in the 'escrow' account. The value of this account is subject to changes in exchange rates.

The accounting entries made in respect of the original loans are therefore as follows. All impairments have been recognised as at the balance sheet date of 31st March 2013. Repayments include amounts subsequently held in 'escrow' accounts as short term investments.

Bank	Interest rate %	Amount invested £'000	Add Interest due to 31st March 2013 £'000	Less Impairments 2008/09 -2011/12 £'000	Less Repayments (including interest) to 31st March 2013 £'000	Less Impairment adjustments 2012/13 £'000	Carrying amount at 31st March 2013 £'000
Kaupthing, Singer & Friedlander	5.86	1,000	140	266	796	-12	90
Kaupthing, Singer & Friedlander	5.30	2,000	186	502	1,539	-30	175
Landsbanki Islands Hf	5.40	1,000	228	259	510	12	447
Landsbanki Islands Hf	5.31	2,000	377	496	989	22	870
Landsbanki Islands Hf	5.29	2,000	375	494	990	22	869
Glitnir Bank Hf	5.56	3,000	624	386	3,238	-	-
Total		**11,000**	**1,930**	**2,403**	**8,062**	**14**	**2,451**

The carrying amounts have been classified as short or long term according to the profile of expected repayments. Those amounts expected to be repaid within twelve months, which total £0.468 million, have been classified as short term, leaving £1.983 million recoverable in the long term.

In addition to the above, short term investments include the following amounts held in 'escrow' accounts. As these are denominated in Icelandic Krona they were valued on the dates received and re-valued at 31st March 2013 (including interest receivable from the date of repayment), with the interest and any exchange rate gain credited to the Comprehensive Income and Expenditure Statement:

	Repayments credited to escrow account 2011/12 £'000	Carrying amount of escrow account at 31st March 2013 (including interest receivable) £'000	Exchange rate gain / loss (-) In year £'000
Landsbanki Islands HF	39	40	3
Glitnir Bank Hf	606	670	44
Total	**645**	**710**	**47**

The impairments made to the investments in 2008/09 and 2009/10 were wholly offset in 2009/10 by a capitalisation direction received from the government of £4.430 million, which allowed the council to spread the loss over twenty years through borrowing.

However, since 2009/10 significant improvement in the recovery rates for the deposits has resulted in reduced impairment adjustments to the Comprehensive Income and Adjustment Statement, which have been used to reduce borrowing. In 2012/13 a further £700,000 in such Voluntary Revenue Provision was made which, together with minimum revenue provision provided, reduces the original borrowing to £0.5 million at 31st March 2013.

The reduced impairment adjustments, interest receivable and exchange rate gains in 2012/13 have been transferred to a earmarked reserve to cover any increased impairment or losses due to exchange rate fluctuations in the future and, if not required for this purpose, will be used in 2013/14 to make further debt repayments.

Debtors

	Short term		**Long term**	
	31st March 2013 £'000	**31st March 2012 £'000**	**31st March 2013 £'000**	**31st March 2012 £'000**
Loans and Receivables	6,664	4,883	6,681	3,727

Further details of short term debtors are given in note 29, page 63. Long term debtors at 31st March 2013 mainly comprise an outstanding loan of £0.986 million to the Cheltenham Everyman Theatre (made in 2011/12 for 25 years towards the redevelopment of the theatre), loans totalling £3.384 million made to Cheltenham Borough Homes for 50 years for housing redevelopment, finance lease principal of £0.994k due from Ubico Ltd (made in 2012/13 for vehicles) and loans totalling £1.195 million to Gloucestershire Airport Ltd towards the cost of the runway safety project. The remainder comprises mortgages for house purchase loans and car loans to staff.

Borrowing

	Range of Interest rates payable at 31 March 2013	31st March 2013	31st March 2012
	%	£'000	£'000
Long Term (over 1 year)			
Financial liabilities at amortised cost			
- Public Works Loan Board (PWLB) loans	3.30% - 4.875%	40,652	38,774
- Bank loans	3.82% - 4.95%	15,900	15,900
		56,552	**54,674**
Current or Short term (less than 1 year)			
Financial liabilities at amortised cost			
- Public Works Loan Board (PWLB) loans	3.91 – 4.52%	390	2,055
- Bank loans	N/A (interest only)	248	248
- Other local authority loans	0.3%	2,000	5,101
- Other temporary borrowing	0 – 0.31%	20	20
		2,658	**7,424**

Analysis of PWLB loans by maturity:		
1 year	390	2,055
2-5 years	-	-
6-10 years	-	-
More than 10 years	40,652	38,774
	41,042	**40,829**
Analysis of Bank loans by maturity		
2-5 years	-	-
6-10 years	-	-
More than 10 years	15,900	15,900
	15,900	**15,900**

The council took out further PWLB borrowing in 2012/13 in order to advance a loan to Cheltenham Borough Homes for £2 million. This loan was taken on an annuity basis and is being repaid to the council in full, based on the loan terms taken out with the PWLB.

Creditors

	Short term		Long term	
	31st March 2013	31st March 2012	31st March 2013	31st March 2012
	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost	11,397	9,495	-	-

Further details of short term creditors are given in note 31, page 70.

Reclassifications

There were no reclassifications of financial instruments during the year.

Income, Expense, gains and losses

	2012/13 Financial Liabilities measured at amortised cost £'000	2012/13 Financial Assets: Loans and receivables £'000	Total £'000	2011/12 Financial Liabilities measured at amortised cost £'000	2011/12 Financial Assets: Loans and receivables £'000	Restated Total £'000
Interest expense	2,094	-	2,094	1,224		1,224
Impairment losses	0	14	14		(253)	(253)
Fee expense	2	17	19	7	14	21
Total expense in Surplus or Deficit on the Provision of Services	**2,096**	**31**	**2,127**	**1,231**	**(239)**	**992**
Interest Income	-	(74)	(74)	-	(190)	(190)
Interest Income accrued on impaired financial assets		(178)	(178)	-	(380)	(380)
Total income in Surplus or Deficit on the Provision of Services	-	**(252)**	**(252)**	-	**(570)**	**(570)**
(Net gain)/loss for the year	**2,096**	**(221)**	**1,875**	**1,231**	**(809)**	**422**

Fair Value of assets and liabilities carried at amortised cost

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

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

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

As regards borrowing, the fair value of PWLB loans held at 31st March 2013 is £41,547,616 (£45,024,416 at 31st March 2012) compared to the carrying value of £41,042,453, at 31st March

2013 (£40,829,000 at 31st March 2012). The fair value is higher than the carrying amount because the authority's portfolio includes fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the authority would have to pay if it requested early repayment of the loans.

For all other long term borrowing the fair value equates to £15,437,414 at 31st March 2013 (£18,725,045 at 31st March 2012) compared to the carrying value of £15,900,000 at 31st March 2013 (£15,900,000 at 31st March 2012).

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

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

Nature and extent of risks arising from financial instruments

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

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

The council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued though the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations
- by approving annually in advance prudential and treasury indicators for the following three years
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 10th February 2012. The two key issues were:

- The Authorised Limit for 2012/13 was set at £109m. This is the maximum limit of external borrowings or other long term liabilities.

- The Operational Boundary for 2012/13 was expected to be £96m. This is the expected level of debt and other long term liabilities during the year.

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the authority's customers.

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

The Council used the creditworthiness services of Arlingclose from April to November 2012, and Sector from December 2012 to March 2013. The maximum investment that can be made with an approved counterparty was £7 million in 2012/13. No credit limits were exceeded during the year.

Liquidity risk

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

Market risk

The authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. By way of illustration, if interest rates were 1% higher in 2012/13, this would have had the following effect:

	Amount outstanding (weighted average) in year	Average actual interest rate	Actual Interest paid / (receivable)	Projected interest rate	Projected interest paid / (receivable)	Variation
	£'000	%	£'000	%	£'000	£'000
Borrowing						
Fixed rate	56,478	3.88	2,192	4.88	2,756	564
Variable rate	1,805	0.31	6	1.31	23	17
	58,283	**3.77**	**2,198**	**4.77**	**2,779**	**581**
Lending						
Fixed rate	-	-	-	-	-	-
Variable rate	(6,980)	1.05	(73)	2.05	(143)	(70)
	(6,980)	**1.05**	**(73)**	**2.05**	**(143)**	**(70)**
Net loss / (gain) on surplus / deficit for year	**51,303**		**2,125**		**2,636**	**511**

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

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

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

Foreign exchange risk

The authority has short term investments held in 'escrow' accounts denominated in Icelandic Kroner (ISK) (see section on Icelandic banks, pages 60 - 63), the Sterling value of which fluctuates according to prevailing exchange rates. This risk will continue until the amounts are released to the council in Sterling, which is subject to the authorisation of the Central Bank of Iceland.

In addition future repayments of the Landsbanki deposits will be affected by prevailing exchange rates at the time of repayment, since a number of the bank's assets are not be denominated in Sterling. The risk to movements in exchange rates is likely to apply for a number of years since the remaining repayments are expected to be spread over the period from 2013/14 to 2019/20. In view of this the council has set up an earmarked reserve to cover potential future losses from exchange rate fluctuations, plus any increased impairment adjustments relating to these deposits.

28. Inventories

	Consumable Stores		Maintenance materials		Total	
	31st March 2013 £'000	31st March 2012 £'000	31st March 2013 £'000	31st March 2012 £'000	31st March 2013 £'000	31st March 2012 £'000
Balance outstanding at start of year	**108**	**102**	**16**	**22**	**124**	**124**
Purchases	756	841	-	54	756	895
Recognised as expenses in year	(806)	(835)	(16)	(60)	(822)	(895)
Written off balances	-	-	-	-	-	-
Reversals of write offs in previous years	-	-	-	-	-	-
Balance outstanding at year end	**58**	**108**	**-**	**16**	**58**	**124**

Consumable stores purchases includes £0.718 million of fuel for vehicles, all of which was sold during the year to Ubico Ltd.

29. Short Term Debtors

	31st March 2013 £'000	31st March 2012 £'000
Amounts falling due in one year		
Central Government Bodies	1,335	740
Other Local Authorities	1,899	547
NHS bodies	10	-
Public corporations and trading funds	-	-
Other entities and individuals-		
- Council Taxpayers	269	231
- Cheltenham Borough Homes	130	587
- Ubico Ltd	905	-
- Housing Rents	201	193
- Sundry Debtors	1,915	2,585
Total	**6,664**	**4,883**

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

30. Cash / Cash Equivalents and Bank Overdraft

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

	31st March 2013 £'000	31st March 2012 £'000
Cash held by the Authority	9	19
Bank current accounts	2	2
Short term deposits	3,836	2,600
Cash and cash equivalent assets	**3,847**	**2,621**
Cash and cash equivalent liabilities - bank overdraft	**(87)**	**(1,772)**
Net Cash and cash equivalents per Cash flow Statement	**3,760**	**849**

31. Short Term Creditors

	31st March 2013 £'000	31st March 2012 £'000
Central Government Bodies	4,053	4,169
Other Local Authorities	1,161	692
NHS bodies	7	40
Public corporations and trading funds	-	185
Other entities and individuals-		
- Council Taxpayers	75	66
- Cheltenham Borough Homes	1,322	610
- Ubico Ltd	675	
- Housing Rents	174	141
- Sundry Creditors	3,930	3,592
	11,397	**9,495**

32. Provisions

	Balance at 1st April £'000	Additional provisions made in Year £'000	Amounts used in Year £'000	Unused Amount Reversed £'000	Balance at 31st March £'000
General Fund Insurance	141	68	(95)	-	114
MMI	-	63	-	-	63
Business rates retention		186			186
2012/13	**141**	**317**	**(95)**	**-**	**363**
2011/12	**96**	**127**	**(82)**	**-**	**141**

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

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

Municipal Mutual Insurance:
The Council has a potential liability in respect of the run-off of Municipal Mutual Insurance (MMI) to the value of £360,415 as at 31st March 2013 (£424,018.56 31st March 2012). The liability will only materialise if the assets of the company do not cover the insurance claims yet to be settled. (See Contingent Liability note 37).

In 2012/13 Ernst & Young (who managed MMI's business affairs and assets) set a levy of 15% (£63,603) against clients/owners potential liabilities as an estimate of the amount that would be needed to achieve a solvent run-off. This figure has been included in the 2012/13 accounts as a provision. The likelihood and timing of any additional liabilities is unknown at this stage.

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

From this date, local authorities assumed the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This includes amounts paid over to Central Government in respect of 2012/13 and prior years.

Under the regulations, ‘safety net thresholds’ were set to provide local authorities protection against significant decreases in their business rates income. The safety net exposure for Cheltenham amounts to £186,000 in 2013/14. It is likely that Cheltenham will be exposed to this threshold as the baseline figure provided by Central Government is higher than that presented in the NNDR 1 (estimate of what will be collected in the year), the main reason relating to those appeals which may be successful in respect of 2012/13 and prior years, which has already been paid over to Central Government.

Therefore, as a consequence of the above, a provision of £186,000 has been established to meet this shortfall in 2013/14.

33. Usable Reserves and transfers to / from Earmarked Reserves

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement on page 19. Movements in the *earmarked* reserves shown on the statement are detailed below.

	Balance at 1 April 2011 £'000	Transfers out 2011/12 £'000	Transfers in 2011/12 £'000	Balance at 1 April 2012 £'000	Transfers out 2012/13 £'000	Transfers in 2012/13 £'000	Balance at 1 April 2013 £'000
Earmarked Reserves							
Capital Reserve	**1,804**	(383)	752	**2,173**	(606)	700	**2,267**
Equalisation Reserves	**3,041**	(2,640)	794	**1,195**	(885)	498	**808**
Repairs & Renewals Reserve	**1,468**	(1,123)	693	**1,038**	(1,175)	1,252	**1,115**
Reserves for Commitments	**303**	(351)	1,415	**1,367**	(1,336)	1,581	**1,612**
Other earmarked reserves	**4,428**	(850)	447	**4,025**	(2,377)	698	**2,346**
	11,044	**(5,347)**	**4,101**	**9,798**	**(6,379)**	**4,729**	**8,148**

<u>Purpose of reserves</u>

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

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

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

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

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

34. Unusable Reserves

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

Reserve	31st March 2012 £'000	31st March 2013 £'000	Purpose of Reserve
Revaluation Reserve	37,592	43,775	Store of gains on revaluation of non-current assets not yet realised through sales
Capital Adjustment Account	179,457	178,032	Store of capital resources set aside to meet past expenditure
Financial Instruments Adjustment Account	(2,734)	(2,583)	Balancing account to allow for differences in statutory requirements and proper accounting practices relating to borrowings and investments
Collection Fund Adjustment Account	55	4	Balancing account to allow for differences in statutory requirements and proper accounting practices for council tax surpluses/deficits
Pensions Reserve	(46,472)	(53,724)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet
Deferred Capital Receipts Reserve	113	1,092	Capital receipts to be received in future years e.g. from mortgage repayments
Accumulating Compensated Absences Adjustment Account	(84)	(61)	Balancing account to allow for differences in statutory requirements and proper accounting practices for staff leave and additional hours not taken at the year end
Total Unusable Reserves	**167,927**	**166,535**	

Revaluation Reserve

	2012/13 £'000	2011/12 £'000
Restated balance at 1st April	**37,592**	**36,142**
Revaluation gains on non-current assets	7,104	1,555
Downward revaluation of assets and impairments	(712)	-
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**43,984**	**37,697**
Difference between fair value and historic cost depreciation	(271)	(280)
Accumulated gains on assets sold	-	(36)
Adjustment for previous revaluation gains on investment property	-	211
Adjustment for previous impairment charged to revaluation gains	62	-
Amount written off to the Capital Adjustment Account	**(209)**	**(105)**
Balance at 31st March	**43,775**	**37,592**

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

The balance on the reserve therefore represents the amount by which the fair values of non-current assets carried on the Balance Sheet are greater because they are carried at re-valued amounts rather than at depreciated historical cost.

Capital Adjustment Account

	2012/13 £'000	2011/12 £'000
Balance at 1st April	**179,457**	**202,577**
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	(9,853)	(6,000)
• Revaluation gains/(losses) on Property, Plant and Equipment		-
• Amortisation of intangible assets	(108)	(96)
• Revenue expenditure funded from capital under statute	(810)	(1,382)
• 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	(3,418)	(1,965)
• Self Financing Payment-write the revenue transaction out of the HRA as defined by statute	-	(27,414)
	165,268	165,720
Capital receipt on payment of long term loan	(32)	(7)
Adjusting amounts written out of the Revaluation Reserve	209	105
Net written out amount of the cost of non-current assets consumed in the year	**165,445**	**165,818**
Capital Financing applied in the year:		
• Use of Capital Receipts Reserve to finance new capital expenditure	513	1,012
• Use of the Major Repairs Reserve to finance new capital expenditure	4,727	3,541
• 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	2,364	1,493
• Statutory provision for the financing of capital investment charged against the General Fund Balance	875	748
• Voluntary provision for the financing of capital investment charged against the general fund balance	2,092	2,500
• Capital expenditure charged against the general fund and HRA balances	2,016	2,139
	178,032	177,251
Movements in the market value of Investment properties debited or credited to the Comprehensive Income and Expenditure Statement	-	2,206
Balance at 31st March	**178,032**	**179,457**

The Capital Adjustment Account accumulates the resources that have been set aside to finance capital expenditure, which are then reduced by the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments, or written off on disposal. The balance on the Account thus represents timing differences between the historical cost of non-current assets that have been consumed, and the cost financed in accordance with statutory requirements.

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

Financial Instruments Adjustment Account

	2012/13 £'000	2011/12 £'000
Balance at 1st April	**(2,735)**	**(2,889)**
Premiums incurred in previous years charged against the General Fund Balance	152	155
Balance at 31st March	**(2,583)**	**(2,734)**

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.

	2012/13 £'000	2011/12 £'000
Balance at 1st April	**55**	**93**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(51)	(38)
Balance at 31st March	**4**	**55**

Accumulating Compensated Absences Adjustment Account

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

	2012/13 £'000		2011/12 £'000	
Balance at 1st April		**(84)**		**(72)**
Settlement or cancellation of accrual made at the end of the preceding year	84		72	
Amounts accrued at the end of the year	(61)		(84)	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from that chargeable in the year according to statutory requirements		23		(12)
Balance at 31st March		**(61)**		**(84)**

Pensions Reserve

Further information is shown within note 42, pages 80 to 85.

Deferred Capital Receipts Reserve

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

The amount at 31st March 2013 includes £0.984 million for vehicles leased to Ubico Ltd under a finance lease.

35. Impairment Losses and Adjustments

The only impairments made during the year related to Housing Revenue Account (HRA) properties. HRA assets are revalued every five years (the last revaluation was undertaken on 1st April 2010). In interim years changes in dwelling valuation are based on movement in regional land registry values. Where these show a reduction in value an impairment charge is charged firstly against any prior revaluation surplus (£711,529 in 2012/13) with any residue chargeable to the HRA income and expenditure statement (£2,190,072 in 2012/13). This charge is reversed through the Movement on HRA statement in accordance with the Item 8 Determination published by the Department of Communities and Local Government.

36. Termination Benefits

The Authority terminated the contracts of 2 employees in 2012/13 (25 in 2011/12). Total costs incurred were £9,790 (£232,111 in 2011/12), of which £0 (£99,397 in 2011/12) related to early retirement costs and £9,790 (£132,714 in 2011/12) related to redundancy payments. These costs have been charged to the relevant service line shown within the Comprehensive Income and Expenditure Statement.

These termination benefits are summarised in the table below:

2012/13			2011/12	
No of staff	**£**	**Bands**	**No of staff**	**£**
2	9,790	£0 - £20,000	24	194,803
		£20,001 - £40,000	1	37,309
		£40,001 - £60,000	-	-
		£60,001 - £ 80,000	-	-
2	**9,790**		**25**	**232,112**

37. Contingent Liabilities

Municipal Mutual Insurance Ltd:
The Council's former insurers Municipal Mutual Insurance Ltd ceased trading in 1992; the Council became a party to the scheme of administration for liabilities outstanding at that time. Whilst there is a very low risk that the assets of the company will not meet the liabilities from insurance claims, the scheme guarantees that the Council will reimburse the total of payments made in respect of claims less £50,000. At 31 March 2012 this potential liability equated to £424,018.56. This is kept under review annually to ensure that a solvent run-off of the company's business is still anticipated.

In 2012/13 Ernst & Young (who managed MMI's business affairs and assets) set a levy of 15% (£63,602.79) against clients/owners potential liabilities as an estimate of the amount that would be needed to achieve a solvent run-off. This figure has been included in the 2012/13 accounts as a provision. (See Provisions note 32).

The 15% provision is not a definitive final figure. Following the trigger of the scheme of arrangement KPMG carried out an actuarial review of the insurance liabilities and predicted that an amount between 9.5% and 28% would need to be levied on creditors to achieve a solvent run off. The potential liability at 31st March 2013 is £55,122.42, based on the maximum predicted levy of 28%, and after allowing for the provision of 15%. The likelihood and timing of any additional liabilities is unknown at this stage

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

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council's potential cost of those claims at present is estimated at £163k plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

38. Contingent Assets

There are no known material contingent assets at 31st March 2013.

39. Authorisation of Accounts for issue

IAS 10 *Events after the Balance Sheet Date* requires the establishment of a date after which events will not have been recognised in the Statement of Accounts. For the draft accounts this is the date the accounts are signed by the Chief Finance Officer. On this basis, the date beyond which there can be no reasonable expectation that events could have been taken into account by the authority is 25thth September 2013. This is the date after which any events are not recognised in the audited accounts for the year 2012/13.

40. Events after the Reporting Period

Business Rates Retention

The financial year 2012/13 is the last where the government will give a fixed formula grant to local authorities. From the 1st April 2013 this grant will be split into two elements, a fixed revenue support grant with the balance being made up by a proportion of the business rates we collect. This now adds an element of uncertainty, positive or negative, to the level of funding available to the Council.

When these new arrangements come into effect, local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their businesses on the rating list and this will include amounts that were paid over to Central Government in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by this Council, but would have been transferred to the Department of Communities and Local Government (DCLG).

This liability is not easy to quantify however our best estimate is that it could cost the Council a further £510,000 to make provision.

41. Trust Funds

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

	Balance at 31st March 2012	Receipts in Year	Payments in Year	Balance at 31st March 2013
	£	£	£	£
Major Mason	459	7	-	466
Miss Privett	7,357	23	-	7,380
Garden of Remembrance	9,028	1,030	721	9,337
	16,844	**1,060**	**721**	**17,183**

The purpose of each of the funds is as follows:

- Major Mason — To fund the maintenance of parks in Charlton Kings.
- Miss Privett — To fund the maintenance and upkeep of Charlton Kings cemetery.
- Garden of Remembrance — Donations from the public to fund the enhancement of the garden of remembrance at the cemetery.

42. Defined Benefit Pension Scheme

Participation in the Pension Scheme

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

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

The actuarial assessment for 2012/13 takes into account the bulk transfer of staff from Cheltenham Borough Council to Cotswold District council and Ubico Ltd on 1st April 2012.

Transactions Relating to Post-Employment Benefits

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

The employers' contributions to the pension fund of £2,868,000 (£3,228,000 in 2011/12) have been replaced by the current service (pension) costs, being the increase in the present value of the defined benefit scheme's liabilities expected to arise from employee service in the current period. These are included in the cost of services and total £1,457,000 for 2012/13 (£1,996,000 in 2011/12).

Past service costs represent discretionary benefits awarded on early retirement, to include added years and unreduced pension benefits awarded under the rule of 85. The total past service costs are £18,000 for 2012/13 (£74,000 costs in 2011/12) and are included in the cost of services as non-distributed costs.

Curtailments show the cost of the early payment of pensions benefits of employees made redundant in the previous financial year. These are included in the cost of services as non-distributed costs and total £346,000 for 2012/13 (£102,000 for 2011/12).

The expected return on employer assets is based on the long-term future expected investment return on assets as at 31st March 2013. This is £3,349,000 for 2012/13, representing 42.5% of pensionable pay (£4,684,000 in 2011/12, being 41.4%) and is included in the Financing and investment income and expenditure within the Comprehensive Income and Expenditure Statement.

The interest charged on pension scheme liabilities reflects the expected increase during the period in the present value of the scheme liabilities because the benefits are one year closer to settlement. This is £5,137,000 for 2011/12, representing 65.2% of pensionable pay (£5,911,000 for 2011/12, being 52.2%) and is included in the Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement.

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

Comprehensive Income and Expenditure Statement	**2012/13 £'000**	**2011/12 £'000**
Cost of Services:		
current service cost	1,457	1,996
past service costs	18	74
past service costs	346	102
Financing and Investment income and Expenditure:		
expected return on scheme assets	(3,349)	(4,684)
interest on pension scheme liabilities	5,137	5,911
Total post employment benefit charged to the deficit on the provision of services	**3,609**	**3,399**
Movement in Reserves Statement:		
reversal of net charges made to the deficit for the provision of services for post employment benefits in accordance with IAS 19	(3,609)	(3,399)
Actual amount charged against the General Fund Balance for pensions in the year:		
employer contributions payable to scheme	2,868	3,228

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, net actuarial losses of £6,511,000 (£8,230,000 losses in 2011/12) are included in Other Comprehensive Income and Expenditure, within the Comprehensive Income and Expenditure Statement. This is comprised of £11,917,000 actuarial losses and £5,406,000 actuarial gains, as included in the tables below. The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement to 31st March 2013 is £36,789,000 (£30,278,000 cumulative losses to 31st March 2012).

Assets and Liabilities in relation to Post-Employment Benefits

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

	31st March 2013 £'000	**31st March 2012 £'000**	**Net Increase /(Decrease) £'000**
Fair value of scheme Assets (A)	**68,897**	**71,573**	**(2,676)**
Present value of Scheme Liabilities	(120,917)	(116,430)	(4,487)
Present value of Unfunded Liabilities	(1,704)	(1,615)	(89)
Total value of Liabilities (B)	**(122,621)**	**(118,045)**	**(4,576)**
Net Pension Asset/(Liability) (A-B)	**(53,724)**	**(46,472)**	**(7,252)**

(A) Fair value of scheme assets	31st March 2013	31st March 2012	Net Increase /(Decrease)
	£'000	£'000	£'000
Opening balance 1st April	**71,573**	**70,405**	**1,168**
Expected return on assets	3,349	4,684	(1,335)
Contributions by members	533	760	(227)
Contributions by the employer	2,868	3,228	(360)
Actuarial gains / (losses)	5,406	(2,521)	7,927
Assets distributed on settlements	(10,000)	0	(10,000)
Unfunded benefits paid	(99)	(99)	0
Benefits	(4,733)	(4,884)	151
Closing Balance 31st March	**68,897**	**71,573**	**(2,676)**

(B) Present value of Liabilities	31st March 2013	31st March 2012	Net Increase /(Decrease)
	£'000	£'000	£'000
Opening balance 1st April	**118,045**	**108,476**	**9,569**
Current service cost	1,457	1,996	(539)
Interest on obligation	5,137	5,911	(774)
Contributions by members	533	760	(227)
Past service costs	18	74	(56)
Losses (gains) on curtailments	0	102	(102)
Actuarial losses (gains)	11,917	5,709	6,208
Liabilities extinguished on settlements	(9,654)	0	(9,654)
Unfunded benefits paid	(99)	(99)	0
Benefits paid	(4,733)	(4,884)	151
Closing balance 31st March	**122,621**	**118,045**	**4,576**

Expected returns on assets reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £8,769,000 (2011/12 £2,178,000).

Basis for estimating Assets and Liabilities

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

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

	31st March 2013	31st March 2012
Mortality Assumptions:		
Longevity at 65 for current pensioners – men	21.7	21.7
Longevity at 65 for current pensioners – women	23.6	23.6
Longevity at 65 for future pensioners – men	23.5	23.5
Longevity at 65 for future pensioners – women	25.8	25.8
Rate of inflation (CPI)	2.8%	2.5%
Pension increase rate	2.8%	2.5%
Rate of increase in salaries	4.6%	4.3%
Rate of discounting scheme liabilities	4.5%	4.8%
Expected return on assets	4.5%	5.5%
Take-up of option to convert annual pension into retirement grant for pre April 2008 service	50.0%	50.0%
Take-up of option to convert annual pension into retirement grant for post April 2008 service	75.0%	75.0%

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

Assets at 31st March 2013				Assets at 31st March 2012		
Value £'000	%	Expected long term return %		Value £'000	%	Expected long term return %
51,673	75	4.5	Equities	50,818	71	6.2
11,712	17	4.5	Bonds	15,030	21	3.9
4,134	6	4.5	Property	4,294	6	4.4
1,378	2	4.5	Cash	1,431	2	3.5
68,897	**100**		**Total**	**71,573**	**100**	

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

Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Changes in assumptions at 31st March 2013	Approximate % increase to employer liability	Approximate value £000
0.5% decrease in real discount rate	9%	11,015
I year increase in member life expectancy	3%	3,679
0.5% increase in the salary increase rate	2%	2,305
0.5% increase in the pension increase rate	7%	8,642

Scheme History

Amounts for current and previous accounting periods	31st March 2013 £'000	31st March 2012 £'000	31st March 2011 £'000	31st March 2010 £'000	31st March 2009 £'000
Fair value of employers assets	68,897	71,573	70,405	72,946	51,561
Present value of liabilities	(122,621)	(118,045)	(108,476)	(143,351)	(88,642)
Surplus / (Deficit)	**(53,724)**	**(46,472)**	**(38,071)**	**(70,405)**	**(37,081)**

The liabilities show the underlying commitments that the council has in the long-term to pay retirement benefits. The net liability of £53.7m has a substantial impact on the net worth of the council as recorded in the Balance Sheet, although the overall balance remains positive at £186m. Statutory arrangements for funding the pension deficit mean that the financial position of the Authority remains healthy.

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

The total contributions expected to be made to the Local Government Pension Scheme in 2013/14 is £2,879,000.

History of Experience Gains and losses

The actuarial gains identified as movements on the pension reserve in 2011/12 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31st March year end:

Amounts for current and previous accounting periods	Year to 31st March 2013 £'000	Year to 31st March 2012 £'000	Year to 31st March 2011 £'000	Year to 31st March 2010 £'000	Year to 31st March 2009 £'000
Experience gains / (losses) on Assets	5,406	(2,521)	(7,073)	17,730	(19,148)
Fair value of employers assets	68,897	71,573	70,405	72,946	51,561
Experience gains / (losses) as a percentage of fair value of Assets	**0.9%**	**(3.5)%**	**(10.0)%**	**24.3%**	**(37.1%)**

Experience Gains/(Losses) on Liabilities	171	(1,714)	13,268	(53)	(55)
Actuarial gains / (losses) on liabilities	(11,917)	(5,709)	28,490	(49,827)	7,951
Present value of liabilities	(122,621)	(118,045)	(108,476)	(143,351)	(88,642)
Experience gains / (losses) as a percentage of present value of Liabilities	**0.14%**	**(1.4)%**	**12.2%**	**(0.0%)**	**(0.1)%**
Actuarial gains / (losses) as a percentage of present value of Liabilities	**(9.72)%**	**(4.8)%**	**26.3%**	**(34.7)%**	**9.0%**

GROUP ACCOUNTS

The Group Accounts bring together the council's accounts with its share of those of Gloucestershire Airport Limited, in which the council has a 50% shareholding (the remaining 50% of shares are owned by Gloucester City Council), and the accounts of Cheltenham Borough Homes (CBH), a company limited by guarantee where the council is the sole member. From 2012/13, the Group Accounts also include the council's share of the accounts of Ubico Ltd, a joint venture company operating from 1 April 2012, in which the council has a 50% (£1) shareholding (the remaining 50% of shares (£1) are owned by Cotswold District Council).

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

Both Gloucestershire Airport Limited and Ubico Ltd have been categorised as Joint Venture companies as any decisions regarding their operating and financial policies require the consent of another party in addition to the council (i.e. the companies are jointly controlled). The companies' assets and liabilities have therefore been consolidated with the council's in accordance with IAS 31, which requires the Gross Equity Method to be used when consolidating joint ventures. Under this method, the council's share of the operating result of the company before tax is reported as a separate line after the net surplus or deficit on the provision of services within the Group Comprehensive Income and Expenditure Statement. Any taxation is disclosed as a separate line.

In the Group Balance Sheet the council's share of the joint venture companies' net assets or liabilities are included as a long-term investment or liability, matched by the council's share of the companies' reserves. There is no requirement to adjust for transactions carried out and balances held between the council and the companies. The joint venture companies are also not included in the Group Cash Flow Statement.

PRIOR YEAR ADJUSTMENTS

The Group Accounts for 2011/12 have been restated to take into account a restatement of Gloucestershire Airport accounts for that year, in order to recognise a deferred tax asset in relation to the company's pension scheme liability.

STATEMENT OF ACCOUNTING POLICIES FOR THE GROUP ACCOUNTS

These are set out on pages 21 to 34 and note 1(xxvi) on page 33.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2011/12				2012/13	
Gross expenditure £'000 Restated	Gross income £'000 Restated	Net expenditure £'000 Restated		Gross expenditure £'000	Gross income £'000	Net expenditure £'000
			Continuing Operations			
9,877	(8,747)	1,130	Central Services to the public	9,610	(8,078)	1,532
9,926	(3,474)	6,452	Cultural and related services	9,823	(3,758)	6,065
7,540	(4,550)	2,990	Environment & Regulatory services	7,541	(4,284)	3,257
2,989	(1,475)	1,514	Planning services	2,951	(1,707)	1,244
4,590	(6,158)	(1,568)	Highways and Transport services	4,998	(6,364)	(1,366)
17,233	(18,079)	(846)	Local Authority housing (HRA)	18,099	(19,269)	(1,170)
27,414	-	27,414	Exceptional item - HRA self financing settlement	-	-	-
34,808	(33,969)	839	Other housing services	35,022	(34,453)	569
2,384	(361)	2,023	Corporate & Democratic core	4,056	(2,028)	2,028
1,656	(150)	1,506	Non Distributed costs	1,990	(153)	1,837
118,417	**(76,963)**	**41,454**	**Total Cost of Services**	**94,090**	**(80,094)**	**13,996**
882	(676)	206	Other operating expenditure	793	(1,029)	(236)
265	(1,573)	(1,308)	Financing and Investment Income and Expenditure	4,460	(1,208)	3,252
-	(17,011)	(17,011)	Taxation and non-specific grant income *(note 53)*	16	(18,089)	(18,073)
119,564	**(96,223)**	**23,341**	**(Surplus) or Deficit on the provision of services**	**99,359**	**(100,420)**	**(1,061)**
		(54)	Share of Surplus or deficit of Joint Ventures			(46)
		8	Share of Tax expenses of Joint ventures			20
		23,295	**Group (Surplus) or Deficit**			**(1,087)**
		4,712	(Surplus) / Deficit on revaluation of non-current assets *(note 34)*			(7,104)
		-	Revaluation Reserve - Impairments not charged to I&E *(note 34)*			712
		9,302	Actuarial (gains) / losses on pension fund assets / liabilities *(note 50)*			7,711
		199	Share of other comprehensive income and expenditure of Joint Ventures			367
		14,213	**Other Comprehensive Income and Expenditure**			**1,686**
		37,508	**Total Comprehensive Income and Expenditure**			**599**

GROUP BALANCE SHEET

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

31 March 2012 £'000 Restated		Note	31 March 2013 £'000
242,718	Property, Plant & Equipment	49	244,157
28,196	Heritage Assets	22	31,221
22,784	Investment Property	23	21,651
543	Intangible Assets	25	733
2,220	Long Term Investments	51	1,983
15,800	Investments in Joint Ventures	51	15,681
2,335	Long Term Debtors	51	3,297
314,596	**Long Term Assets**		**318,723**
4,093	Short term Investments	27	1,528
-	Assets held for sale	26	281
124	Inventories	28	58
4,751	Short term Debtors	46	7,011
2,845	Cash and cash equivalents	47	4,637
11,813	**Current assets**		**13,515**
(1,772)	Bank overdraft	47	(87)
(7,424)	Short term borrowing	27	(2,658)
(10,241)	Short term creditors	48	(11,909)
(141)	Provisions	32	(363)
(19,578)	**Current Liabilities**		**(15,017)**
(54,674)	Long term borrowing	27	(56,552)
(83)	Grants receipts in advance - capital	19	(83)
(184)	Grants receipts in advance - revenue	19	(184)
-	Long Term liabilities of Joint Ventures	51	(223)
(47,451)	Other long term liabilities	50	(56,339)
(102,392)	**Long term liabilities**		**(113,381)**
204,439	**Net Assets**		**203,840**
(17,299)	Usable Reserves	52	(20,113)
(187,140)	Unusable Reserves	54	(183,727)
(204,439)	**Total Reserves**		**(203,840)**

GROUP STATEMENT OF MOVEMENT IN RESERVES

This statement shows the movement in the year in the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement.

	Total Authority Usable Reserves	Authority's share of Usable Reserves of subsidiaries and Joint Ventures	**Total Group Usable Reserves**	Total Authority Unusable Reserves	Authority's share of Unusable Reserves of subsidiaries and Joint Ventures	**Total Group Unusable Reserves**	**Total Group Reserves**
	£'000	£'000	**£'000**	£'000	£'000	**£'000**	**£'000**
Balance at 31 March 2011	**19,546**	**533**	**20,079**	**197,932**	**23,784**	**221,716**	**241,795**
Movement in Reserves during 2011/12 Restated							
Group surplus or (deficit)	(23,542)	241	(23,301)			-	(23,301)
Other comprehensive Income & expenditure			-	(6,675)	(7,380)	(14,055)	(14,055)
Total comprehensive Income & Expenditure	(23,542)	241	(23,301)	(6,675)	(7,380)	(14,055)	(37,356)
Adjustments between company and authority reserves (Note 53)	(1,496)		(1,496)		1,496	1,496	-
Adjustments between company reserves (Note 53)		(1,313)	(1,313)		1,313	1,313	-
Adjustments between accounting basis and funding			-			-	-
basis under regulations (Note 6)	23,330		23,330	(23,330)		(23,330)	-
Net decrease before transfers to reserves	(1,708)	(1,072)	(2,780)	(30,005)	(4,571)	(34,576)	(37,356)
Transfers to/from earmarked reserves (Note 33)	-		-				
Increase / (decrease) in 2011/12	(1,708)	(1,072)	(2,780)	(30,005)	(4,571)	(34,576)	(37,356)
Balance at 31 March 2012 Restated	**17,838**	**(539)**	**17,299**	**167,927**	**19,213**	**187,140**	**204,439**
Movement in Reserves during 2012/13							
Group surplus or (deficit)	128	959	1,087			-	1,087
Other comprehensive Income & expenditure		(1,567)	(1,567)	(119)		(119)	(1,686)
Total comprehensive Income & Expenditure	128	(608)	(480)	(119)	-	(119)	(599)
Adjustments between company and authority reserves (Note 53)	-		-	-		-	-
Adjustments between company reserves (Note 53)		2,021	2,021		(2,021)	(2,021)	-
Adjustments between accounting basis and funding			-			-	-
basis under regulations (Note 6)	1,273		1,273	(1,273)		(1,273)	-
Net decrease before transfers to reserves	1,401	1,413	2,814	(1,392)	(2,021)	(3,413)	(599)
Transfers to/from earmarked reserves (Note 33)	-		-				
Increase / (decrease) in 2012/13	1,401	1,413	2,814	(1,392)	(2,021)	(3,413)	(599)
Balance at 31 March 2013	**19,239**	**874**	**20,113**	**166,535**	**17,192**	**183,727**	**203,840**

GROUP CASH FLOW STATEMENT

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

2011/12 Restated £'000		2012/13 £'000	2012/13 £'000
	Operating activities		
(7,327)	Council Tax receipts	(7,565)	
(4,658)	National non-domestic rate receipts from national pool	(5,608)	
(39,975)	DWP grants for benefits	(40,491)	
(3,137)	Other government grants	(2,771)	
(7,203)	Rents (after rebates)	(7,931)	
(18,980)	Cash received for goods and services	(13,855)	
(284)	Interest received	(76)	
-	Other receipts from operating activities	(4,608)	
(81,564)	**Cash inflows generated from operating activities**		(82,905)
21,977	Cash paid to and on behalf of employees	14,005	
20,723	Housing Benefit paid	21,088	
204	Precepts paid	180	
460	Payments to Capital Receipts Pool	271	
21,765	Cash paid to suppliers of goods and services	18,931	
1,301	Interest paid	1,629	
7,537	Other payments for operating activities	6,741	
73,967	**Cash outflows generated from operating activities**		62,845
(7,597)	**Net cashflows from operating activities**		**(20,060)**
	Investing activities		
11,301	Purchase of property, plant and equipment, investment property and intangible assets	11,919	
1,001	Other payments for investing activities	1,450	
(1,909)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,609)	
(8,397)	Proceeds from the sale of short and long term investments	(4,463)	
(347)	Other receipts from investing activities	(14)	
1,649	**Net cashflows from Investing activities**		**5,283**
	Financing activities		
(135,677)	Cash receipts of short and long term borrowing	(16,990)	
-	Other receipts from financing activities	(418)	
114,092	Repayments of short- and long-term borrowing	20,400	
27,414	Payment to Secretary of State - Self Financing of HRA	-	
	Other payments for financing activities	8,308	
5,829	**Net cash flows from financing activities**		**11,300**
(119)	**Net increase (-) / decrease in cash and cash equivalents**		**(3,477)**
954	Cash and cash equivalents at beginning of the year		1,073
1,073	Cash and cash equivalents at the end of the year (note 47)		4,550
119			**3,477**

NOTES TO THE GROUP ACCOUNTS

These notes follow on from those of the council's single entity accounts above, since many of these are also applicable to the group accounts. Notes that are unique to the group accounts are shown below.

43. Cheltenham Borough Homes Limited

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

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

The audited group accounts for CBH Ltd (including CBHS Ltd) show net liabilities at 31st March 2013 of £1,442,952 (net liabilities of £356,934 at 31st March 2012) and a trading profit of £113,982 in the year to 31st March 2013 (compared to a profit of £185,793 in the year to 31st March 2012). The net liabilities have increased mainly due an increased pension liability of £1.29 million, resulting from actuarial losses.

The net liabilities of Cheltenham Borough Homes are valued at cost (in accordance with company accounting rules) and may not therefore reflect their market value. The directors consider it appropriate to prepare the accounts on a going concern basis which assumes the company will be able to meet its liabilities as they fall due. The accounts of the company do not show any contingent liabilities or assets at 31 March 2013. The council's commitment to meet losses is limited to the shares that it holds.

The accounts of Cheltenham Borough Homes Ltd and Cheltenham Borough Homes Services Ltd for the year ending 31st March 2013 can be obtained from the Company Secretary at the company's registered office – Cheltenham House, Clarence Street, Cheltenham, Gloucestershire, GL50 3RD.

During the year the council loaned Cheltenham Borough Homes £2 million towards the cost of a new housing development at St. Pauls.

44. Gloucestershire Airport Limited

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

The registered name of the airport company is Gloucestershire Airport Ltd (Registration No. 02774189). The draft accounts of the company show net assets at 31st March 2013 of £633,996 (compared to restated net assets of £903,441 at 31st March 2012) and an after tax profit of £28,155 for the year to 31st March 2013 (£92,103 to 31st March 2012 as restated). The main reason net liabilities have reduced is due to a significant increase in the net pension deficit, resulting mainly from an actuarial loss of £0.364 million. The council's commitment to meet losses is limited to the shares that it holds.

The following table discloses the council's share of the Airport's results and net assets as follows:

	Gloucester-shire Airport Limited 2012/13 £'000	Council's share 2012/13 £'000	Gloucester-shire Airport Limited 2011/12 £'000	Council's share 2011/12 £'000
Turnover	4,369	2,184	4,249	2,124
Profit on ordinary activities before taxation	68	34	109	55
Tax on profit on ordinary activities	40	20	16	8
Profit for the financial year after taxation	28	14	92	46

	31 March 2013 £'000	31 March 2013 £'000	31 March 2012 Restated £'000	31 March 2012 Restated £'000
Fixed Assets	5,250	2,625	4,379	2,189
Current Assets	1,113	556	1,187	593
Liabilities due within one year	1,370	685	1,222	611
Liabilities due after one year	2,373	1186	1,769	884
Net Pension Liability	1,937	968	1,672	836

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

The Airport did not pay any dividends in the year to 31st March 2013 (nil to 31st March 2012). Equity dividends proposed by the Board of Directors of the Airport are not recorded in the Airport's financial statements until they are approved by the shareholders at the annual general meeting and are recorded as a movement on retained profits.

During 2011/12 the council loaned £1.195 million to the Airport towards the cost of the runway safety project. This loan is shown as a long term debtor on the council's balance sheet. In addition the council provided the Airport with a temporary overdraft facility during 2012/13 of £0.350 million.

The accounts of Gloucestershire Airport Ltd for the year ending 31st March 2013 can be obtained from the Managing Director at the company's registered office - The Tower Building, Staverton, Nr Cheltenham, Gloucestershire, GL51 6SR.

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

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

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

This upward revaluation results in an increase in Unusable Reserves in the group accounts compared to the council's own accounts of £15.3 million, of which £8.8 million relates to operational property (so included in the Revaluation Reserve) and £6.5 million investment property (so included in the Capital Adjustment Account). If the Airport charged depreciation on the operational element of the re-valued assets the charge would be around £0.4 million, based on a life of 30 years.

In the autumn of 2009, the council agreed to facilitate borrowing to finance the runway safety project at Gloucestershire Airport, to provide a safer runway with a computerised instrument landing system (ILS). This will enable the airport to attract more profitable corporate business, increase the profitability for the airport and the council, a shareholder in the company.

The construction works on two of the key aspects of the project were completed in Spring 2012. The procurement and related works for the implementation of the ILS have been completed and await Civil Aviation Authority (CAA) approval.

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

45. UBICO Limited

Ubico Ltd was established during 2011/12 and commenced operations on 1 April 2012, providing environmental services (street cleaning, refuse collection, recycling and grounds maintenance) to Cheltenham Borough Council for the full financial year 2012/13, and for Cotswold District Council from 6 August 2012.

The company provides services to the shareholder councils on a not-for-profit basis and therefore qualifies for the Teckal exemption (named after the EU case that established the principle). In these circumstances the company is treated as if it were an in house department and the shareholder councils are able to enter into service contracts with the company without undertaking an EU compliant procurement process. The company must ensure that the percentage of work undertaken outside of the shareholder contracts is less than 10% of its total activity. The company also provides ad-hoc services to third parties and provides supplies and services to Tewkesbury Borough Council and Cheltenham Borough Homes.

The company (registration No. 07824292) is limited by guarantee and governed by its memorandum and articles of association. The liability in respect of the guarantee is set out in the memorandum of association and is limited to £1 per member of the company. The audited accounts of the company show a net liability at 31st March 2013 of £446,901 and an after tax profit of £25,097 for the 17 months ending 31 March 2013, both attributable mainly to pension costs.

The company's accounts for the 17 months ending 31st March 2013 can be obtained from the Managing Director at the company's registered office – Central Depot, Swindon Road, Cheltenham GL51 9JZ.

46. Short term debtors

These are as stated in note 29 to the single entity statements, with the addition of CBH debtors (excluding those with the council). All of the CBH external debtors are sundry debtors.

47. Cash and Cash Equivalents

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

	31st March 2013 £'000	31st March 2012 £'000
Cash held by the Authority and subsidiaries	9	21
Bank current accounts of the Authority and subsidiaries	792	222
Short term deposits	3,836	2,602
Cash and cash equivalent assets	**4,637**	**2,845**
Cash and cash equivalent liabilities - bank overdraft	**(87)**	**(1,772)**
Net Cash and cash equivalents per Cash flow Statement	**4,550**	**1,073**

48. Short term Creditors

	31st March 2013 £'000	31st March 2012 £'000
Central Government Bodies	4,562	4,474
Other Local Authorities	1,161	748
NHS bodies	7	40
Public corporations and trading funds	-	185
Other entities and individuals-		
- Council Taxpayers	75	66
- Ubico Ltd	675	-
- Housing Rents	174	141
- Sundry Creditors	5,255	4,587
	11,909	**10,241**

49. Group Property, Plant & Equipment

2011/12 Restated									2012/13							
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
								Cost or valuation								
152,037	75,537	5,578	8,454	226	25	3,075	244,932	At 1 April	158,634	75,519	7,662	9,114	226	4,017	4,598	259,770
6,749	79	2,102	660	-	-	1,523	11,113	Additions	4,137	404	488	541			6,181	11,751
713	(47)	-	-	-	-	-	666	Revaluation increases / (decreases) recognised in the Revaluation Reserve						3,759		3,759
-	-	-	-	-	-	-	-	Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services								-
(277)	(50)	(18)	-	-	-	-	(345)	Derecognition - disposals	(1,504)		(1,654)			(188)		(3,346)
-	-	-	-	-	3,404	-	3,404	Assets reclassified to/from held for resale						(281)		(281)
(588)	-	-	-	-	588	-	-	Other Reclassifications	6,178	(49)				31	(6,263)	(103)
-	-	-	-	-	-	-	-	Other movements								-
158,634	**75,519**	**7,662**	**9,114**	**226**	**4,017**	**4,598**	**259,770**	**At 31 March**	**167,445**	**75,874**	**6,496**	**9,655**	**226**	**7,338**	**4,516**	**271,550**
								Accumulated Depreciation and Impairment								
(3,172)	(3,777)	(2,866)	(845)	-	-	-	(10,660)	At 1 April	(6,431)	(5,612)	(3,617)	(1,072)	-	(320)	-	(17,052)
(3,259)	(1,842)	(783)	(227)	-	-	-	(6,111)	Depreciation charge	(5,064)	(1,805)	(665)	(241)				(7,775)
-	-	-	-	-	-	-	-	Depreciation written out to the Revaluation Reserve		6				(6)		-
-	-	-	-	-	-	-	-	Depreciation written out to the surplus/ deficit on the provision of services								-
-	-	-	-	-	-	-	-	Impairment losses / (reversals) recognised in the Revaluation Reserve	(712)					320		(392)
-	-	-	-	-	-	-	-	Impairment losses / (reversals) recognised in the surplus / deficit on the provision of services	(2,190)	(102)						(2,292)
	7	32	-	-	-	-	39	Derecognition - disposals			118					118
-	-	-	-	-	(320)	-	(320)	Assets reclassified to/from held for resale								-
-	-	-	-	-	-	-	-	Other Reclassifications								-
-	-	-	-	-	-	-	-	Other movements								-
(6,431)	**(5,612)**	**(3,617)**	**(1,072)**	**-**	**(320)**	**-**	**(17,052)**	**At 31 March**	**(14,397)**	**(7,513)**	**(4,164)**	**(1,313)**	**-**	**(6)**	**-**	**(27,393)**
152,203	**69,907**	**4,045**	**8,042**	**226**	**3,697**	**4,598**	**242,718**	**Net Book Value at 31 March**	**153,048**	**68,361**	**2,332**	**8,342**	**226**	**7,332**	**4,516**	**244,157**

50. Other Long term liabilities

These mainly comprise the group pension fund liabilities of Cheltenham Borough Council and Cheltenham Borough Homes Ltd. Further details of the council's liabilities are included in note 42 on pages 80 to 85 and for CBH in their accounts. Due to an actuarial loss of £1.2 million during the year the CBH accounts show a pension liability at 31st March 2013 of £2.272 million (liability of £0.979 million at 31st March 2012).

51. Long term investments and Long term debtors

Long term investments differ from note 27 in the single entity accounts by the shares in Gloucestershire Airport of £0.435 million, which are replaced in the group accounts by a long term investment in the Airport of £15.681 million, shown immediately below long term investments.

Long term debtors differ from note 27 in the single entity accounts by the elimination on consolidation of the loan to CBH Ltd of £3.384 million.

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

52. Usable Reserves

These are detailed in the Group Movement in Reserves Statement.

53. Group Movements in the Movement in Reserves Statement

Adjustments are required between Group usable and unusable reserves for the receipt by CBH of social housing capital grants of £1.290 million in 2012/13 (£1.490 million in 2011/12). These has been credited to the Taxation and non specific grant income line within the Group Comprehensive Income and Expenditure Statement and transferred to the Capital Adjustment Account (part of unusable reserves) in the Group Balance Sheet, as they have been used to finance new housing properties under construction by CBH.

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

54. Unusable Reserves

Reserve	31st March 2012 Restated £'000	31st March 2013 £'000
Revaluation Reserve	46,677	52,610
Capital Adjustment Account	189,385	189,046
Financial Instruments Adjustment Account	(2,734)	(2,583)
Collection Fund Adjustment Account	55	4
Pensions Reserve	(46,272)	(56,380)
Deferred Capital Receipts Reserve	113	1,091
Accumulating Compensated Absences Adjustment Account	(84)	(61)
Total Unusable Reserves	**187,140**	**183,727**

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

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

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

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

	2012/13 £000's	2011/12 £000's
Expenditure		
Repairs and maintenance	(3,777)	(3,974)
Supervision and management	(6,092)	(6,024)
Rents, rates, taxes and other charges	(28)	(35)
Payment to Secretary of State - Self Financing Settlement	-	(27,414)
Negative HRA Subsidy payable	5	(3,255)
Depreciation and impairment of non-current assets	(7,419)	(3,447)
Debt management costs	(47)	(56)
Movement in the allowance for bad debts	(91)	(156)
Rent rebates subsidy limitation	(65)	(87)
Total Expenditure	**(17,514)**	**(44,448)**
Income		
Dwelling rents	17,706	16,660
Non-dwelling rents	433	420
Charges for services and facilities	534	536
Contributions towards expenditure	357	364
Total Income	**19,030**	**17,980**
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	**1,516**	**(26,468)**
HRA services' share of Corporate and Democratic Core	(146)	(127)
Net Cost for HRA Services	**1,370**	**(26,595)**
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
Gain/(Loss) on sale of HRA non-current assets	690	385
Interest payable and similar charges	(1,737)	(548)
Interest and investment income	40	83
Capital contributions	0	72
Deficit for the year on HRA Services	**363**	**(26,603)**

MOVEMENT ON THE HRA STATEMENT

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

2011/12 £000's		2012/13 £000's
(26,603)	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	363
26,027	Adjustments between accounting basis and funding basis under statute	102
(576)	**Net Increase in year on the HRA**	**465**
3,673	**Balance on the HRA at the end of the previous year**	**3,097**
3,097	**Balance on the HRA at the end of the current year**	**3,562**

NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

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

2011/12 £000's		2012/13 £000's
	Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Statement	
125	Impairment losses	2,190
(72)	Capital contributions	
27,414	Payment to Secretary of State – Self Financing Debt Settlement	
(385)	(Gain)/Loss on sale of HRA fixed assets	(690)
27,082		**1,500**
	Items not included in the HRA Income and Expenditure Account but included in the Movement on the HRA Statement	
(9)	Amortisation of premiums and discounts	(6)
81	Transfer from Major Repairs Reserve (net)	
	Debt Repayment	(1,392)
(1,127)	Capital expenditure funded by the HRA	
26,027	**Net adjustments between accounting basis and funding basis under regulations**	**102**

2. Housing Stock

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

Type	1st April 2012	Additions	Sales	31st March 2013
Houses & Bungalows	2,206		11	2,195
Flats	2,373		2	2,371
Shared Ownership (flats)	18		1	17
Total Stock	**4,597**		**14**	**4,583**

3. HRA Fixed Assets

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

	1st April 2012 £000's	Transfers £000's	Additions £000's	Impairment £000's	Disposals £000's	Depreciate £000's	31st March 2013 £000's
Dwellings	149,585		4,138	(2,902)	(564)	(5,032)	145,225
Garages	1,001		64	(102)		(24)	939
Infrastructure	2,832		540			(71)	3,301
Surplus Assets	588	(281)					307
Assets Held for Sale		281					281
Investment Property	3,602				(130)		3,472
Total net fixed assets	**157,608**		**4,742**	**(3,004)**	**(694)**	**(5,127)**	**153,525**

4. Impairment of Assets

HRA assets are revalued every five years (the last revaluation was undertaken on 1st April 2010). In interim years changes in dwelling valuation are based on movement in regional land registry values. Where these show a reduction in value an impairment charge is charged firstly against any prior revaluation surplus (£711,529 in 2012/13) with any residue chargeable to the HRA income and expenditure statement (£2,190,072 in 2012/13). This charge is reversed through the Movement on HRA statement in accordance with the Item 8 Determination published by the Department of Communities and Local Government.

Impairment on garages recognises that capitalised repairs undertaken in the previous year have not increased the interim valuation of the assets.

5. Dwelling Valuation

The vacant possession value of dwellings within the HRA at 1st April 2012 was £473,173,048
This valuation and the lower Balance Sheet valuation show the economic cost to Government of providing council housing at less than open market rents.

6. Major Repairs Reserve

An analysis of movements on the reserve is shown below:

	£000's
Balance 1st April 2012	
Transfer to reserve	5,126
Finance of HRA capital expenditure	(4,727)
Balance 31st March 2013	**399**

7. HRA Capital Expenditure

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

Sources of Finance HRA Capital Expenditure	Total Expenditure £000's	Major Repairs Allowance £000's	Capital Receipts £000's
Major Repairs & Improvements	4,123	4,123	
Garages	64	64	
Infrastructure	540	540	
Repurchase of shared ownership flats	15		15
Total	**4,742**	**4,727**	**15**

8. HRA Capital Receipts

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

	2012/13 £000's	2011/12 £000's
Sale of Dwellings	882	507
Sale of Investment Property	275	
Mortgage Principal	16	39
Discounts repaid on former Council dwelling sales		11
Sale of Shared Ownership Flats	94	128
Land	137	15
Total	**1,404**	**700**

10. HRA Subsidy

The council's entitlement to HRA subsidy was calculated in accordance with the subsidy determination for the year and is analysed into its component elements below. The system was abolished at 31st March 2012 following the introduction of the new self financing regime. An adjustment of £5,089 relating to the final settlement for 2011/12 was recognised and received in 2012/13.

	2012/13 £000's	2011/12 £000's
Management Allowance		2,870
Maintenance Allowance		5,725
Charges for Capital	5	791
Major Repairs Allowance		3,241
ALMO Allowance		-
Guideline Rent Income		(15,877)
Interest on Receipts		(5)
Total Net Subsidy Receivable/ (Payable)	**5**	**(3,255)**

11. Rent Arrears

Rent arrears at 31st March 2013 amounted to £548,831 (£513,705 as at 31st March 2012) and the Balance Sheet includes a bad debt provision of £348,000 relating to those arrears (£321,000 as at 31st March 2012).

12. Rent Rebates Subsidy Limitation

The Secretary of State has directed that the additional cost of rent rebates granted to tenants which arises from council rents being in excess of the specified limit should be charged to the HRA and credited to the General Fund. In 2012/13 this amounted to £65,000 (£87,029 in 2011/12), a figure which will reduce in future years as government policy on rent restructuring is implemented.

13. Interest and investment income

This is made up of £3,166 mortgage interest and £37,350 on notional cash balances (£4,017 and £79,200 respectively in 2011/12).

THE COLLECTION FUND - INCOME AND EXPENDITURE ACCOUNT

INCOME	**2012/13** **£'000**	**2011/12** **£'000**
Council Taxpayers	56,066	55,887
Transfers from General fund		
- Council Tax benefits	6,863	7,035
Income collectable from business ratepayers	51,851	50,837
Bad and Doubtful Debts		
Decrease/(increase) in provision	49	(38)
Total Income	**114,829**	**113,721**
EXPENDITURE		
Precepts & Demands from County & District Councils	63,057	62,688
Business Rates		
Payment to National Pool	51,219	50,215
Costs of Collection	186	189
Interest on Repayments	1	17
Bad and Doubtful Debts		
Write Offs	359	448
Decrease/(increase) in provision	140	-
Surplus Distribution	268	456
Total Expenditure	**115,230**	**114,013**
(Deficit) / Surplus for the Year	**(401)**	**(292)**
Balance of fund at 1st April	432	724
Fund Balance as at 31st March	**31**	**432**

NOTES TO THE COLLECTION FUND

1. INCOME FROM BUSINESS RATEPAYERS

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

The total non-domestic rateable value at 31st March 2013 was £134.094m (£136.991m at 31st March 2012) and the national non-domestic multiplier for 2012/13 was 45.8p (43.30p in 2011/12), resulting in gross income before cost of collection and provision for bad debts and interest of approximately £51.2m (approximately £50m 2011/12). The income shown in the Collection Fund of £51.8m is net of these adjustments.

2. CALCULATION OF COUNCIL TAX

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

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

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

Band	Estimated Number of Properties in each Band (adjusted for discounts)	Ratio	Band "D" Equivalents
A	7,136.00	6/9	4,757.30
B	10,450.50	7/9	8,128.20
C	11,802.25	8/9	10,490.90
D	7,742.75	1	7,742.80
E	4,155.50	11/9	5,078,90
F	2,282.75	13/9	3,297.30
G	1,747.00	15/9	2,911.70
H	68.50	2	137.00
			42,544.10

Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation bandings, demolitions, disabled persons' relief and exemptions, plus adjustments for new properties and 2nd homes. (This amounts to 1.00% of the tax base).	(420.40)
Council Tax Base for 2012/13	**42,123.70**

3. PRECEPTS

The precepts on the Collection Fund are as follows:-

	2012/13 £'000	2011/12 £'000
Gloucestershire County Council	46,421	46,153
Cheltenham Borough Council	7,965	7,919
Gloucestershire Police Authority	8,501	8,451
Charlton Kings Parish Council	48	47
Leckhampton Parish Council	32	32
Prestbury Parish Council	58	56
Swindon Village Parish Council	9	7
Up Hatherley Parish Council	23	23
	63,057	**62,688**

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

4. FUND BALANCE

The balance of the Fund is to be shared between the council and its major precepting authorities in 2013/14 (Gloucestershire County Council and Gloucestershire Police Authority). The amounts are transferred to the council's general fund and the County Council and Police Authority funds.

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

	CBC share £'000	County share £'000	Police share £'000	Total £'000
Balance at 1st April 2012	55	319	58	432
Decrease in the Year	(51)	(296)	(54)	(401)
Balance at 31st March 2013	**4**	**23**	**4**	**31**

ANNUAL GOVERNANCE STATEMENT 2012-13

Scope of responsibility.

1. Cheltenham Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

2. There are legal and formal controls in place to ensure that it is clear who is accountable for money and governance controls at the local level. The Local Government Act of 1972 and 2000 (as amended) provide a current democratic the administrative governance arrangements for local government. The Cabinet is responsible for proposing the policy framework and budget to Council, once agreed; the Cabinet then goes on to implement those decisions.

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

4. Cheltenham Borough Council has approved and adopted a Code of Corporate Governance (CCG), which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. It also complies with additional guidance issued within an addendum to the framework in December 2012, which includes advice on how the Annual Governance Statement should give an increased emphasis on the Councils strategic approach.

5. A copy of the local Code of Corporate Governance (CCG) can be downloaded from the Council's website or a copy can be obtained from the Municipal Offices, Promenade, Cheltenham Gloucestershire GL50 9SA.

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

The purpose of the CCG – the Governance Framework

7. The governance framework comprises the systems, processes, culture and values, by which we direct and control our activities and through which we account to, engage with and lead the community. It enables us to monitor the achievement of the strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

8. The internal controls are a significant part of the framework to support the management risk to a reasonable level. The system of internal control is based on an ongoing process designed to identify and prioritise risks to support the achievement of our objectives and actions.

9. The CCG for the period commencing 1st April 2012 was reviewed by the Corporate Governance Group and approved by the Audit Committee in March 2012.

The Governance Framework

10. The CCG identifies 6 principles that underpin the effective governance of the Council, and these have been used when assessing the adequacy of its governance arrangements. The main elements that contribute to these arrangements are set out below:

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

11. Cheltenham Borough Council has a 5 year Corporate Strategy (2010 -15) which clearly articulates how the Council will deliver better outcomes for the community either directly or in partnership.

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

13. The Corporate Strategy sets out its vision for the long-term future of Cheltenham;

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

14. This vision and its relevance are considered and challenged every year as part of the overall development of the Corporate Strategy Action Plan.

15. The Council formally agreed in June 2010 to adopt a strategic commissioning approach to put a strong focus on understanding the needs of Cheltenham and its people in designing outcomes for our services.

16. This approach has meant that we work much more closely (including sharing budgets where appropriate) with other parts of the public service and the voluntary and community sector (VCS) including the making of objective, transparent, evidence-based decisions about how services should be provided and by whom.

17. We are now recognised as a commissioning council that puts a strong focus on understanding the needs of Cheltenham and its people in designing outcomes for our services. By using a strategic commissioning approach we are seeking to improve the outcomes for people who rely on the Council and the wider public sector whilst at the same time creating opportunities for financial savings.

Commissioning

18. During 2012/13 there were 5 key commissioning reviews;

    - Leisure and Culture services (ongoing)
    - Green Environment (ongoing)
    - ICT (complete)
    - Housing Options (ongoing)
    - Car Parking (complete).

19. These reviews broadly followed the commissioning cycle and where possible took advantage of opportunities to deliver services more effectively with partners.

20. The Leisure and Culture commissioning review of the council's leisure and culture services has continued during the year, aimed at ensuring that outcomes agreed by Cabinet in

December 2011 are delivered and sustained. Following an appraisal of different management options it was recommended that, subject to the results of a procurement process, a new charitable trust be created by April 2014 to operate the services. The recommendation was agreed by Cabinet in December 2012 and the procurement process began immediately.

21. Cheltenham Borough Council and Cotswold District Council formed a Local Authority Company (Ubico) from April 2012 and are partners in the wider Gloucestershire Joint Waste Partnership. There is potential for other local authorities to join in the future. This will provide the opportunity for improving outcomes and value for money within Cheltenham and the wider partnership area.

22. The Cabinet agreed a Medium Term Financial Strategy which is in line with the priorities as set out in the Council's Corporate Strategy and identifies any expenditure which may need to be incurred to meet new legislation, community needs and financial restraints. In order to address year on year budget shortfalls, efficiency savings and new or improved income, the Council has described within its Budget Strategy how it will broadly achieve the budget gap target while keeping Council tax at a reasonable level. Each year the Council looks to areas where it can make its efficiency savings, budget cuts or gain additional income, by not impacting on its ability to deliver in priority areas.

23. In February 2012, Cabinet and Council members met to discuss the final budget report for 2012/13. The Government had announced that it would cut on-going support to the Council by a further £534k in 2012/13 which cumulatively equated to a 23% cut over two years. As a result, the Council had to identify, prioritise and make savings to meet this funding gap.

Principle 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles.

24. The Council's Constitution defines and documents the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication and decision making. The Council Leader has allocated executive functions to himself, Cabinet Members, Cabinet and officers and those functions are undertaken in accordance with the Council's Budget and the Policy Framework (which includes the 5 year Corporate Strategy).

25. The Council's Constitution and Policy Framework are approved by Council, and is subject to periodic review. The Council has a Constitution Working Group comprising of elected Members and officers.

26. The Council's Constitution and Policy Framework are approved by Council, and is subject to periodic review. The Council has a cross party Constitution Working Group comprising of elected Members and is supported by officers.

27. There were three Overview and Scrutiny committees that held the bodies exercising executive functions to account through the scrutiny process and assisted with policy formulation via their overview function; from May 2012, this was reduced to one with the objectives of making the scrutiny process more effective and achieving positive outcomes for local people. The new committee has a managing and co-ordinating role and commissions scrutiny task groups to carry out the more detailed work.

28. Scrutiny task groups are set up by the Overview and Scrutiny Committee to examine specific issues in detail and they tend to work more flexibly and informally. The review could be of an existing policy or service but scrutiny task-groups can also look to develop new policies. Their terms of reference are set by the main committee and the task group

reports are reviewed by that committee before forwarding their recommendations to Cabinet or other body as appropriate.

29. The Audit Committee meets four times per year and its terms of reference are set out in the Council's constitution. The Council's external auditors have access to the committee, and the committee also has responsibility for overseeing the risk management process. A review of the Risk Management Policy including the Risk Scorecard took place in March 2013 to ensure that they reflected the changes brought because of the Commissioning activities.

30. The Localism Act 2011 abolished the statutory national standards framework for elected Members and removed the requirement for a Statutory Standards committee. In May 2012 the Council decided to retain a local Standards committee.

31. The Appointments Committee conducts the recruitment, assessment and interview process for the appointment of the Chief Executive, Executive Directors and Directors. It is also responsible for determining the conditions on which those officers hold office, including deciding matters relating to their early retirement.

32. The Council has a Chief Executive who is the Head of Paid Service which is a statutory position as defined within the Local Government and Housing Act 1989. The Chief Executive co-ordinates the Councils activities, including its management structure, the number of staff employed and the salary grades of chief officers.

33. A pay policy statement is required to be produced annually under section 38 of the Localism Act. The Council agreed its 2012/13 statement in March 2013 which is available to employees through the intranet and to the public through the internet.

34. The Council approved revisions to the Constitution in March 2012; Article 2 refers to the roles and functions of elected Members while Article 12 refers to the roles and responsibilities of the statutory officers.

35. The Council also approved a revised Code of Conduct for all employees on the 26th March 2012 and was revised again in December 2012, providing additional information on roles and responsibilities.

36. The Council designated the Borough Solicitor as Monitoring Officer. The Monitoring Officer function is to ensure compliance with established policies, procedures, laws and regulations. The Monitoring Officer must report to the Council, after consulting with the Head of Paid Service (Chief Executive) and Director of Resources (section 151 officer), if any proposal, decision or omission would give rise to unlawfulness or maladministration.

37. To ensure compliance with the Financial Procedure Rules set out in the constitution, the Council has designated the Director of Resources as Chief Finance Officer, in accordance with Section 151 of the Local Government Act 1972. The role is supported through a robust system of financial management. This officer is a key member of the Leadership Team, helping it to develop and implement the authority's strategic objectives ensuring alignment with the authority's financial strategy

38. The Executive Board and the Senior Leadership Team have clear terms of reference and provide guidance and advice to Members on policy options and implications. All public reports identify options, the financial, legal and HR implications as well as any risks associated with the issue.

39. The Council's internal audit function is provided by Audit Cotswolds which reports to the Council's Audit Committee. In September 2009 the Audit & Assurance Services for

Cheltenham Borough Council entered into a partnership with the Internal Audit Services at Cotswold District Council. This was expanded in 2010 to include West Oxfordshire District Council. Audit Cotswolds is managed by a Partnership Board with its own Terms of Reference through a Section 101 Agreement and representatives from each authority.

40. The Audit Cotswolds partnership is managed by the Head of Internal Audit whose role has been defined in the S101 and a job description; both of which help to ensure the CIPFA 'Role of the Head of Audit' standard is delivered as set out below:

   - Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments
   - Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control
   - Must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee
   - Must lead and direct an internal audit service that is resourced to be fit for purpose
   - Must be professionally qualified and suitably experienced

41. Annually the Head of Internal Audit produces a report summarising the work of Internal Audit (IA) and gives an overall opinion on the level of internal control that exists within the systems audited.

42. The Council has a Corporate Governance Group with agreed Terms of Reference and is chaired by the Chief Executive. It reviews the effectiveness of the Council's internal controls and reports the results to the Audit Committee.

43. From October 2012 the external audit function was provided by Grant Thornton who were appointed by the Audit Commission to replace KPMG. In September 2012 KPMG published its report to those charged with governance (ISA 260) where they confirmed that the wording of the 2011/12 Annual Governance Statement accords with their understanding;

   - *that it complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE in June 2007; and*
   - *that it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.*

44. The Council has a treasury management panel with cross party support from Members that oversees the Council's Treasury Management Strategy and an Asset Management Working Group that oversees the way in which the Council manages its property assets in line with the Medium Term Financial Strategy.

45. The Council's policies are easily accessible to employees and Members on the intranet and they are also provided with update/briefing seminars as appropriate.

Principle 3 - Promoting the values of the Council and demonstrating the values of good governance through behaviour.

46. In 2004 the Council adopted a series of nine values that underpin everything it does; these are promoted to staff and Members on the intranet and were incorporated into the Council's competency framework which forms part of the annual appraisal of employees.

47. The CCG was reviewed and revised then approved by the Audit Committee in March 2012. This code is the Council's Internal Control Framework and clearly sets the aspirations of the Council in ensuring that there are effective governance arrangements.

48. All Members and officers are subject to codes of conduct and periodically training sessions are held. A wide range of training was made available to all Members following the May elections in 2012. This included Code of Conduct and Standards, introduction to planning, introduction to licensing, risk management and what is meant by being a commissioning Council.

49. Members and officers must declare any interests and registers of such declarations are maintained by Democratic Services and HR respectively. The Council's Monitoring Officer is responsible for ensuring that reported breaches of the Code of Members' Conduct are investigated appropriately. The Code of Members' Conduct was reviewed in June 2012 in the light of the abolition of the national standards framework.

50. The Chief Executive, members of the Senior Leadership Team and the Corporate Governance Group routinely promote good governance messages to employees and elected Members via email and the intranet.

51. The Council's Whistle Blowing Policy was revised in August 2010 and its Anti-Fraud and Anti-Corruption Policy was replaced by the Counter Corruption and Fraud Policy in September 2012 to align them to the requirements of the new Bribery Act and the working arrangements of the Audit Cotswolds. These documents are available to the public on the Council web site, and accessible to Members and employees from the intranet site.

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

53. Certain Members are appointed to represent the Council on outside bodies i.e. companies, charities and unincorporated associations. The Council's Constitution includes guidance to officers and Members who take an active part in these organisations.

54. This guidance was reviewed and updated to reflect best practice and changes to the CBC Code of Members' Conduct. The Guidance includes a checklist of issues that should be considered in the event of being nominated to an outside body. Members and officers that sit on the boards of companies are expected to be trained in line with the guidance specified within the UK Corporate Governance Code.

Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

55. In December 2010 the Council, as required by legislation, adopted new executive arrangements based on the new style strong leader and Cabinet model to take effect from May 2012. As the Council already operated executive style arrangements the main differences with the new model is that the Leader is appointed for a 4 year term (subject to removal by Council) and must appoint a deputy leader.

56. Prior to May 2012 there were three overview and scrutiny committees that held the Cabinet to account. A review involving officers and Members took place during 2011/12 to consider the work of these committees, following this review Council agreed in December 2011 that the new arrangements should be centred on a single overview and scrutiny committee supported by task and finish groups from May 2012.

57. Arrangements are in place for publishing all Council committees' agendas and minutes.

58. The Council has embraced the government's transparency agenda and regularly publishes information on spending, contracts, senior officer roles and responsibilities together with their salaries.

59. The Council has agreed data sharing protocols with GO shared service, Ubico and the Gloucestershire Joint Waste Partnership, which allows for the sharing of data between the organisations and provides arrangements for making sure that it remains secure.

60. The Council has a complaints and comments system for members of the public. Complainants may also refer matters to the Local Government Ombudsman for investigation once they have been through the Council's complaint system.

61. In July 2010, the Council agreed and published guidance and procedures for the way in which it deals with petitions from members of the public which may include a debate at Council or the matter being considered by Overview And Scrutiny Committee.

62. The Council has a performance monitoring system which provides up to date information as to how the Council is performing against a number of performance measures and milestones, including those set out in the Corporate Strategy and action plan.

63. The Audit Committee annually review the Corporate Risk Management Policy and a report on the risk management activities that have taken place during the year.

64. The Senior Leadership Team are responsible for the management of the corporate risk process, including the identification of risks, mitigating actions, deadlines and the details of the responsible officers. These are updated and reported to them on a monthly basis. Divisional risks are the responsibility of Directors and individual service managers. Any divisional risk that has corporate implications and scores 16 or over is escalated to the Senior Leadership Team for consideration.

65. The Information Management Group reviewed a range of policies including Data Quality and Record Management Policy. The Council put in place Data sharing Protocols that reflect partnership working and the sharing (where appropriate) of information with other organisations.

66. Internal audit reviewed the 2011/12 Annual Assurance process in May 2012; the outcome of which was used to improve the review for 2012-13.

67. Cheltenham Borough Council's budget is set annually and agreed by Council. Monitoring reports are presented to Cabinet and an Outturn Report and Annual Statement Of Accounts is approved by the Audit Committee.

Principle 5 - Developing the capacity and capability of Members and officers to be effective.

68. All Members were offered training across a whole range of subjects following the May 2012 elections this included Risk management, corporate governance and the Code of Conduct and Standards and what is meant by being a commissioning Council. Members also have access to the Learning Gateway and can attend any training course that is currently being offered to employees.

69. Officer learning and development needs are identified through the appraisal process and 1-2-1s and fed into the professional and corporate training programmes.

70. In addition to supporting delivery of the Council's Corporate Strategy during 2012-13 the Chief Executive Officer introduced the Cheltenham Futures programme to build on the progress of commissioning services from external providers.

71. This programme comprises of three work streams, one of which considers the council's performance and organisational culture. This includes culture, pay and reward. Work on culture and behaviours (review of competencies) is underway, linked to appraisal as is work on how best to ensure that pay and conditions continue to attract, retain and reward employees of Cheltenham Council of the future.

72. The other two themes to the strategic based Futures programme are;

1. Direct Council Provision/Unified Management
    - To provide for the management of services currently part of Wellbeing and Culture but not part of the Leisure and Culture review
    - To place all direct provision under a single senior manager on an interim basis to facilitate rationalisation and restructuring
    - To deliver efficiency savings in 2013/14
    - To establish a permanent service structure.

2. Central Services
    - To take early steps to 'right size' the Resources and Commissioning divisions to meet future Council requirements
    - To introduce service failure scenario and risk planning
    - To prepare for the amalgamation of the Resources and Commissioning divisions.

73. The programme will create a Council whose function, form and culture is being adapted to the strategic and operational needs of its customers and of a commissioning organisation.

Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability

74. Cheltenham Borough Council through the Cabinet is accountable for allocating resources. There are a range checks and systems in place to provide assurance that they achieve value for money.

75. Councillors have to make judgements about what 'value for money' means in local terms and where available resources need to be allocated to match what their communities need. These decisions are based on a range of information including consultation exercises and advice from officers.

76. Cheltenham Borough Council engages with local residents via a number of different mechanisms; council officers and elected members attend regular meetings of the 14

neighbourhood co-ordination groups where local priorities for action are agreed by local residents, the council also supports and engages with 11 "Friends of…" groups, plus resident associations, trader associations and PACT (Partners and Communities Together) groups. The council also supports and engages with communities of interest via groups such as the Cheltenham Pensioners Forum and the Sahara Saheli women's group.

77. Cheltenham Borough Council engages with stakeholders who represent the local community and with the key service providers through the well established Cheltenham Partnership whose vision is that;

"All people in Cheltenham are able to live happy, successful and productive lives in strong, resilient and healthy communities".

78. The Council contributes towards providing strategic leadership for Cheltenham through the partnership structures, ensuring that we use our resources carefully to make the greatest difference to people's lives through aligning our commissioning arrangements.

79. The three main elements of the structure are:

- **Positive Participation Partnership**
- **Positive Lives Partnership**
- **Strategic Leadership Group**

80. The Cheltenham Partnership has agreed an Action Plan which identifies the most-pressing issues for partnership activity. It also identifies where there is a willingness from partners to work collectively on solutions and where there is alignment with priorities set at a county level e.g. by the Police and Crime Commissioner, the Health and Wellbeing Board, the Children's Partnership and the Local Enterprise Partnership.

81. The Council's Corporate Strategy Action Plan includes specific commitments to support the delivery of these priorities.

82. The Council has an established web site which provides access to 14 of its services online, which was accessed 9639 times during the year to tell us about issues of concern. We took steps to improve the interactive nature of the website by developing systems that allow improved access to Council services and information. All of the Council's committee meetings have their agendas, minutes and supporting papers published on the website.

Delivery of services and outcomes through third parties

83. The legal services function is delivered through a Section 101 Agreement with Tewkesbury Borough Council who are the lead authority for One Legal. The effectiveness of the governance arrangements of One Legal are monitored on a regular basis through a number of means including; One Legal management team meetings and a Joint Monitoring liaison Group.

84. The Council formed a partnership with Cotswold District Council for the delivery of environment services using the Local Authority Company governance framework; the company is called Ubico Ltd. There is potential for other local authorities to join in the future. This will provide the opportunity for improving outcomes and value for money

within the wider partnership area. This approach provided the first step towards joined up waste services across Gloucestershire.

85. Ubico has its own internal control procedures and arrangements which are subject to internal and external audit. Annually, Audit Cotswolds review elements of the control procedures and report on the adequacy of arrangements. The company is overseen by a board of directors.

86. In October 2012 the Council agreed with Cotswold District Council, Forest of Dean District Council and Gloucestershire County Council to form the Gloucestershire Joint Waste Committee from the 1st April 2013.

87. Cheltenham Borough Council's Cabinet agreed in July 2011 to partner with three other councils, West Oxford DC, Forest of Dean DC, and Cotswold DC - to implement a new shared service called the GO shared service covering Finance, Procurement, Human Resources and Payroll. Employees involved in the provision of these services transferred (TUPE) into the employment of Cotswold District Council (as the employing council) from April 2012.

88. The Financial Rules were reviewed in co-ordination with the GO Partnership and approved by Council in October 2011.The new Rules allow greater conformity across the partnership organisations when processing work or customer accounts. Also, the Contract Rules were reviewed on the same basis and approved by Council in March 2012. Both sets of Rules took effect 1st April 2012.

89. The Council's internal audit function is provided by Audit Cotswolds which reports to the Council's Audit Committee. The Head of Audit Cotswolds is responsible for the Councils internal audit arrangements, including drawing up the internal audit strategy and annual plan and giving the annual audit opinion.

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

91. The Building Control Service was formed with Tewkesbury Borough council during November 2009 under the governance framework of a Section 101 Agreement for a 10 year period. There is a Joint Monitoring and Liaison Group made up of representatives from both authorities who monitor and manage the operational delivery of the service and any complaints.

92. The Council is a 50% shareholder of Gloucestershire Airport, which is a company limited by shares, and is subject to the requirements set by the Companies Act. There is a board of directors which monitors the company's performance and is responsible for internal control activities. The airport has a Board of Directors including a Managing Director and Head of Operations. The statutory accounts are audited each year by a private firm of

accountants, and presented to the board and shareholders; they are approved at the AGM. The Council's Director of Resources or designated representative receives regular management accounts for the airport, and either he or the Executive Director or their designated representative, attends the monthly airport programme board meetings.

93. Gloucestershire Airport hosts an Airport Consultative Committee whose purpose is to foster and maintain the best possible relations with local communities and other interest groups, including the shareholders. The committee has agreed terms of reference that include the contribution of the airport to the local, regional and national economy.

94. The Localism Act 2011 provides for a Community Right to Challenge and for a Community Right to Bid. The Council has published a process that allows eligible groups to express an interest in bidding to run a particular Council service. The Council has also published a process on the Community Right To Bid which aims to give community and voluntary sector groups, charities, parish and town Councils a right to identify a property that is believed to be of value to their social interests or social wellbeing and gives them a fair chance to make a bid to buy the property on the open market if the property owner decides to sell.

Review of effectiveness

95. Cheltenham Borough Council has responsibility under The Accounts and Audit (England) Regulations 2011 for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control and the arrangements for the management of risk. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Audit Cotswolds annual opinion report and also by comments made by the external auditors and other review agencies and inspectorates.

96. The effectiveness of the governance framework draws on evidence from:

- Internal and external audit and inspection
- Financial controls
- Risk and performance management
- Assurance statements from each division
- Legal standards
- Code of corporate governance.

97. The Council has an approved CCG and it has established a Corporate Governance Group which oversees the review of the effectiveness of the CCG governance and internal control. All executive directors and directors have to complete an Annual Statement of Assurance which outlines the key control areas to which the division should comply.

98. There were 45 areas of control considered by each of the 4 Directors (resulting in 180 comments), of which 138 were deemed to have been 'Met', 37 were 'Partial', 1 'Not Met' and 4 were regarded as being not applicable. This compared favourably with the previous year, however, there were 3 control areas where non or partial compliant issues identified within the context of the review,

Level of compliance	2012/13	2012/13	2011/12
Met	138	77%	75%
Partially Met	37	21%	20%
Not Met	1	1%	3%
N/A	4	2%	2%
Total	180	100%	100%

99. ***Risk Management;*** identifies planning for business continuity and disaster recovery as an area of partial compliance by all 4 directors. This was identified as a corporate risk last year and remains on the register with a score of 12. These issues are being addressed by the ICT shared service through a separate action plan that also addresses additional recommendations from the Internal Audit report on a virus attack. These issues remain on to the Significant Issues Action Plan and the Corporate Risk Register.

100. ***Equalities;*** This area of the review identified a high number of partial compliance issues and one submission of not being able to meet the corporate objective of being able to promote equality and diversity. It is considered that this response may be due in part to the need for an updated Equality Policy. The Senior Leadership Team recognised that this was an on-going issue and that legislation and guidance had recently changed and asked the Director of Commissioning to review the policy and guidance and provide additional training. SLT's view is that this is not considered to be a significant issue and will be monitored through the Corporate Risk Register

101. **Staffing;** Employees currently receive training to meet the legislative requirements of the Children's Act 1989 and 2004 and the council's policy as set out in the Safeguarding Children and Vulnerable Adults Handbook as approved at cabinet in March 2013. The training is provided by a number of different external and internal training providers including Gloucestershire County Council.

102. The council's policy states that the successful completion of safeguarding training must be recorded on the Learning Gateway by the person who has undertaken the training. The level of training needed by each member of staff will be recorded within the gateway by the Learning and Development Team using information provided by Human Resources and service managers. The learning gateway will be used to monitor up take of training and produce reports for Senior Leadership Team.

103. All employees, casual staff, volunteers and elected members are now asked to acknowledge that they have read and understood the Safeguarding Children and Vulnerable Adults Handbook when they first begin undertaking duties on behalf of the Council.

104. Both the registering of training and acknowledging the understanding of the Safeguarding Children and Vulnerable Adults Handbook via the learning gateway have been placed on the Action Plan for monitoring.

105. The staffing section of the review also highlighted the need for consideration to be given to readily available management information in respect of the recording of internal declarations, training requirements, what had been delivered and what refresher training was still required.

106. In addition to the internal review, additional assurance checks were made with Client Officers in respect of compliance with agreements with Ubico, Cheltenham Borough Homes, Building Control Partnership and Gloucestershire Airport Ltd. These will all help inform the work of Audit Cotswolds during 2013-14.

107. The outcome of these external reviews were that the;

- Director of Commissioning was asked to review of the effectiveness of internal controls In respect of the services delivered to Cheltenham Borough Council by Ubico Ltd. There were no new significant issues of concern.

- Director of Commissioning who is the client officer was asked to review of the effectiveness of internal controls In respect of the services delivered to Cheltenham Borough Council by CBH. There were no significant issues of concern.

- Director of Built Environment who is the client officer was asked to review of the effectiveness of internal controls In respect of the services delivered by the Cheltenham and Tewkesbury Building Control Service. There were no significant issues of concern.

- Executive Director who is the client officer was asked to review of the effectiveness of internal controls In respect of the Gloucestershire Airport. There were no significant issues of concern.

108. The Finance and HR functions are delivered through the Go Shared Service, Cotswold District Council is the lead authority. The Internal Audit function is provided through the Audit Cotswolds partnership, Cotswold District Council is again the lead authority and will need to comply with their Code of Corporate Governance to meet the requirements of regulation 4(3) and (4) of The Accounts and Audit (England) Regulations 2011 in relation to the publication of their Annual Governance Statement.

109. A copy of Cotswold District Council assurance statements for these services has been requested, together with the details of any significant issues that they identify. If there are any issues that affect this Council's internal controls and statutory obligations they will be reported to Audit Committee for inclusion on the Significant Issues Action Plan.

110. The Legal services function is delivered through a Section 101 Agreement with Tewkesbury Borough Council which is the lead authority for One Legal. The effectiveness of the governance arrangements of One Legal are monitored on a regular basis through a number of means including; One Legal management team meetings, Head of Legal Services attending Cheltenham's Senior Leadership Team, periodic meetings with Cheltenham's Client Officer and formal reporting to the JMLG. JMLG meetings have taken place on 6 July 2012, 8 November 2012 and 21 February 2013. The Head Legal Service meets on a routine basis with the client officer to discus performance and operational issues. In addition, One Legal also formally report quarterly on business and financial performance through Tewkesbury's performance management framework.

111. An assurance review of the One Legal service was carried out on behalf of Tewkesbury Borough Council by the Borough Solicitor - One Legal Lead Officer. A copy of the Assurance Statement 2012/13 was provided to Cheltenham Borough Council which stated that the governance arrangements were operating effectively within One Legal. Improvements to the service had been identified but were not considered to be significant governance issues.

112. The Corporate Governance Group reviews the statements and any issues highlighted by the check lists to identify any significant issues that need to be reflected in the Significant Issues Action Plan. Individual Directors are expected to take forward any specific control improvements within their own service plan. These certificates along with evidence from other sources such as audit letters, internal audit reports, corporate controls and the Code Of Corporate Governance are reviewed by the Director of Resources, Head of Audit Cotswolds and the Governance, Risk and Compliance officer who identify control issues to be included in the annual governance Significant Issues Action Plan for the forthcoming year.

113. The Audit Committee considers the Annual Governance Statement as part of the Statement of Accounts and makes recommendations to Council regarding its approval. The Audit Committee are then responsible for monitoring progress against the actions proposed or taken, to deal with the identified significant issues.

114. Although internal control procedures are the responsibility of officers, major service issues, budgets and risks are discussed with the relevant Cabinet Member. There is also a Cabinet Member who has responsibility within their portfolio for corporate governance,

internal audit and risk. Regular briefings are held by Directors with that Cabinet Member so that they are aware of any issues.

115. The Head of Audit Cotswolds Annual Audit Opinion identified that overall there is a satisfactory opinion for the internal controls in operation at Cheltenham BC. However, this is set against a considerable change to key financial services (the GO Shared Service). This service received some limited assurance reports for 2012/13 as detailed in his report. Furthermore, there was an investigation into ICT issues in the year that identified several control weaknesses that have been detailed in an action plan which is to be monitored by the Audit Committee.

Significant governance issues

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

Significant Issues Action Plan

Significant Issues Action Plan – Review 1st March 2014

Control issue and source	Action	Deadline as per AGS	Action planned	Lead officer
Business Continuity Testing	To review, develop and test ICT Business Continuity Plan to ensure that it is robust enough to mitigate the identified risks for the Council and its partner organisations	March 2014	Deliver ICT Business Continuity back up arrangements through ICT shared service with FoDDC that have been tried and tested.	Director of Resources
Safeguarding Children and Vulnerable Adults	1. Review of operational processes related to maintaining a register which identifies the training needs that relate to child protection and		The Learning and organisational Development Team will upload the suitable declarations to the Learning gateway and the appropriate declaration for the 'level' of training needed by each member of staff will be added to their development plans by	Strategy and Engagement Manager

Control issue and source	Action	Deadline as per AGS	Action planned	Lead officer
	safeguarding for each appropriate post in the Council. 2. Hold a register of acknowledgements from all employees, casual staff, volunteers and elected members that they have read and understood the Safeguarding Children and Vulnerable Adults handbook.		the service manager	
GO Shared Services	There were limited assurance reports issued for key systems within the GO Shared Service. Action Plans to address these weaknesses have been created.		A follow-up review will be conducted by Internal Audit in 2013/14 as part of the annual review work. Progress will be managed by the Client Officer Group and any issues relating to Cheltenham will be reported to Audit Committee during the current year	GO Shared Services
ICT Service	There was an investigation into weaknesses in the control framework in ICT which was reported to Audit Committee. An action plan to address these weaknesses has been created.		The Audit Committee will be reviewing the Action Plan every six months until complete.	ICT Service

Significant governance issues

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

Signed: On behalf of Cheltenham Borough Council

Leader of Council

Councillor Steve Jordan

Chief Executive

Andrew North

GLOSSARY OF TERMS

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

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

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

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

Amortised cost Financial instruments are shown on the balance sheet at amortised cost, being the principal amount of the loan plus or minus the balance of any premium or discount associated with that loan, plus any interest accrued at the balance sheet date.

Audit An independent examination of an organisation's activities, either by internal audit or the organisation's external auditor.

Balances Working balances are reserves needed to finance expenditure in advance of income from debtors, precepts and grants. Any excess may be applied, at the discretion of the authority, to reduce future demands on the Collection Fund or to meet unexpected costs during the year. Balances on holding accounts and provisions are available to meet expenditure in future years without having adverse effect on revenue expenditure.

Budget A statement of the income and expenditure policy plan of the council over a specified period. The most common is the annual Revenue Budget expressed in financial terms and including other physical data, e.g. manpower resources.

Capital Financing The raising of money to finance capital expenditure. In the past the cost of capital assets was usually met by borrowing, but capital expenditure may also be financed by other means such as leasing, contributions from revenue accounts, the proceeds from the sale of capital assets, capital grants and contributions from developers or others.

Capital Financing Requirement The capital financing requirement measures the authority's underlying need to borrow for capital purposes.

Capital Grants Government grant towards capital expenditure on a specific service or project.

Cash & Cash equivalents Cash in hand plus deposits in banks or building societies, repayable on demand or within 24 hours, and deposits maturing within 3 months of the date taken out.

Cash Limit A method of expenditure control which restricts the amount available for spending for a particular purpose to a specified cash amount, regardless of the effects of inflation.

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

Fixed Asset	Assets which can be expected to be of use or benefit to the Authority in providing its service for more than one accounting period.
Government Grants	Payments by central government towards local authority expenditure. They must be specific e.g. Housing Benefits, or general e.g. Revenue Support Grant.
Housing Investment Programme (HIP)	Annual submission that housing authorities make to government which details their capital expenditure plans and the strategy proposed to meet local housing requirements.
Impairment	A loss in value of an asset as a result of damage or other event or as a result of a reduction in market value.
Interest	An amount received or paid for the use of a sum of money when it is invested or borrowed.
Inventories	Items of raw materials and stores an authority has procured to use on a continuing basis which it has not used.
Joint Venture	An entity in which the reporting authority has an interest on a long-term basis and is jointly controlled by the reporting authority and one or more entities under a contractual or other binding agreement.
Minimum Revenue Provision	The minimum amount which must be charged to an authority's revenue accounts as a contribution towards the reduction in its overall borrowing requirement. The amount represents that which the authority considers to be prudent, taking into account the period over which the borrowing was taken, which is usually equivalent to the life of the asset.
National Non Domestic Rates (NNDR)	An NNDR poundage is set annually by central government and collected by Charging Authorities. The proceeds are redistributed by the government between Local Authorities in proportion to their adult population.
Operating Lease	A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.
Precepts	The amount which a Precepting Authority (e.g. a County Council) requires from a Charging Authority to meet its expenditure requirements.
Receivables	An amount due to an organisation within the accounting period not received at the balance sheet date.
Renovation Grants	Statutory or discretionary payments that local authorities make to home-owners to provide basic amenities and enable them to bring dwellings up to modern standards. The maximum amounts payable are determined by government, which reimburses the authority for part of the cost it incurs in providing the grants.
Repairs & Renewals Fund	A fund which an authority can establish to meet the cost of repairing, maintaining, replacing and renewing its buildings, vehicles, plant and equipment.
Revenue Expenditure charged to capital under statute	Expenditure which can by law be financed from capital resources (e.g. capital receipts) but which does not result in a fixed asset, e.g. renovation grants.

Revenue Support Grant	A grant paid by government to meet a proportion of the local authority expenditure necessary to provide a standard level of service throughout the country.
Subsidiary	An entity is a subsidiary of the reporting authority if the authority is able to exercise control over the operating and financial policies of the entity, and is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.
Value for Money	An expression describing the benefit obtained (not just in financial terms) for a given input of cash. The phrase is widely used within public bodies, but there are many difficulties in its use because value, as such, is a subjective measure and there are rarely supporting objective measures. The council's external auditor, appointed by the Audit Commission, is required to consider value for money with the three objectives of economy of input, efficiency of operation and effectiveness of output in service provision.
Work in Progress	The cost of work done on an uncompleted project at a specified date which has not been recharged to the appropriate account at that date.

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

Opinion on the financial statements

We have audited the financial statements of Cheltenham Borough Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Director of Resources Responsibilities, the Director of Resources 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Cheltenham Borough Council as at 31 March 2013 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Cheltenham Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

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

Peter Barber

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

Hartwell House
55-61 Victoria Street
Bristol BS1 6FT

25th September 2013