

## Key issues within the 2008/09 Statement of Accounts

The Council has reviewed its accounting policies during the year and revised them in accordance with the 2008 SORP. There have been changes to the requirements of the SORP for 2008/09 to ensure the presentation of the Statement of Accounts meets UK GAAP (Generally Accepted Accounting Principles) compliance.

The main changes to the presentation of the financial statements include:

- The explanatory foreword has been expanded from 5 to 17 pages to provide more interesting, meaningful information about the Council's activities, including performance management and performance highlights from 2008/09.
- A new table "Where the Money Went" is included in the explanatory foreword (page 9), summarising general fund expenditure in 2008/09, based on the Council's key priorities outlined in its Business Plan. Significant expenditure against each of these priorities is also highlighted on page 10 to the Statement of Accounts.
- The explanatory foreword includes details of the future plans of the Council (pages 14-15), including:-
  - Civic Pride
  - Bridging the Gap
  - Art Gallery & Museum redevelopment
  - St Pauls Regeneration
  - Flood Relief
- The current situation concerning Icelandic Banks and the treatment of investment impairment losses in 2008/09 are included in the Statement on pages 47 to 51. Full details are also provided in section 7 and Appendix 8 of the Financial Outturn 2008/09 Report.
- A new note is included in the Statement, detailing general government grants received for 2008/09, comprising of Area Based Grant, Revenue Support Grant (RSG) and LABGI grant. This replaces the Local Area Agreement (LAA) note.
- The opening Pensions Reserve / Liability in the accounts have been restated to reflect a change in the actuarial valuation technique. Quoted securities held as assets are now valued at bid-price rather than at mid-market value. This has changed the position as at 1<sup>st</sup> April 2008 from £26.753m liability to £25.036m liability.
- An increase in the bad debt provision requirement within the Housing Revenue Account for rechargeable works has increased from 20% to 80% of debts, resulting in an increased charge of £100k to the HRA in 2008/09. This provision reflects current recovery rates.
- Deferred charges have been replaced with a new heading in the account "revenue expenditure funded from capital under statute". The accounting requirements remain the same.

The key financial messages within the accounts are summarised as follows:

- Services have been delivered within the 2008/09 revised revenue budgets resulting in a budget under spend of £144k. The Council is asked to approve the use of this underspend as detailed in the recommendations to the Financial outturn 2008/09 and budget monitoring to May 2009 Report, paragraph 1.3.3.
- The net movement on the General Fund Balance is £322k in 2008/09 which is reported as part of the Income and Expenditure Account within the Statement of Accounts. This is made up of the £144k net underspend detailed in the Council's management accounts, as adjusted for standardised accounting entries for the production of the Income and Expenditure Account. These adjustments are necessary to ensure the Statement of Accounts are consistent to all Local Authorities and are UK GAAP compliant. The entries are reversed as part of the Statement of Movement on the General Fund Balance and therefore have no impact on the Council tax payer in 2008/09. The following table is a reconciliation between the deficit for the year as presented within the Income and Expenditure Account on page 30 with the underspend reported within the management accounts as part of the outturn report.

	<b>£000's</b>
<b>Income &amp; Expenditure Account deficit for year</b>	<b>9,909</b>
Less: Investment Losses	(2,907)
Add: Interest not received in impaired investments	750
Less: Revenue expenditure funded from capital under statute	(11)
Less: Housing capital receipts	(222)
Less: Capital Charges	(944)
Add: Gain on disposal of fixed assets	104
Add: FRS17 adjustment	(903)
Less: Housing Revenue Account net cost of service	(3,186)
Less: Housing Revenue Account net interest payable	(689)
Transfers to/(from) earmarked reserves	(2,045)
<b>General Fund Underspend as reported in Outturn Report (Management accounts)</b>	<b>(144)</b>

- The overall treasury management position (external borrowing less external investments) was such that the Council was a net borrower to the sum of £23.9m, compared with £24.5m at the end of the 2007/08 financial year. The overall interest receivable and payable for 2008/09 was a shortfall against budget of £582,845 which significantly related to the treatment of interest due on Icelandic investments.
- Trading activities included in the net cost of services include Town Hall and Pump Room promotions, leisure@cheltenham, the Cemetery and Crematorium and Car Parks. These activities generated a net surplus of £2,237k during 2008/09. Leisure@ was only open for full trading for 7 months of the year, re-opening on 1<sup>st</sup> September 2008, following the 2007 floods.

- Other trading activities including the Council's corporate properties, the Tourist Information Centre and Art Gallery & Museum shop generated a net surplus of £665k for the year. Total trading accounts therefore generated a net surplus of £2,902k for the year.
- The Council has provided financial assistance to 33 local bodies and voluntary organisations totalling £1.555m in 2008/09 (£1.569m in 2007/08).
- The Income & Expenditure Account includes an exceptional item for the cost of the implementation of single status, being £66k in 2008/09. The total cost of this implementation is £349k to 31<sup>st</sup> March 2009. Details of single status are included in the post balance sheet note on page 60 of the accounts.
- The Income & Expenditure Account includes an extraordinary item for the cost of the legal proceedings against the former Managing Director, Mrs Laird. This cost is £729k in 2008/09, including £350k provision for the estimated costs to be paid to Mrs Laird. Details of the proceedings are included in the post balance sheet note on page 59 of the accounts.
- The net worth of the Council has reduced by £6.337m in 2008/09. This includes an increase in the pensions liability as at 31<sup>st</sup> March 2009, partially offset by increased revaluation gains on assets.
- The Council's net pension liability has increased by £12.045m during 2008/09. Whilst this liability represents a snap-shot in time, the Council has to disclose its share of assets and liabilities related to pension schemes for its employees. 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 Council spent £10.754m on capital projects and grants in 2008/09.
- The Council's Capital Financing Requirement (CFR) which measures the authority's underlying need to borrow for capital purposes has decreased by £320k. No additional borrowing for capital purposes was undertaken in 2008/09.
- The Council utilised £0.256m worth of Developer contributions (S106 monies) during 2008/09. As at 31<sup>st</sup> March 2009, the Council has £0.632m worth of useable S106 monies.
- Cheltenham Borough Homes made a retained loss of £62,323 in 2008/09 (£140,950 retained profit 2007/08) which has been incorporated into the Group Accounts. This takes account of the FRS17 requirements.
- Cheltenham Borough Homes made a trading profit of £17,676 in 2008/09 (£188,950 profit 2007/08). The profit and loss reserve stood at £496k at 31<sup>st</sup> March 2009.
- Gloucestershire Airport made an after tax operating profit of £62,646 in 2008/09 (£66,719 profit 2007/08) of which 50% (the Council's share of the profit) has been incorporated into the Group Accounts.