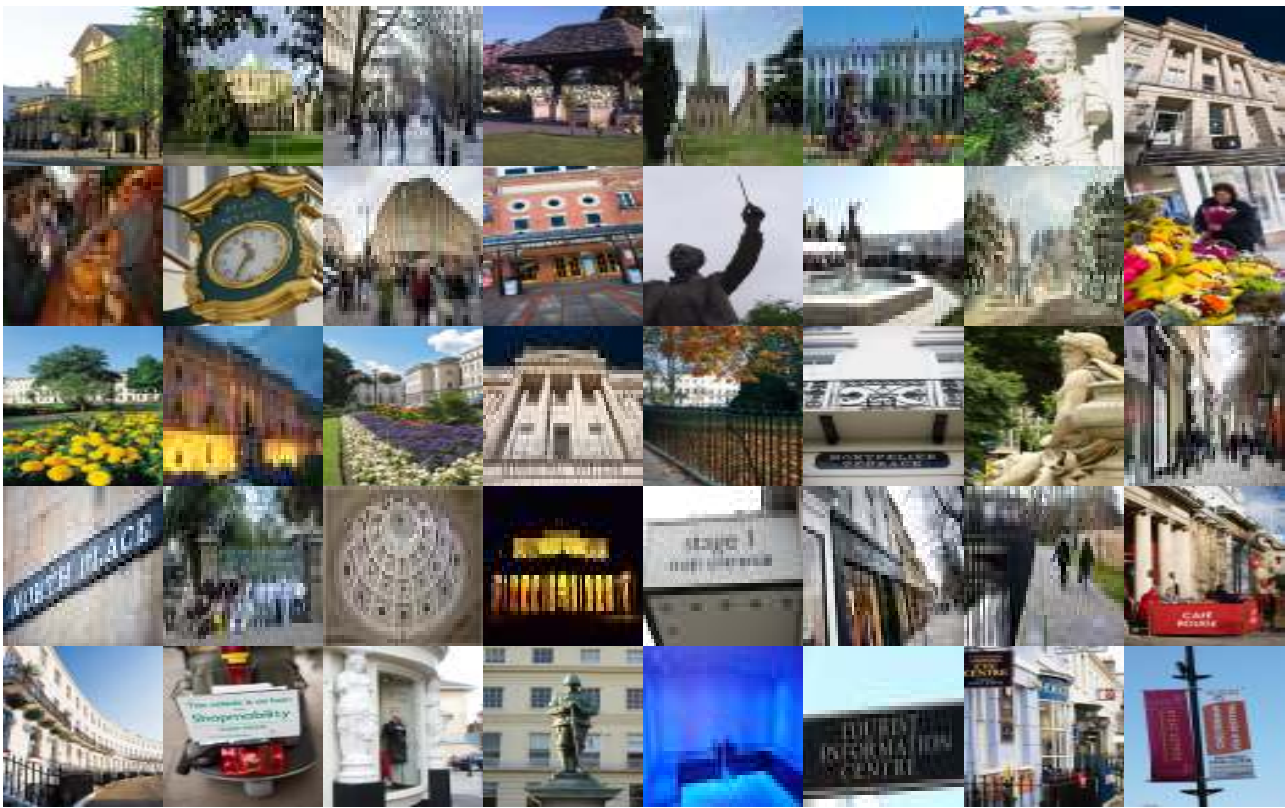


CHELTENHAM BOROUGH COUNCIL

statement of accounts

2008/09



CHELTENHAM
BOROUGH COUNCIL



INVESTOR IN PEOPLE

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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 2008/09 Municipal Year

Mayor: Councillor R MacDonald
Deputy Mayor: Councillor L Surgenor

Cabinet in 2008/09

Leader of the Council Councillor S Jordan
Cabinet Member Corporate Services Councillor C Hay
Cabinet Member Sport and Safety Councillor A McKinlay
Cabinet Member Built Environment Councillor J Morris
Cabinet Member Finance and Culture Councillor J Rawson
Cabinet Member Community Development and Housing Councillor J Webster
Cabinet Member Sustainability Councillor P Massey

Chairman of Committees in 2008/09

Licensing Committee Councillor D Seacome
Planning Committee Councillor L Surgenor
Economy and Business Improvement Overview and Scrutiny Committee Councillor M Stennett
Environment Overview and Scrutiny Committee Councillor R Garnham
Social and Community Overview and Scrutiny Committee Councillor D Smith
Audit Committee Councillor A Wall
Staff and Support Services Committee Councillor S Jordan
Standards Committee Mr S. Lainé (Independent Member)

Chief Officers in 2008/09

Chief Executive Mr. A North
Deputy Chief Executive Mr. C Huckle
Strategic Director Environment Mr. G Lewis
Strategic Director Corporate Services Mrs. P Pratley
Chief Finance Officer (Section 151 Responsible Officer) Mr. M Sheldon
Monitoring Officer / Borough Solicitor Mr. P Lewis

External Auditor in 2008/09

Appointed Auditor: KPMG LLP
Address: Marlborough House, Fitzalan Court, Fitzalan Road, Cardiff, CF24 0TE

Bankers in 2008/09

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 112,300 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 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.

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 2007 (ID2007) show a band of deprivation that runs East/West from Springbank, Hesters Way, St. Peters, St. Pauls and Oakley with the two deprivation hotspots of St. Marks and St. Pauls.

The Council was scored as providing a *Good Service* in the Comprehensive Performance Assessment and is looking to improve further in

the next 12 months. It was one of the first local authorities to gain the Investors in People award in 1995 and has retained it for 14 years and considers itself to be an employer of choice. It has an extensive apprenticeship scheme helping to develop its workforce. It also has a Leadership Development programme for directors and senior managers to help deliver the organisational change.

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

There are a number of challenges facing Cheltenham including bridging the funding gap, delivery of Civic Pride 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, 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.



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 2008 the Council is “no overall control” though the Council has elected Councillor Steve Jordan as Leader of the Council who has appointed a Liberal Democrat Cabinet. The next elections will be held in May 2010.

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 Business plan 2007-2010 and its associated action plan for 2008/09 were agreed by Council on 17th March 2008. In the business plan, the Council set out its aims for the next three years which were:

- Promoting community safety
- Promoting sustainable living
- Promoting a strong and sustainable economy
- Building healthy communities and supporting older people
- Building stronger communities and supporting housing choice
- A focus on children and young people
- Investing in environmental quality
- Investing in travel and transport
- Investing in arts and culture
- Being an excellent, efficient and sustainable council.

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 what the factors are that support or hinder economic, efficient and effective service delivery.

The annual report provides an assessment of our performance against our business plan targets as set out in "Our plans for 2008/09". The report also includes reference to our use of resources assessment and our annual audit letter, all of which provide a useful summary of progress over the past year.

Overall the Council performed well during 2008/09. We continued to get recognition for our high standards, good performance, sound financial management and value for money. The Audit Commission gave us an overall score of 3

for its Use of Resources assessment, indicating that the Council performs 'consistently above minimum requirements - performing well'. They concluded the following:

"The council continues to make progress in priority areas which include areas that have been identified as priorities by the community. Recent performance indicators (PIs) show that the Council performs well overall with above average number of PIs in the top 25 per cent of councils. Overall satisfaction with the council is amongst the best in the country. The Council is working effectively to contribute to wider community outcomes including priority areas such as reducing crime, carbon reduction and supporting the local economy. Overall the Council is improving value for money ensuring that a range of quality services is delivered while maintaining relatively low overall costs."

This 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 highlights during 2008/09

We completed 75% of our business plan actions with only 17 out of 138 (12%) not being completed in the year, the rest being cancelled or deferred into 2009/10. This is an improvement on last year and out of those that were not completed in the year all but two will be taken forward in 2009/10.

Our performance against a range of indicators has continued to improve. Particularly pleasing has been the improvement in recycling/composting rates which is down to both the hard work of our waste and recycling teams and the commitment of our residents. Also we have seen the successes of both leisure@ which reopened after being closed for 14 months following the floods in 2007 and the Sunday opening of the Art Gallery and Museum. Our development control team continues to determine planning applications significantly ahead of target.

Towards the end of 2008, the first ever place survey was carried out and this has provided us with useful information about how local residents perceive local public services. Overall satisfaction with the area was high at 84.4% and overall satisfaction with the way we deliver services was above the average compared to other districts at 46%. However, the place survey also told us that only 30% of people feel that we provide value for money services, despite Cheltenham's achievement of a level 3 (performing well) within value for money use of resources 2007/08.



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 2008/09 and the council's assets and liabilities at the year end.

INTRODUCTION

The Accounts for the year ending 31st March 2009 have been prepared and published in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008 (the SORP), published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The following statements are included:

STATEMENT OF ACCOUNTS 2008/09

Statement of Responsibilities for the Statement of Accounts	Sets out the respective responsibilities of the authority and the Chief Financial Officer for the accounts.
Income and Expenditure Account	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.
Statement of the Movement on the General Fund Balance	This is a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising council tax.
Statement of Total Recognised Gains and Losses (STRGL)	This demonstrates how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.
Balance Sheet	This summarises the overall financial position of the council at 31 st March 2009 showing its assets, liabilities and reserves.
Cash Flow Statement	This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
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.
Group Accounts	These bring together the accounts of Cheltenham Borough Council, Cheltenham Borough Homes and Gloucestershire Airport Ltd, of which the Council has a 50% shareholding.
Annual Governance Statement	This sets out how the Council is meeting its obligations and what improvements it intends to make to its systems of internal control and corporate governance arrangements.

These accounts are supported by a Statement of Accounting Policies, appropriate notes and a glossary of terms to provide readers with further information.

COUNCIL SPENDING

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

GENERAL FUND REVENUE BUDGET

In February 2008, the council set a budget of £16.139m for spending on General Fund Services (excluding spending on council housing) of which £1.067m was to be financed by government grant, £7.664m from non domestic rates and £7.408m 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.

STATEMENT OF ACCOUNTS 2008/09

	Original Budget 2008/09 £	Revised Budget 2008/09 £	Outturn 2008/09 £	Variance 2008/09 £
GROUP DIRECTORATES				
Chief Executives	2,142,900	2,509,700	2,277,422	(232,278)
Corporate Services	3,255,600	3,225,900	2,665,597	(560,303)
Environment	5,562,300	4,194,200	4,117,766	(76,434)
Social & Community	6,443,600	7,019,350	7,168,144	148,794
Programmed Maintenance	1,006,850	1,431,970	1,368,268	(63,702)
Business Change	63,000	193,100	126,576	(66,524)
Bad debt provision	45,000	45,000	26,121	(18,879)
Business Growth Incentive Scheme	-	-	(297,423)	(297,423)
Target savings	(300,000)	-	-	-
TOTAL NET SERVICE EXPENDITURE	18,219,250	18,619,220	17,452,471	(1,166,749)
Capital charges	(911,200)	(939,000)	(943,524)	(4,524)
Interest and investment income	(263,200)	(195,100)	387,745	582,845
Use of balances and reserves	(906,117)	(1,323,887)	(735,455)	588,432
NET BUDGET	16,138,733	16,161,233	16,161,237	4
FINANCED BY:				
Area Based Grant		(22,500)	(22,500)	-
Revenue Support Grant	(1,066,944)	(1,066,944)	(1,066,944)	-
National Non-Domestic Rate	(7,664,383)	(7,664,383)	(7,664,383)	-
Collection Fund Contribution	(31,000)	(31,000)	(31,004)	(4)
Council Tax	(7,376,406)	(7,376,406)	(7,376,406)	-
	(16,138,733)	(16,161,233)	(16,161,237)	(4)

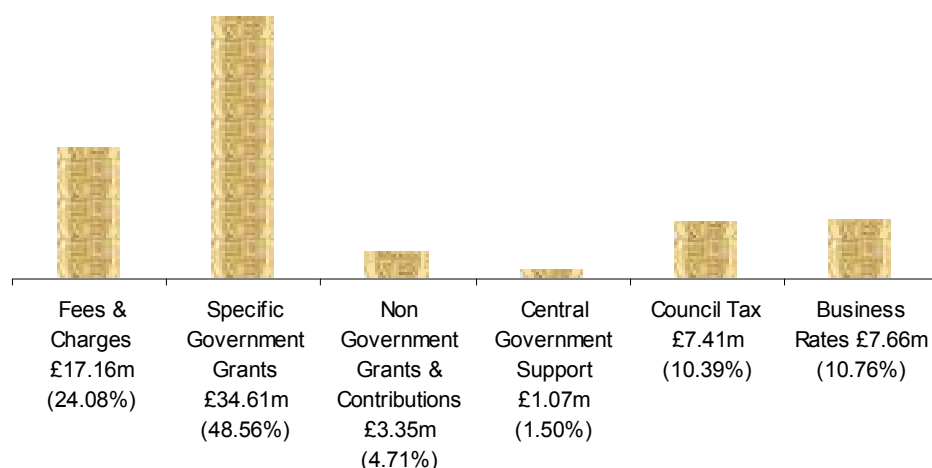
The council is required to analyse the expenditure for the year 2008/09 in a standard way in order to enable comparisons to be made between different local authorities. This re-presentation of the above position is contained in the form of the Income and Expenditure Account. The council has its own management arrangements and presents budgets and monitoring statements to Cabinet and Council which are grouped according to these local arrangements.

During 2008/09 the council continued with the process of formal monitoring of budgets which are reported to Cabinet on a quarterly basis in line with best practice and on the recommendation of the Audit Commission. This has assisted in strengthening the sound management of the council's finances and provides a mechanism to ensure that any budgetary problems are identified and rectified as soon as possible during the year.

STATEMENT OF ACCOUNTS 2008/09

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.



BUDGET SAVINGS

The council's track record of strong financial management was maintained during 2008/09 which resulted in council services being delivered within revised budget, with a saving made in 2008/09 of £144,244. There were a number of reasons for this budget saving including achieving income in excess of budget, savings resulting from vacancies and the general prudent approach to spending in the delivery of services. The budget saving has been transferred to the Carry Forward Reserve pending Cabinet and Council's decisions as to its future use. The following summary identifies the major variances between the revised budget and the actual outturn as follows:

	Overspend / (Underspend) £000's
Additional Income	(401)
Employee costs saving	(186)
Other expenditure savings	(140)
Treasury Management – effect from impairment of Icelandic Investments	583
VAT refund	(1,166)
Net Saving	(1,310)

STATEMENT OF ACCOUNTS 2008/09

WHERE THE MONEY WENT

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

	Original Budget 2008/09 £	Revised Budget 2008/09 £	Outturn 2008/09 £	Variance 2008/09 £
GROUP DIRECTORATES				
Priority 1 – Promoting Community Safety	414,500	(1,064,600)	(1,239,896)	(175,296)
Priority 2 – Promoting Sustainable Living	1,326,100	1,340,800	1,197,115	(143,685)
Priority 3 – Promoting a Strong and Sustainable Community	657,900	724,550	342,744	(381,806)
Priority 4 – Building Healthy Communities and Supporting Older People	1,434,800	1,375,600	1,365,848	(9,752)
Priority 5 – Building Stronger Communities and Supporting Housing Choice	1,634,300	1,790,400	2,095,203	304,803
Priority 6 – A Focus on Children and Young People	176,200	267,300	222,184	(45,116)
Priority 7 – Investing in Environmental Quality	5,751,630	5,871,070	5,611,901	(259,169)
Priority 8 – Investing in Travel and Transport	(487,100)	(435,800)	(114,284)	321,516
Priority 9 – Investing in Arts and Culture	2,785,850	3,658,300	3,603,079	(55,221)
Priority 10 – We will be an Excellent, Efficient and Sustainable Council	4,525,070	5,091,600	4,368,577	(723,023)
TOTAL NET SERVICE EXPENDITURE	18,219,250	18,619,220	17,452,471	(1,166,749)
Capital charges	(911,200)	(939,000)	(943,524)	(4,524)
Interest and investment income	(263,200)	(195,100)	387,745	582,845
Use of balances and reserves	(906,117)	(1,323,887)	(735,455)	588,432
NET BUDGET	16,138,733	16,161,233	16,161,237	4
FINANCED BY:				
Area Based Grant		(22,500)	(22,500)	-
Revenue Support Grant	(1,066,944)	(1,066,944)	(1,066,944)	-
National Non-Domestic Rate	(7,664,383)	(7,664,383)	(7,664,383)	-
Collection Fund Contribution	(31,000)	(31,000)	(31,004)	(4)
Council Tax	(7,376,406)	(7,376,406)	(7,376,406)	-
	(16,138,733)	(16,161,233)	(16,161,237)	(4)



However the above summary does not show how the money was used to deliver our 10 key priorities. Below we explain spend in terms of the services you see for the council tax you pay:

Priority 1 - Promoting Community Safety

Total net surplus of £1.24m.

Core net spending included:

- £78k on Crime and Disorder
- £159k on Health and Safety
- £127k on CCTV and Town Centre safety
- £1.24m surplus on Civil Emergency due to EU restoration grant

Priority 2 - Promoting Sustainable Living

Total net spend of £1.197m.

Core net spending included:

- £1.36m on Refuse Collection
- £804k on Street Cleansing
- £628k on Recycling Schemes
- £263k on Strategic Planning
- £219k on provision of Public Conveniences

Priority 3 - Promoting a Strong and Sustainable Economy

Total net spend of £0.34m.

Core net spending included:

- £346k on Tourist Information Centre
- £87k on Licensing
- £187k on Business and Economic Development
- £30k on Town Centre Management

Priority 4 - Building Healthy Communities and Supporting Older People

Total net spend of £1.36m.

Core net spending included:

- £955k on Leisure Services
- £245k on Sports Pavilions
- £86k on Sports Development

Priority 5 - Building Stronger Communities and Supporting Housing Choice

Total net spend of £2.09m.

Core net spending included:

- £508k on Disabled Facilities Grants
- £460k on Housing needs
- £403k on Homelessness
- £163k on Single Advice Contract with the Citizen's Advice Bureau
- £151k on Community Planning

Priority 6 - A focus on Children and Young People

Total net spend of £0.22m.

Core net spending included:

- £99k on Youth Initiatives
- £122k on the Holiday Recreation Programme

Priority 7 - Investing in Environmental Quality

Total net spend of £5.612m.

Core net spending included:

- £1.98m on Parks & Open Spaces
- £223k on Allotments
- £177k on Civic Pride
- £155k on Food Safety
- £155k on Pollution Control
- £84k on Pest Control
- £25k on maintenance of Statues and Memorials
- £627k surplus on Miscellaneous Property

Priority 8 - Investing in Travel and Transport

Total net surplus of £0.11m.

Core net spending included:

- £1.35m on Concessionary Travel Schemes
- £82k on Shopmobility
- £1.96m surplus on Off-Street Parking

Priority 9 - Investing in Arts and Culture

Total net spend of £3.60m.

Core net spending included:

- £1.24m on Art Gallery & Museum
- £914k on Town Hall
- £467k on Pittville Pump Room
- £160k on Playhouse Theatre
- £150k on Everyman Theatre

Priority 10 – Be an Excellent Council

Total net spend of £4.368m.

Core net spending included:

- £1.52m on Corporate Management
- £816k on Council Tax Collection
- £632k on Democratic Processes
- £367k on Election Expenses
- £61k on Civic Expenses
- £1.166m VAT refund

TREASURY MANAGEMENT / BORROWING FACILITIES

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

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

In October 2008, a number of local authorities had deposits in various Icelandic banks with a range of payment due dates. In the week beginning 6th October 2008, a number of Icelandic banks went into administration. Cheltenham Borough Council had £11m invested with 3 of these banks, the full detail of which is supported in Note 24 of the Notes to the Core Financial Statements on Page 51.

At the time of determining the Treasury Strategy Statement in February 2008 the outlook was for interest rates to fall from 5.25% to as low as 4% as a deteriorating economic outlook increased the risks to growth. What occurred in 2008/09 was vastly different to expectations as the Bank of England cut interest rates from 5% in April 2008 to 0.5% by March 2009.

The conclusion of the year's activity was that the Council paid £1,745,448 in borrowing costs which was £81,652 less than budgeted for the year; earned £656,135 on investments which was £651,364 less than budgeted (£676,662 of which related to the impaired interest receivable on Icelandic investments) and received £701,568 from the Housing Revenue Account for the use of its balances which was £13,132 less than budgeted. The overall impact was an additional cost to the General Fund of £582,845 compared to the revised budget.

PENSION LIABILITY

The council is required to account for retirement benefits when committed, even if this is many years in the future, in accordance with FRS17. 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 contributions) from a surplus in the scheme.

The council's liability, according to the actuarial assessment at 31st March 2009, was £37,081,000, which was an increase of £12,045,000 over the restated figure for 31st March 2008 of £25,036,000.

BUSINESS GROWTH INCENTIVE SCHEME

The Business Growth Incentive scheme is a grant, which is not ring-fenced, that is awarded to council's that have successfully encouraged enterprise and employment in their areas. In 2008/09, the Council received £297,423. The Cabinet has recommended its proposals to Council for utilising this allocation (plus an under-spend of £30,000 which was previously allocated) in accordance with the following priorities:

- **Supporting the local economy:** In allocating this year's LABGI funding, the Government was keen to see local authorities using the money to support the local economy through difficult times. Proposals include funding to improve the appearance of empty shops, to encourage businesses and start-ups to move into vacant premises, and to encourage employment skills training. Funding for the master-planning of the regeneration of the Coronation Square/Monkscroft area. A special allocation of £15,000 is also provided to promote the town in the run-up to Christmas; and a similar sum to fund fringe activities around the Literature Festival which will provide substantial benefit to the tourism and hospitality industry. A bid from the Cheltenham Hospitality Association for £2,000 for website development has been carried over into this list from the Business Pride scheme. Funding is also provided towards covering 25% of the cost of business rate hardship relief (the other 75% to be contributed by the Government) in line with the Cabinet policy agreed in May 2009
- **Community Development:** Following the successful community development conference in April 2009, a report is to come to Cabinet with a view to taking forward the neighbourhood management of services. Making progress in this area of work will undoubtedly require some seed money for local initiatives, and therefore £40,000 has been allocated from LABGI funds for this purpose.
- **Sport and young people:** It is important, even in difficult economic circumstances, not to forget the wider Council agenda, including providing sports opportunities for young people and encouraging healthy lifestyles. Proposals therefore include the allocation of £30,000 for this purpose, spread over the three years leading up to the 2012 London Olympics. This will make a modest but valuable addition to the activities available to young people especially during the summer months.
- **Environmental improvement:** Some months ago the Council was approached by the Cheltenham Civic Society who pointed out that the lane that runs from the Imperial Gardens and Imperial Square was in a poor condition, even though it is much used by local residents and visitors to the town. They therefore proposed that, with the help of the University of Gloucestershire, a competition should be held to design a costed improvement (up to a maximum of £5,000 including labour). This was subsequently incorporated into the course work of first year students in the University's Department of Landscape Architecture, and several submissions were made, from which a winning design was chosen. The Council is grateful to the Civic Society and the University for their efforts, and we are now proposing that £5,000 should be allocated so that a scheme approved by officers can be implemented.
- **Bridging the Gap:** The remainder of the allocation is earmarked for an 'invest to save' initiative in which officers have been commissioned to look at different ways in delivering some of the Council's back-office services, such as finance, ICT, HR, customer services (including the depot and planning), and revenues and benefits. This programme is called the Sourcing Strategy.

ACCOUNTING POLICIES

The Council has reviewed its accounting policies during the year and revised them in accordance with the 2008 SORP. There have been a number of changes to the requirements of the SORP for 2008/09 as CIPFA 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:

- Compliance with the amendments to FRS17 – Retirement Benefits in order to ensure that quoted securities held as assets in the defined benefits pension scheme are now valued at bid-price rather than mid-market value
- An increase in the bad debt provision requirements within Housing Revenue Account rechargeable works debtors from 20% to 80% to reflect current recovery rates
- Replacement of deferred charges with a new heading called ‘revenue expenditure funded from capital under statute’. The accounting arrangements however remain the same
- Change to the basis of the charge that the authority is required to make under statute from revenue towards reducing its overall borrowing requirement (i.e. Minimum Revenue Provision). New regulations allow the authority to calculate the amount on a ‘prudent’ basis determined in accordance with statutory guidance.

The changes in accounting policies are detailed on Page 31.

CHANGES IN STATUTORY FUNCTIONS

The financial year 2008/09 saw the introduction of the Gambling Act 2005 which came onto the statute book from 1st September 2007 whereby Local Authorities became responsible for the issue of premises licences for Gambling premises. This attracted fees for the licenses and an annual fee for premises licences and gaming permits.

The new English National Concessionary Travel scheme came into force on 1st April 2008. Local Authorities were awarded a one off payment, to introduce the scheme. Cheltenham was awarded £76,000 in 2007/08 and spent £54,000 of this implementing the scheme in 2007/08 which included the acquisition of the initial supply of smart-cards and a new database to control the card issuing process. On-going costs in 2008/09 amounted to £5,000 for the acquisition of further supplies of smart-cards and database management. The remainder has been retained in the concessionary travel budget to offset the increased payments to bus operators.



CAPITAL

In 2008/09 the council spent £10.755m on capital projects and grants, compared with the revised budget of £7.850m.

Included in the expenditure for the year was £4.129m on major repairs and maintenance of council houses, £0.344m on disabled adaptations within the Council housing stock, £0.689m on private sector disabled facility grants and adaptation support grants, £0.471m on other grants mainly for private sector housing improvements, £0.452m on housing enabling through partnership working with Registered Social Landlords (RSL's) and Cheltenham Borough Homes (CBH) which included the St. Paul's redevelopment scheme, £3.540m in respect of reinstating the leisure@ facility which was significantly damaged as a result of the July 2007 floods, and £0.266m on the provision of new fitness equipment and management systems at leisure@.

The major variance between the revised budget and outturn position is in respect of the costs associated with the re-instatement of leisure@. These costs have been capitalised on the basis that they enhance the value of the asset and have been financed from the insurance contribution.

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 £0.046m of capital receipts were available to finance capital expenditure in 2008/09. The remaining sources of finance were Government Grants £0.777m, developer contributions and partnership funding £4.003m, lottery funding £0.084m, with the balance of £5.845m coming from revenue financing. The council did not take out any new borrowing to finance its capital programme in 2008/09.

During the year the council sold 1 dwelling under the 'right to buy' scheme, acquired 1 new property in St. Paul's as part of the redevelopment project and demolished 26 dwellings.

The Council plans to continue to fund capital from a range of sources including revenue reserves, developer contributions, capital receipts, lottery funding and will continue to consider the option of prudential borrowing on a scheme by scheme basis.

FUTURE PLANS

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

Civic Pride

The Council have aspirations to invest in the fabric of the town i.e. its public spaces and infrastructure and has identified 3 major sites which have development potential which include the Municipal Office / Royal Well, Portland Street and North Place car parks and Chelt Walk car park. For a number of years the Council has worked with the South West Regional Development Agency and our key partners Gloucestershire County Council to establish some broad aspirations for these sites and for improving the flow of traffic around the town as a result. The project is long term and complex but aims to ensure that Cheltenham's retail offering and business base is maintained and improved upon into the future in the face of competition from neighbouring towns and cities.

The overall funding of the project has been initially modelled on the basis that it would be funded from the receipts from the sale of some of the development sites and contributions from Gloucestershire County Council and the South West Regional Development Agency. However, it was clear that this would not be sufficient to deliver the overall aspirations for the project including underground car parking and a significant investment in the public realm. As such the Council is in on-going discussions with the co-owners of the Regent Arcade about the potential for the Council to withdraw its substantial investment in

the arcade to help pump prime some the of the cost of the overall civic pride proposals. More recently these negotiations have focused on the sale of its interest in the arcade with the council retaining its interest in the car park.

Clearly the economic climate has reduced the overall site values in the short term. This coupled with a potentially reduced level of pump priming from the Regent Arcade means that the Council may have to review its overall aspirations for the project. The Council is keen to progress these significant regeneration proposals despite the current economic climate and it is in the process of setting up a separate 'delivery vehicle' to support the next stages of the project. The Council remains optimistic that most of the aspirations of the original plans will be delivered but within a revised timescale.

At the same time, the Council has been working with the owner of Coronation Square on the potential for a significant redevelopment proposal for the area. This would involve the complete redevelopment of the square aimed at delivering much improved retail offering, better housing and improved public spaces. The Council is currently working on a master planning exercise for the site and has earmarked some funding to support the next stage in the process.

Bridging the Gap

Like most authorities up and down the country, the Council is projecting a long term funding gap i.e. the difference between the income raised through council tax and government support and the costs of providing existing service levels of in excess of £3m over the next 5 years. The Council is therefore looking at ways of reducing the costs of what it does without impacting upon services to the public. The Council has a programme of activity called 'Bridging the Gap' which is investigating ideas for meeting the funding gap.

So far, the 'Bridging the Gap' programme has delivered £1m of savings. The Council is now currently looking at different ways to deliver some of the Council's back-office services, such as Finance, ICT, HR, customer services (including the depot and planning), and revenues and benefits. This programme is called the Sourcing Strategy which aims to deliver four things: cashable savings, customer satisfaction and engagement, effective performance and partnership working. The aim is to reduce red tape, streamline how we do things, and make better use of technology so that these services can cost as little as possible whilst at the same time being as efficient as possible. So far the this work has identified the potential, by investing up front, for the Council to make a net saving of over £4.9m over 10 years without raising council tax or reducing services through reviewing the approach to the provision of its ICT and revenue and benefits service.

The Council has incorporated staff from within Tewkesbury Borough Council's depot within our depot at Swindon Road with a long-term vision for shared services. The Council is also looking at various shared services with other local authorities and is currently considering sharing legal services and building control, with Tewkesbury Borough Council and the management of audit services with Cotswold District Council. In addition, the Council is looking at the possibility of sharing an Enterprise Resource Planning System with the other districts within the county which would provide a single finance, payroll, HR, procurement and cash receipting system. It is anticipated that that this may deliver significant savings, reduce duplication of effort, provide service resilience and lead to the potential for sharing other 'back office' services between the councils.

The current average level of council tax paid by Cheltenham's residents for services provided by the Council (based upon a band D equivalent) is £182.56. It is clear that the public feels that the overall level of council tax paid is too high. Therefore these ideas are driven by the Council's desire to be efficient and to make its contribution to helping to keep increases of 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 cafe. Work is due to commence in 2010 with a proposed opening in 2012.

St. Paul's Regeneration and other social housing schemes

In April 2009, the Council confirmed Cheltenham Borough Homes (CBH) as its development partner for the construction of new social housing. CBH is recognised as providing excellent services to the Council's housing tenants and has been accredited as an investment partner by the Homes and Communities Agency. This enables CBH to bid for Social Housing Grant to fund new build projects which will include the redevelopment of the St. Paul's Estate and a small number of garage sites together with the replacement of some non-traditional housing.

Flood relief work

The Council considers it important that, even in the current economic downturn, we continue to act on the lessons learned in the great Gloucestershire flood of July 2007. Consequently the Council will use the Flood Alleviation Fund to support a number of initiatives aimed at reducing flooding risk, including building a bund to protect leisure@ and making a contribution of £100,000 towards the much-needed Prestbury Flood Prevention Scheme.

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

In addition, the Environment Agency has awarded the Council an additional £260,000 for flood prevention for the period 2009 to 2012 of which £230,000 will be spent on a catchments study and flood relief works in Warden Hill, with the remaining £30,000 being awarded for a Hearne Brook catchments study.

EXCEPTIONAL ITEMS

During 2008/09, the Council incurred expenditure of £66,400 in respect of the implementation of the single status job evaluation review.

Expenditure of £729,200 was incurred during 2008/09 in respect of legal proceedings between the Council and the former Managing Director, Mrs Laird. This includes a provision of £350,000, as detailed in "Post Balance Sheet Events" below.

Early in October 2008, the Icelandic banks Landsbanki Islands Hf, Kaupthing and Glitnir Hf collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing, Singer & Friedlander went into administration. The authority had £11 million deposited across three of these banks with varying maturity dates and interest rates. All amounts invested with these banks are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators and receivers. Consequently the authority has recognised an impairment charge of £2.9 million in the Income and Expenditure account, as shown on page 33.

The Council is due a refund of VAT and associated interest of £1.166 million (£nil in 2007/08) relating to a claim for overpaid VAT covering the period March 1973 to November 1996. The claim, which was agreed with HM Revenues and Customs in September 2009, follows a House of Lords judgement in January 2008 (known as the 'Fleming' case) and new legislation introduced in the March 2008 budget. The refund relates to overpaid VAT in respect of sports and cultural services, excess parking charges, domestic waste, and cemetery and crematorium supplies. The income has been recognised as an exceptional item in the Income and Expenditure account and as a debtor in the balance sheet.

POST BALANCE SHEET EVENTS

Legal proceedings – Council v Former Managing Director, Mrs Laird:

During January to April 2009 the Council's case against its former Managing Director, Mrs Christine Laird, for damages for negligent and/or fraudulent misrepresentation was heard in the High Court. On 15th June 2009 the Court dismissed the Council's claim and also Mrs. Laird's counter-claim for damages and entitlement to benefits received by the Council. The Council has decided not to appeal against this decision. However, the Council is required to pay 65% of Mrs. Laird's costs and, although these need to be finalised, are likely to be between £200,000 and £350,000. Consequently a provision of £350,000 has been set aside in 2008/09 to cover the future payment of these costs. Since the court case Mrs Laird has appealed against the decision regarding her legal costs, requesting that the Council cover her full costs. The Council would be required to pay additional costs should this appeal be successful.

Single Status:

Single status is a national agreement which was entered into in 1997, with the purpose of providing harmonised, non-discriminatory, terms and conditions and grading structures at both national and local level across white collar and manual workers.

As a consequence, the Council undertook a process of proposing new terms and conditions, and job evaluating all the professional, technical, clerical and manual posts in the authority for those grades covered by the national agreement. This has enabled the Council to ensure fair terms and conditions, and that its new pay and grading structure provides for equal pay for work of equal value. This work was carried out by a single status working group comprising representatives from management and unions, over the period 2005/06 to 2008/09 at a total cost of £348,900.

The nationally recognised trade unions were unable to agree the proposed package, therefore the Council decided to put the proposals to employees (on the NJC terms and conditions) via a consultative ballot which was held in April 2009. In addition GMB balloted their membership. The consultative ballot resulted in an acceptance of the proposals. Single status implementation has therefore been reached with any changes to pay, and protection effective from 1st September 2008.

Employees have a deadline of 30th June 2009 to lodge any appeal over their job evaluation outcome. These appeals will be held during 2009/10 and the outcome included in the 2009/10 accounts.

Letters have been sent to all employees to ask for their signed individual agreement to the contractual variation. The intention is that, subject to individual agreement, the changes will take place effective from 1st September 2009, aiming to pay any retrospective pay due to employees (as from 1st September 2008) with the September 2009 pay.

A full equality impact assessment has been made on the single status package, and shared with the Trade Unions. No provision or contingent liability is included in the 2008/09 accounts in respect of back pay that may be awarded as a result of equal pay claims, as no such claims have been lodged and it is not therefore possible at this time to quantify the potential impact should any subsequent claim prove successful.

VAT refund

In September 2009 HM Revenues and Customs agreed the Council's claim for a refund of overpaid VAT covering the period March 1973 to November 1996. The claim follows a House of Lords judgement in January 2008 (known as the 'Fleming' case) and new legislation introduced in the March 2008 budget. The refund relates to overpaid VAT in respect of sports and cultural services, excess parking charges, domestic waste, and cemetery and crematorium supplies. The income has been recognised as an exceptional item in the Income and Expenditure account and as a debtor in the balance sheet.

FURTHER INFORMATION

Further information about the accounts is available from the Financial Services Division, Cheltenham Borough Council, Municipal Offices, Promenade, Cheltenham. This is part of the council's policy of providing full information about the council's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The accounts are available for inspection by appointment between *Monday 6th July and Friday 31st July 2009* 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 2009 is designated as Tuesday 18th August 2009.

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the council's transactions for the 2008/09 financial year and its position at the year-end of 31st March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2008 – A Statement of Recommended Practice* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. ACCOUNTING CONCEPTS

The Statement of Accounts provides information about the Council's financial performance and position for the year ended 31st March 2009. 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, i.e.

- Relevance
- Reliability
- Comparability
- Materiality

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

Accruals

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 stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- 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.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent 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 income and expenditure accounts and balance sheet assume no intention to curtail significantly the scale of operation.

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.

3. PROVISIONS

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing 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 to the appropriate revenue account 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 set up 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 revenue account.

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 the position regarding possible back pay claims is not yet known.

4. RESERVES

The Council sets aside specific amounts as earmarked reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance 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 core financial statements on Page 60.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and they do not represent usable resources for the council – these reserves are explained in the relevant policies below.

5. GOVERNMENT GRANTS AND CONTRIBUTIONS (REVENUE)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date the council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received, and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

6. RETIREMENT 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 of 6.9% (6.9% in 2007/08), 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 – average of the bid and offer rates
 - 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 Income and Expenditure Account to the revenue accounts of 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 Net Cost of Services in the Income and Expenditure Account 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 Net Operating Expenditure in the Income and Expenditure Account
 - 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 Net Operating Expenditure in the Income and Expenditure Account

STATEMENT OF ACCOUNTS 2008/09

- 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 Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions 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 Statement of Total Recognised Gains and Losses
- contributions paid to the Gloucestershire pension fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the council to raising council tax to cover the amounts payable by the council to the pension fund in the year. In the Statement of Movement on the General Fund Balance 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 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 39 to the core financial statements on Page 66.

7. VAT

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

8. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice* (BVACOP) 2008. 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 any depreciation and impairment losses chargeable on non-operational properties

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Service.

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.

9. INTANGIBLE FIXED 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.

10. TANGIBLE FIXED ASSETS

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides for more than one financial year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to service revenue accounts.

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

- dwellings, other land and buildings, vehicles, plant and equipment are included in the Balance Sheet at the lower of net current replacement cost or net realisable value in existing use.
- investment properties and assets that are surplus to requirements are included in the Balance Sheet at the lower of net current replacement cost or net realisable value.
- infrastructure assets and community assets are included in the Balance Sheet at depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years, by the Head of Property & Asset Management. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

A revaluation of council dwellings was completed during 2005/06. A formal revaluation of other fixed assets which are included in the balance sheet at current value was carried out effective from 1st April 2004.

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review, or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account

- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts 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 Statement of Movement on the General Fund Balance.

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

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over 5 years
- infrastructure – straight-line allocation over 40 years.

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

Where an asset has major components with different estimated useful lives, these are depreciated separately.

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.

Grants and Contributions: where grants and contributions (e.g. developer contributions) are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to a Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

11. CHARGES TO REVENUE FOR FIXED 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
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to cover depreciation, 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 (equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance, or loans fund principal charges). Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

12. COMMUTATION ADJUSTMENT

The commutation adjustment is an annual allowance to offset losses arising from the early repayment (commutation) of improvement grant loan charges subsidy by the Government in 1992/93. These losses are offset against the Minimum Revenue Provision (MRP).

13. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

14. LEASES

The council has only entered into operating leases. Rentals payable under operating leases are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

15. FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. 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 Income and Expenditure Account 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 Net Operating Expenditure in the Income and Expenditure Account 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 respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account 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 Income and Expenditure Account, 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/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 Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

16. 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 initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account 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 Income and Expenditure Account 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 Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account 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 Income and Expenditure Account when it becomes receivable by the council.

Assets are maintained in the Balance Sheet at fair value. 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

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, 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 Income and Expenditure Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

17. STOCKS AND WORK IN PROGRESS

Stocks held in stores are valued at the latest price paid, with an allowance made for obsolescent and slow-moving items. This is a departure from the requirements of the SORP, which require stocks to be shown at the lower of cost and net realisable value; the effect of the different treatment is immaterial. All other stocks held have been valued in accordance with SSAP 9. All work in progress is charged to service accounts by the year end and there is a nil value held in the Balance Sheet.

18. ESTIMATION TECHNIQUES

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

19. GROUP ACCOUNTS

The council has material interests in companies and other 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 investments, i.e. at cost, less any provisions for losses.

Basis of Consolidation

The Group Accounts bring together the council's accounts with those of Gloucestershire Airport, in which the council has a 50% shareholding (the remaining 50% of shares are owned by Gloucester City Council). The purpose of the Group Accounts is to reflect the full value of the Council's investment in the financial statements, since the council's shareholding of £435,000 does not fully reflect the value of the airport land. These accounts also bring together the accounts of Cheltenham Borough Homes (CBH), a company limited by guarantee whereby the council is the sole member.

Accounting Policies

The financial statements in the Group Accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on Pages 20-31, 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).
- Tangible fixed assets held by Gloucestershire Airport are valued at historic cost. For the purposes of the Group Accounts they have been revalued at current value in order to bring them in line with the Council's accounting policies. A formal valuation with a valuation date of 1st April 2007 was undertaken by an external Valuer in 2007/08.
- Depreciation on assets held by CBH and Gloucestershire Airport have been calculated so as to write off the cost of tangible fixed assets over their expected useful lives using the following rates:

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

- Leasing – Tangible fixed assets acquired under finance leases or hire purchase contracts by Gloucestershire Airport are capitalised and depreciated in the same manner as other tangible fixed assets.

- Equity dividends proposed by the Board of Directors of the Airport are not recorded in the 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.

20. INTERNAL INTEREST

Interest is credited or debited to the General Fund and the Housing Revenue Account based on the level of their Fund Balances. The amounts are calculated using the average rate of interest earned by the council.

21. CHANGES IN ACCOUNTING POLICIES

The Council has adopted the amendment to FRS17, in accordance with the 2008 Statement of Recommended Practice (SORP). As a result, quoted securities held as assets in the defined benefits pension scheme are now valued at bid-price rather than mid-market value. The effect of this change is that the value of scheme assets at 31st March 2008 has been restated from £26,753,000 to £25,036,000, a decrease of £1,717,000, resulting in a decrease in the value of scheme liabilities in the balance sheet at 31st March 2008 of £1,717,000, which has been restated from £26,753,000 to £25,036,000. Current and prior year surplus have been unaffected by this change in estimation technique.

Expenditure previously referred to as 'Deferred Charges' has been renamed 'Revenue Expenditure Funded from Capital under Statute'. The accounting arrangements however remain the same.

The basis of the charge that the authority is required to make under statute from revenue towards reducing its overall borrowing requirement has changed. Previously the charge had to be equal to at least 4% of its underlying borrowing (excluding that attributable to the Housing Revenue Account). New regulations allow the authority to calculate the amount on a 'prudent' basis determined in accordance with statutory guidance.

The 2008/09 Statement of Accounts has been prepared in accordance with these new requirements, further details of which are outlined in the relevant policies above.

There were no other changes in accounting policies during 2008/09.

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 Chief Finance Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the statement of accounts

Chief Finance Officer (Section 151 Officer):

The Chief Finance Officer is responsible for the preparation of the authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March, 2009.

In preparing this Statement of Accounts, the Chief Finance Officer has:-

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

The Chief Finance Officer has also:-

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

The statement of accounts for 2008/09 present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2009.

..... (Mark Sheldon)

Date:.....

Chief Finance Officer (Section 151 Officer)

.....

Date:.....

Chair of Council meeting

STATEMENT OF ACCOUNTS 2008/09

INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

	2008/09 Gross Expenditure £000's	2008/09 Gross Income £000's	2008/09 Net Expenditure £000's	2007/08 Net Expenditure £000's
Central Services to the public	8,615	(9,226)	(611)	100
Cultural, environmental, regulatory and planning services	21,638	(8,862)	12,776	13,078
Highways and transport services	5,974	(6,165)	(191)	(633)
Local authority housing (HRA)	19,649	(16,463)	3,186	6,407
Other housing services	28,817	(27,425)	1,392	1,312
Corporate and democratic core	2,688	(240)	2,448	3,076
Non distributed costs	2,420	(150)	2,270	1,088
Net Cost of Services	89,801	(68,531)	21,270	24,428
(Gain) or Loss on the disposal of fixed assets			(104)	(102)
Parish council precepts			150	146
(Surpluses)/deficits on trading undertakings not included in Net Costs of Services			(665)	(758)
Interest payable and similar charges			1,784	3,009
Contribution of housing capital receipts to Government Pool			222	1,086
Interest and investment income			(1,457)	(1,664)
Pensions interest cost and expected return on pensions assets			1,682	858
Exceptional item - Impairment of Icelandic investments			2,907	-
Exceptional Item – VAT refund			(1,166)	-
Exceptional Item – CBC v. Laird case			729	-
Net Operating Expenditure			25,352	27,003
Demand on the Collection Fund			(7,558)	(7,223)
General Government Grants			(1,387)	(2,126)
Non-Domestic Rates Redistribution			(7,664)	(7,351)
(Surplus)/Deficit for the Year			8,743	10,303

The service expenditure shown above is under the major service headings as required by the CIPFA *Best Value Accounting Code of Practice*.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance.

2007/08		2008/09
£000's		£000's
10,303	(Surplus)/Deficit for the year on the Income and Expenditure Account	8,743
(10,081)	* Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(10,231)
222	(Increase) / Decrease in General Fund Balance for the Year	(1,488)
(1,621)	General Fund Balance brought forward	(1,399)
(1,399)	General Fund Balance carried forward	(2,887)

* The net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year is detailed below.

STATEMENT OF ACCOUNTS 2008/09

Note of reconciling items for the Statement of Movement on the General Fund Balance

2007/08		2008/09
£000's		£000's
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
(66)	Amortisation of intangible fixed assets	(66)
(4,783)	Depreciation and impairment of fixed assets	(1,899)
1,975	Capital Grants and Contributions Deferred amortisation	481
(526)	Revenue Expenditure funded from Capital under Statute	(459)
90	Net gain / (loss) on sale of general fund fixed assets	11
	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	221
(418)		221
(3,075)	Net charges made for retirement benefits in accordance with FRS 17	(4,284)
-	Offsetting of Icelandic investments impairment	(2,907)
-	Interest not received on Impaired Investments	750
(6,803)		(8,152)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	
70	Minimum revenue provision for capital financing	320
1,169	Capital expenditure charged in-year to the General Fund Balance	960
(1,086)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(222)
2,934	Employer's contributions payable to the Gloucestershire Pension Fund and retirement benefits payable direct to pensioners	3,381
3,087		4,439
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
(7,159)	Housing Revenue Account balance	(3,782)
-	Voluntary revenue provision for capital financing	-
794	Net transfer to / (from) earmarked reserves	(2,736)
(6,365)		(6,518)
(10,081)	Net additional amount required to be credited to the General Fund Balance for the year	(10,231)

STATEMENT OF ACCOUNTS 2008/09

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the surplus/deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2007/08 £000's		2008/09 £000's
10,303	(Surplus)/Deficit for the year on the Income and Expenditure Account	8,743
(28,822)	(Surplus)/Deficit arising on revaluation of fixed assets	(14,671)
-	(Surplus)/Deficit arising on revaluation of available-for-sale financial assets	-
(7,971)	Actuarial (gains)/losses on pension fund assets and liabilities	11,142
(133)	(Surplus)/Deficit for the year on the Collection Fund	(43)
(26,623)	Total recognised (gains)/losses for the Year	5,171
	Prior Period Adjustments:	
3,189	Loan premiums and discounts transferred to the Financial Instruments Adjustment Account at 1 st April 2007	-
-	Actuarial (gains) / losses on pension fund assets and liabilities	(1,717)
(23,434)	Total recognised (gains)/losses since the last annual report	3,454

STATEMENT OF ACCOUNTS 2008/09

BALANCE SHEET

	Notes	31 st March 2009	31 st March 2008
		£000's	Restated £000's
Fixed Assets	14 - 18		
<i>Intangible Fixed Assets</i>	21	315	205
<i>Tangible Fixed Assets</i>			
Operational assets:			
Council dwellings		238,845	234,786
Other land & buildings		85,586	82,896
Vehicles, plant, furniture and equipment		2,103	2,121
Infrastructure assets		7,815	7,623
Community assets		61	61
Non-operational assets:			
Investment properties		25,501	18,584
Assets under construction		85	-
Other		40	95
Total Fixed Assets		360,351	346,371
Long-term investments	24(i)	11,247	20,598
Long-term debtors		232	265
Total Long-Term Assets		371,830	367,234
Current Assets			
Stocks and work in progress		102	99
Debtors	25	8,734	6,862
Investments	24(ii)&(iii)	11,003	9,431
Cash and bank		17	470
Total Assets		391,686	384,096
Current Liabilities			
Short-term borrowing		(20,189)	(10,753)
Creditors	26	(12,421)	(8,934)
Bank overdraft		(164)	(1,327)
Total Assets Less Current Liabilities		358,912	363,082
Long-term borrowing	27	(27,158)	(42,159)
Provisions	30	(520)	(1)
Capital Grants and contributions unapplied	31	(994)	(1,116)
Capital Grants and contributions deferred	32	(8,724)	(5,164)
Liability related to defined benefit pension scheme	39	(37,081)	(25,036)
Total Assets Less Liabilities		284,435	289,606
Financed by:			
Revaluation Reserve	33	40,441	25,779
Capital Adjustment Account	33	269,739	273,660
Financial Instruments Adjustment Account	33	(5,841)	(3,913)
Pensions Reserve	39	(37,081)	(25,036)
Usable Capital Receipts Reserve	33	-	-
Deferred Credits	34	204	226
Major Repairs Reserve		-	-
Earmarked Reserves	33	12,961	15,697
General Fund Balance		2,887	1,399
Collection Fund Balance		814	771
Housing Revenue Account Balance		311	1,023
Total Net Worth	22	284,435	289,606

STATEMENT OF ACCOUNTS 2008/09

CASH FLOW STATEMENT

2007/08 £000's	Revenue Activities	2008/09 £000's	£000's
	Cash Outflows		
16,734	Cash paid to and on behalf of employees	17,424	
44,037	Payments made to NNDR National Pool	47,748	
48,166	Precepts and Collection Fund Surplus	51,016	
1,086	Payments to the Capital Receipts Pool	222	
35,592	Other operating costs	46,009	
13,629	Housing Benefits paid out	15,631	178,050
	Cash Inflows		
(16,833)	Rents (after rebates)	(17,540)	
(29,698)	DWP Grants for Benefits (see Note 44)	(31,372)	
(3,194)	Other Government Grants (see Note 44)	(1,445)	
(7,351)	NNDR Redistribution Grant	(7,664)	
(1,234)	Revenue Support Grant	(1,067)	
(16,824)	Goods, services and other income	(19,013)	
(50,091)	Council Taxpayers	(52,553)	
(44,295)	NNDR Receipts	(52,429)	(183,083)
(25)	Dividends from joint ventures and associates - Airport		(25)
(10,301)	Net Cash (Inflow) from Revenue Activities (see Note 40)		(5,058)
	Returns on investments and Servicing of Finance		
	Cash Outflows		
2,439	Interest paid	1,820	
	Cash Inflows		
(1,101)	Interest received	(1,229)	591
(8,963)	Net Cash (Inflow)		(4,467)
	Capital Activities		
	Cash Outflows		
13,696	Purchase of fixed assets & other capital payments	9,332	
3,037	Payment of grants & advances	1,981	
(6,718)	Purchase of long-term Investments	(9,130)	
10,015			2,183
	Cash Inflows		
(410)	Sale of fixed assets	(47)	
(7)	Repayment of advances	(11)	
(921)	Government Grants (See Note 44)	(735)	
(867)	Other capital income	(4,770)	
(2,205)			(5,563)
(1,153)	Net Cash (Inflow) / Outflow before financing		(7,847)
	Management of liquid resources		
3,778	Net increase / (decrease) in short term deposits		1,572
	Financing		
	Cash Outflows		
73,331	Repayment of amounts borrowed	332,174	
-	Capital element of finance lease rentals	-	
210	Premiums paid on borrowings repaid	-	
	Cash Inflows		
-	New long term loans raised	-	
(77,174)	New short term loans	(326,610)	
(3,633)	Cash Outflow/(Inflow) from Financing		5,564
(1,008)	Net Cash Outflow/(Inflow) from all activities (See Note 41)		(711)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Changes in Operations and Discontinued Operations

The Memorandum of Understanding between the Borough Council and the Environment Agency for the maintenance of main rivers was not renewed on 1st April 2008. Such maintenance is now the responsibility of the Environment Agency and their contractors, notwithstanding riparian owner responsibilities of the Council.

2. Exceptional Items

Early in October 2008, the Icelandic banks Landsbanki Islands Hf, Kaupthing and Glitnir Hf collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing, Singer & Friedlander went into administration. The authority had £11 million deposited across three of these banks with varying maturity dates and interest rates. The current situation with regards to the recovery of the sums deposited varies between each bank. Based on the latest information available the authority considers it appropriate to impair the carrying value of the investments on the balance sheet, resulting in an impairment charge to the Income and Expenditure account of £2.907 million (£nil in 2007/08). Under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009 the Council is able to defer the impact on the General Fund of the impairment, resulting in its reversal in the Statement of Movement on the General Fund Balance. Full details of the impairments are given in Note 24 below.

The refund of VAT and associated interest of £1.166 million (£nil in 2007/08) relates a claim for overpaid VAT covering the period March 1973 to November 1996. The claim, which was agreed with HM Revenues and Customs in September 2009, follows a House of Lords judgement in January 2008 (known as the 'Fleming' case) and new legislation introduced in the March 2008 budget. The refund relates to overpaid VAT in respect of sports and cultural services, excess parking charges, domestic waste, and cemetery and crematorium supplies. The refund due is shown net of professional fees incurred in submitting the claim.

The total net expenditure incurred in relation to the high court legal proceedings against its former Managing Director, Mrs Christine Laird in 2008/09 was £729,200. (£15,700 2007/08). This cost is included in the income and expenditure account as an exceptional item and has been funded in year from the use of general balances.

The total net expenditure incurred in relation to the implementation of the single status job evaluation review during the financial years 2004/05 to 2008/09 is £366,120. The costs relating to 2007/08 (£84,336) and 2008/09 (£66,400) are included in the Income and Expenditure Account, Central Services.

STATEMENT OF ACCOUNTS 2008/09

3. Trading Operations

The Council is involved in a number of trading activities; the surplus/deficit is included in the Income and Expenditure Account. An analysis of the trading activity is as follows:

	2008/09 Income £000's	2008/09 Expend £000's	2008/09 Net Profit £000's	2008/09 Contrib't'n to Revenue £000's	2008/09 Surplus / (Deficit) £000's	2007/08 Surplus / (Deficit) £000's
Included within net cost of services						
Town Hall/Pump Room Promotions	1,417	(813)	604	-	604	575
leisure@cheltenham Cemetery & Crematorium	1,778	(2,625)	(847)	-	(847)	(3,672)
Car Parks	1,299	(806)	493	-	493	305
	4,819	(2,832)	1,987	-	1,987	2,332
Total	9,313	(7,076)	2,237	-	2,237	(460)
Other Trading Activities						
Corporate properties	1,027	(351)	676	-	676	734
Gloucestershire CC (Schools)	300	(306)	(6)	-	(6)	18
Building Cleaning	-	(5)	(5)	-	(5)	6
T.I.C Shop & Agency	72	(34)	38	(38)	-	-
Art Gallery & Museum Shop	37	(21)	16	(16)	-	-
Total	1,436	(717)	719	(54)	665	758

The leisure@ recreation centre was partially closed for the period July 2007 to August 2008 following damage from the 2007 Gloucestershire floods. Full trading commenced on 1st September 2008, when the centre fully reopened and all facilities were made available to the public. The trading results for the financial years 2007/08 and 2008/09 are therefore not representative of a normal year's trading activity.

4. Discretionary Expenditure

Section 137 of the Local Government Act 1972, as amended, empowers local authorities, to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The council's expenditure under this power was £8,000 on property grants to voluntary bodies working in the local area (£7,200 in 2007/08). The Council also lets out the Town Hall and Pump Rooms venues at a reduced rate to local voluntary charities and not-for-profit bodies at a cost of £7,000 (£12,900 in 2007/08).

5. 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.

	2008/09 £000's	2007/08 £000's
Recruitment advertising	40	51
Other advertising	179	204
Information relating to regional government	0	0
Event promotion	102	109
TOTAL	321	364

STATEMENT OF ACCOUNTS 2008/09

6. Local Authority (Goods and Services) Act 1970

The council carried out work for other local authorities, the income from which was £300,082 in 2008/09 (£325,190 in 2007/08) which was won in competition. The related expenditure for this activity was £306,344 (£310,944 in 2007/08). The costs in 2008/09 represent grounds maintenance works for Gloucestershire County Council.

7. Building Control Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function - 'details of scheme for setting charges'. However, certain activities performed by staff working on building control cannot be charged for, such as providing general advice and liaising with other statutory authorities. There is a statutory requirement to break even over a rolling 3 year period. There is an accumulated surplus for the three years 2006/07 to 2008/09, but the level of surplus has decreased as a result of reduced 2008/09 activity. Based on current income levels, this rolling surplus is expected to be eliminated in 2009/10 and a break even position achieved.

The statement below shows the total cost of operating the building control service divided between the chargeable and non-chargeable activities.

Building Regulations Charging Account	Chargeable 2008/09 £000's	Non Chargeable 2008/09 £000's	Total 2008/09 £000's
Expenditure			
Employee expenses	227	99	326
Premises	20	9	29
Transport	6	3	9
Supplies and services	29	13	42
Central and support service charges	42	18	60
Total Expenditure	324	142	466
Fee Income	(295)	-	(295)
(Surplus)/Deficit for the Year	29	142	171
 Comparatives for 2007/08			
Expenditure	364	104	468
Income	(404)	-	(404)
(Surplus)/Deficit for the Year	(40)	104	64

STATEMENT OF ACCOUNTS 2008/09

8. Agency Income and Expenditure

The council has agency agreements with Gloucestershire County Council whereby the Council is responsible for maintaining highway verges within the borough and enforcing On-street parking regulations on behalf of the County Council under the provisions of the Civil Parking Enforcement Regulations. These Agents reimburse 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 Income and Expenditure Account, is as follows:-

	Expenditure	Income	Net Costs	Net Costs
	2008/09	2008/09	2008/09	2007/08
	£000's	£000's	£000's	£000's
Routine Maintenance	7	(2)	5	-
Verges & highway trees	313	(166)	147	120
Car Parking (on-street)	949	(949)	-	-
Enmainment works	-	-	-	(31)
Administrative costs	489	(440)	49	43
	1,758	(1,557)	201	132

9. General Government Grants

The council has received general government grants totalling £1,387,000 for 2008/09 (£2,126,000 for 2007/08). These are included in the income and expenditure account and are not attributable to specific services.

Government Grant	2008/09	2007/08
	£000	£000
Revenue Support Grant	1,067	1,233
Area Based Grant	23	829
Local Authority Business Growth Incentive (LABGI)	297	64
Total	1,387	2,126

10. Members' Allowances

In 2008/09 the Council paid £319,615 (2007/08 £310,632) in allowances to its 40 members. The expenditure reflects members' allowances approved by Council for 2008/09. Full details of the Members Allowances scheme for 2008/09 can be found on the Council's website.

11. Officers' Emoluments

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £10,000 was:

Remuneration Band	No of Employees 2008/09	No of Employees 2007/08
£50,000 - £59,999	9	7
£60,000 - £69,999	0	1
£70,000 - £79,999	1	3
£80,000 - £89,999	2	1
£90,000 - £99,999	1	0
£110,000 - £119,999	1	1
Total	14	13

One employee, previously falling within the £70,000 - £79,999 band left in 2007/08 and two employees have entered the pay band £50,000 - £59,999 for the first time in 2008/09, resulting in a net increase in numbers of employees falling within these remuneration bands of 1.

12. 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. All third party declaration forms issued to relevant members and officers were completed and returned and disclosures incorporated into this note. (100% return rate in 2007/08).

Central Government has effective control over the general operations of the council - it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in Note 44 to the Cash Flow Statement on Page 72.

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

Assisted organisations - The council provide financial assistance to 33 (38 in 2007/08) local bodies and voluntary organisations totalling £1,554,792 (£1,569,028 in 2007/08). 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 is £3,381,000 in 2008/09 (£2,934,000 in 2007/08). See Note 39 to the Notes to the Core Financial Statements on Page 66.

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The grants over £35,000 paid out during 2008/09 are as follows, together with the number of members who are officially appointed to serve on those organisations:-

	Cash Grant £	Support Costs £	Total Grant £	No's of Members
Cheltenham Festivals Ltd	259,200	96,412	355,612	2
Playhouse Theatre	215,700	3,994	219,694	1
Everyman Theatre	148,800	15,638	164,438	1
Citizens Advice Bureau	154,931	8,400	163,331	0
Community Development	11,701	75,400	87,101	0
Cheltenham Arts Council	10,000	49,041	59,041	0
Business & Economic Development Grants	56,097	0	56,097	0
Whaddon Lynworth & Priors Neighbourhood	42,200	13,600	55,800	0
Hester's Way Neighbourhood Project	42,200	9,900	52,100	0
GCVS (Cheltenham Community & Voluntary Action Group)	34,000	7,900	41,900	0
Racial Equality	38,504	(2,141)	36,363	0
	1,013,333	278,144	1,291,477	

Companies and joint ventures - the council has a 50% share in the Gloucestershire Airport. The accounts have been consolidated into the Group Accounts, which are shown on Pages 82-89. One member serves on the Airport's Board of Directors, over which the council has no material influence.

Gloucestershire Airport purchased goods and services from the council totalling £20,032 during 2008/09 (£19,914 2007/08), £10,398 of which is included in the council's Balance Sheet.

The council has an Arms Length Management Organisation (Cheltenham Borough Homes). The accounts for this company have been consolidated into the Group Accounts, which are shown on Pages 82-89. Five councillors serve on the company's Board of Directors.

The council procured supplies and services totalling £8,181,300 from Cheltenham Borough Homes during 2008/09 (£9.286m 2007/08), £801,900 of which is included in the council's Balance Sheet and excluded from the Group Balance Sheet (£1.135m 2007/08) (see Note 26 on Page 55 and Note 4 to the Group Accounts on Page 88).

Cheltenham Borough Homes procured supplies and services from Cheltenham Borough Council of £712,175 during 2008/09 (£1.088m 2007/08), £66,000 of which is included in the council's Balance Sheet and adjusted for within the Group Balance Sheet (see Note 25 on Page 55 and Note 4 to the Group Accounts on Page 88).

The council has 6 councillors who are members of the following parish councils:

Leckhampton with Warden Hill	2
Up Hatherley	2
Prestbury	1
Charlton Kings	0
Swindon Village	1

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13. Audit Costs

The total audit fees payable to the Council's external auditor and the Audit Commission in 2008/09 was £155,305 (£129,729 in 2007/08), made up as follows:

	2008/09	2007/08
	£	£
Certification of grant claims and returns	28,201	15,786
Statutory inspection	5,252	20,050
Audit of accounts (including whole of government accounts)	65,439	67,140
Other work provided by the appointed auditor:		
Use of resources / value for money work	36,547	18,803
Consideration of public questions	17,066	7,325
National Fraud Initiative	2,800	625
Total	155,305	129,729

14. Summary of Capital Expenditure and Fixed Asset Disposals

Operational Assets	Council dwellings	Other land & buildings	Vehicles, plant & equipment	Infra-structure	Community assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation						
At 1 April 2008	246,453	84,136	2,634	7,813	61	341,097
Additions	4,476	3,676	588	423		9,163
Disposals	(142)					(142)
Reclassifications	120	(4,226)	39			(4,067)
Revaluations	4,600	4,065				8,665
At 31 March 2009	255,507	87,651	3,261	8,236	61	354,716
Depreciation and Impairments						
At 1 April 2008	(11,667)	(1,240)	(513)	(190)		(13,610)
Charge for 2008/09	(7,980)	(1,035)	(645)	(231)		(9,891)
Disposals						
Reclassifications						
Revaluations	2,985	210				3,195
At 31 March 2009	(16,662)	(2,065)	(1,158)	(421)	-	(20,306)
Balance Sheet amount at 31 March 2009	238,845	85,586	2,103	7,815	61	334,410
Balance Sheet amount at 1 April 2008	234,786	82,896	2,121	7,623	61	327,487

Non-Operational Assets	Investment Properties	Assets under construction	Other	Total
	£000's	£000's	£000's	£000's
Cost or valuation				
At 1 April 2008	18,584	-	417	19,001
Additions		85	28	113
Disposals				
Reclassifications	4,106		(39)	4,067
Revaluations	2,811			2,811
At 31 March 2009	25,501	85	406	25,992
Depreciation and Impairments				
At 1 April 2008			(322)	(322)
Charge for 2008/09			(44)	(44)
Disposals				
Reclassifications				
Revaluations				
At 31 March 2009	-	-	(366)	(366)
Balance Sheet amount at 31 March 2009	25,501	85	40	25,626
Balance Sheet amount at 1 April 2008	18,584	-	95	18,679

All assets are owned

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15. Capital expenditure and financing

	2008/09	2007/08
	£000's	£000's
<i>Opening Capital Financing Requirement</i>	41,768	41,838
<i>Capital Investment:</i>		
Intangible Assets	176	-
Operational Assets	9,163	12,035
Non-Operational Assets	113	71
Revenue Expenditure Funded from Capital under Statute	1,302	2,197
Capitalisation of Revenue Directive	-	-
<i>Sources of Finance:</i>		
Capital Receipts	(46)	(1,279)
Government Grants	(776)	(972)
S106 Capital Contributions and Partnership Funding	(4,003)	(1,201)
Lottery Funding	(84)	(667)
Revenue Financing (includes MRP):		
Minimum Revenue Provision (MRP)	(320)	(70)
HRA RCCO	(1,984)	(5,270)
Major Repairs Reserve	(2,900)	(3,744)
Revenue Reserves	(961)	(1,170)
<i>Closing Capital Financing Requirement</i>	41,448	41,768
<i>Explanation of movement in year</i>		
Increase in underlying need to borrowing (supported by Government financial assistance)	-	-
Increase in underlying need to borrowing (unsupported by Government financial assistance)	-	-
MRP	(448)	(451)
Commutation Adjustment to MRP	128	381
	(320)	(70)

16. Revenue Expenditure funded by Capital Under Statute

This comprises revenue expenditure (for example grants awarded to householders for improving their properties) which, under statutory provisions, can be financed from capital resources. The expenditure, together with any relevant grant received, is written out to revenue as it is incurred. Because the net cost is financed from capital resources, it is then reversed out in the statement of movement in the general fund balance to the Capital Adjustment Account.

17. Commitments under capital contracts

At 31st March, 2009 the council was committed to completing all schemes within its capital programme. This included contractual commitments at 31st March 2009 of £536,000 for works on properties, £177,000 for works on cycle paths and other infrastructure, £15,000 for insulation works, £11,000 for CCTV in car parks and £222,000 for digital TV connection upgrades in council houses, a total of £961,000. Most of this is anticipated to be incurred by 31 March 2010.

18. Information on assets held

Operational Assets are fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Council dwellings relate to housing units and sheltered housing units only.

Other Land and Buildings includes all land and buildings accounted for other than non-operational assets, including residential units, garages and fixed plant furniture and equipment.

Vehicles, Plant, and Equipment includes all such items that are not a fixture or fitting to a building.

Infrastructure includes facilities required to enable other developments to take place (e.g. roads, street lighting) and similar structural works. Housing Revenue Account works are included within this head.

Community Assets are assets that the council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal e.g. land used for cemeteries.

Non Operational Assets are fixed assets held by the authority but are not directly occupied, used or consumed in the delivery of services. Examples are investment properties that are surplus to requirements, pending sale or redevelopment.

The number of houses and bungalows at 1st April 2008 shows an additional 33 units to the figure detailed in the 2007/08 statement of accounts. These properties had been approved for demolition before 31st March 2008 and deducted from stock numbers but had not been physically demolished at that date. The housing properties were situated in a regeneration area and have been demolished in two phases, 22 were demolished in 2008/09 and the remainder in 2009/10. It is anticipated that the construction of replacement housing will commence in 2010/11 subject to planning permission.

Fixed Assets owned by the Council include the following:

	31st March 2009	31st March 2008
	(No.'s)	(No.'s)
Council Dwellings	4,640	4,666
Town Hall	1	1
Offices	4	4
Depots and Workshops	4	4
Off-Street Car Parks	21	21
Leisure Centres and Pools	2	2
Pittville Pump Room	1	1
Museums and Galleries	1	1
Nursery	1	1
Parks and Recreation Grounds	397 hectares	397 hectares
Theatres	2	2
Cemeteries	2	2
Crematorium	1	1
Shopping Centre	1	1
Commercial Property Rented Out, including Shops on Housing Estates	73	73

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19. Assets held under leases

The Council's policy is generally to acquire vehicles, plant and equipment through leasing arrangements. These fall into one of two categories:

(i) Finance Leases

No new arrangements and no leasing payments were made in 2008/09 or 2007/08.

(ii) Operating Leases

Leasing payments, which all relate to vehicles, plant and equipment, made in 2008/09 amounted to £664,805 (£779,612 in 2007/08). Outstanding obligations as at 31st March 2009 amounted to £1,321,349 (£1,607,565 as at 31st March, 2008); further details are shown below.

Operating lease payments (including Buyouts) committed as at 31 st March, 2009	£000's
2009/10	461
2010/11	368
2011/12	241
2012/13	158
2013/14	63
2014/15	30
Total	1,321

20. Assets held for leases

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 the tenant financially it needs to be satisfied that the use of the property supports the Corporate Plan objectives and is not commercially viable. Historically, the support has been by way of a reduced rent. The council has started to introduce 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.

The council received £1,462,669 in rental income in 2008/09 on its granted leases from commercial and Housing Revenue Account land and buildings (£1,436,747 in 2007/08).

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21. Intangible Assets

	Purchased software licenses £000's	Licenses and trademarks £000's	Patents £000's	Total 2008/09 £000's
Balance at 1 st April 2008	205	-	-	205
Expenditure in Year	176	-	-	176
Written off to Revenue in Year	(66)	-	-	(66)
Balance at 31 st March 2009	315	-	-	315

Intangible Fixed Assets are defined in FRS 10 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'.

Software licenses are held for a number of the Council's main software packages e.g. Financial Management System. The balance is amortised to the relevant revenue account over the economic life of the investment, to reflect the pattern of consumption of benefits (generally five years). Newly acquired assets are amortised from the year following that in which they were acquired.

22. Net Assets Employed

	2008/09 £000's	2007/08 £000's	Net Increase / (Decrease) £000's
HRA	234,504	230,923	3,581
General Fund	49,931	58,683	(8,752)
Total	284,435	289,606	(5,171)

The net movement in Net Assets Employed is equal to the total recognised gain or loss for the year which is detailed on Page 36 within the Statement of Total Recognised Gains and Losses.

23. Interests in Companies

a. Cheltenham Borough Homes Limited

Cheltenham Borough Homes 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 has a seven year contract with Cheltenham Borough Council, which commenced on 1st April 2003, to manage and maintain the council's social housing stock.

The registered name of the company is Cheltenham Borough Homes Limited (Registration No. 04587658). The audited accounts for the company show net liabilities at 31st March 2009 of £901,422 (£978,902 net assets at 31st March 2008) and a trading loss of £62,323 in the year to 31st March 2009 (profit of £140,950 to 31st March 2008). The accounts have received an unqualified audit opinion.

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The net assets of Cheltenham Borough Homes are valued at cost (in accordance with company accounting rules) and may not therefore reflect their market value. The directors consider it appropriate to prepare the accounts on a going concern basis which assumes the company will be able to meet its liabilities as they fall due. The net pension surplus of £500,000 as at 31st March 2008 has turned into a pension deficit of £1,398,000 as at 31st March 2009.

The accounts of Cheltenham Borough Homes Limited for the year ending 31st March 2009 can be obtained from the Company Secretary at the company's registered office – Cheltenham House, Clarence Street, Cheltenham, Gloucestershire, GL50 3RD.

Cheltenham Borough Homes accounts have been consolidated into the accounts of Cheltenham Borough Council by way of the Group Accounts, shown on Pages 82-89. Cheltenham Borough Homes has been treated as a subsidiary of Cheltenham Borough Council and has been consolidated in accordance with FRS 2.

b. 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 allocated were divided equally between the two councils. The market value of the shares is unknown as they are not quoted shares. They are classified within the Council's individual accounts as Available-for-Sale financial assets – unquoted equity investments.

The registered name of the airport company is Gloucestershire Airport Ltd (Registration No. 2774189). The audited accounts of the company showed net assets at 31st March 2009 (including the pension liability) of £1,143,355 (£1,704,709 at 31st March 2008) and an after tax profit of £62,646 in the year to 31st March 2009 (£66,719 to 31st March 2008). The accounts have received an unqualified audit opinion.

The following table discloses the Council's share of the Airport as follows:

	Gloucestershire Airport Limited	CBC's share of the Airport
	£	£
	2008/09	2008/09
Turnover	4,016,131	2,008,065
Profit on ordinary activities before taxation	86,179	43,089
Taxation on profit on ordinary activities	23,533	11,766
Profit for the financial year after taxation	62,646	31,323
	31st March 2009	31st March 2009
Fixed Assets	1,692,348	846,174
Current Assets	1,509,462	754,731
Liabilities due within one year	634,473	317,236
Liabilities due after one year	-	-

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

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The council's commitment to meet losses is limited to the shares that it holds. Gloucestershire Airport Ltd paid dividends of £50,000 for the year to 31st March 2008, of which the council received £25,000. No dividend is currently proposed for the year ending 31st March 2009.

The accounts of Gloucestershire Airport Ltd for the year ending 31st March 2009 can be obtained from the Airport Chief Executive at the company's registered office - The Tower Building, Staverton, Nr Cheltenham, Gloucestershire, GL51 6SR.

The Gloucestershire Airport accounts have been consolidated into the accounts of Cheltenham Borough Council by way of the Group Accounts, shown on Pages 82-89. Gloucestershire Airport has been treated as a joint venture of Cheltenham Borough Council and has been consolidated in accordance with FRS 9.

24. Investments

Categorised according to the period remaining to maturity or until payment is received	Amortised cost	
	2008/09 £000's	2007/08 £000's
i) Long Term (over 1 year)		
Banks	10,811	17,988
Building Societies	-	2,074
Business / Company	435	435
Government Stock	1	1
Local Authority Stock	-	50
Debenture - Association of District Councils	-	50
	11,247	20,598
ii) Short Term (over 3 months)		
Building Societies	2,073	4,147
Fund Managers	-	-
Banks	8,930	4,233
	11,003	8,380
iii) Short Term (less than 3 months)		
Other Local Authorities	-	-
Building Societies	-	-
Banks	-	1,051
	-	1,051

The fair value of all loans held equate to the carrying value at the balance sheet date. The unquoted equity investments of £435,222 (shown at cost) consists of shares held in Gloucestershire Airport (see Note 23b), for which a fair value cannot be measured reliably. This is because the range of reasonable fair value estimates could be significant due to the proposed runway development project and the uncertainty over the approval of this project by Gloucester City Council and the granting of planning permission by Tewkesbury Borough Council. There are no current plans to dispose of these shares.

The amortised cost of the short and long term investments in banks represent the cost of the investments less impairment charges for amounts invested in Icelandic-owned institutions.

Impairment of Investments - Icelandic Banks

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

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

All amounts invested with these banks are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators and receivers.

The current situation with regards to the recovery of the sums deposited varies between each bank. Based on the latest information available the authority considers it appropriate to make impairment adjustments for the deposits, as detailed for each institution below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators and receivers, it is likely that further adjustments will be made to the accounts in future years.

Kaupthing, Singer and Freidlander Ltd (KS&F)

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

The creditor progress report issued by the administrators, dated 17 April 2009, stated that the return to creditors was projected to be a minimum of 50p in the £, but no timescale was indicated. The administrator indicated that the estimate could be lower or higher if significant issues arose; therefore it represents the best estimate within a range of possible amounts. Claims are based on the principal and interest accrued up to 7 October 2008. The first payment of 10p in the £ minimum is due in the summer of 2009.

The authority has decided to recognise impairments based on it recovering 50p in the £ up to October 2012 (the date up to when the High Court has permitted the administration to be extended). In calculating the impairments the authority has made the assumption that the remaining 40% recovery will be divided equally between December 2009, December 2010, December 2011 and October 2012.

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

Landsbanki Islands Hf

This bank is an Icelandic institution. Following steps taken by the Icelandic government in early October 2008, its domestic assets and liabilities were transferred to a new bank (Landsbanki), with the management of the affairs of the previous bank being placed in the hands of a resolution committee under Icelandic law. The latest public presentation of its affairs (made to creditors on 20 February 2009) and other relevant information indicates that recovery of between

90-100% could be achieved, therefore the authority has assumed recovery at the mid-point of 95% by 2012, recognising an impairment based on it recovering 95p in the £. Claims are expected to be based on principal and interest accrued up to 14 November 2008.

However recovery is subject to the following uncertainties and risks:

*Confirmation that deposits (including those made by local authorities) have preferential creditor status, which is likely to have to be tested through the Icelandic courts.

*The impact of exchange rate fluctuations on the value of assets recovered and on the settlement of the authority's claim, which may be denominated in currencies other than sterling

*Settlement of the terms of a 'bond' allowing creditors of the previous bank to enjoy rights in the new bank

*The impact (if any) of the freezing order made by the UK government over the bank's London branch assets.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the bond remains at its current value. Therefore if preferential creditor status is not achieved the recoverable amount may only be 33p in the £ and the impairment charged to the Income and Expenditure account would be significantly greater.

No information has been provided about the timing of any payments to depositors. Because it is anticipated that all the assets of the bank will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore, in calculating the impairment, the authority has used the estimated repayment timetables for K&SF as a basis for its assumption about timing of recoveries. It has been assumed therefore that repayment will be divided roughly equally between March 2010, December 2010, December 2011 and December 2012. The impairment therefore reflects the loss of interest from 15 November 2008 until the funds are repaid.

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

Glitnir Bank Hf

Glitnir Bank Hf is also an Icelandic entity. Following steps taken by the Icelandic government in early October 2008, its domestic assets and liabilities were transferred to a new bank (Glitnir), with the management of the affairs of the previous bank being placed in the hands of a resolution committee under Icelandic law. The latest public presentation of its affairs (made to creditors on 6 February 2009) indicates that full recovery of the principal and interest due up to 14 November 2008 is likely to be achieved.

However, as with Landsbanki Islands HF, recovery is also subject to the following uncertainties and risks:

*Confirmation that deposits (including those made by local authorities) have preferential creditor status, which is likely to have to be tested through the Icelandic courts

*The impact of exchange rate fluctuations on the value of assets recovered and on the settlement of the authority's claim, which may be denominated in currencies other than sterling

*Settlement of the terms of a 'bond' allowing creditors of the previous bank to enjoy rights in the new bank

*The impact (if any) of the freezing order made by the UK government over the bank's London branch assets.

The authority has therefore decided to recognise an impairment based on it recovering the full amount of principal and interest up to 14 November 2008. Interest accruing after this date will rank as an unsecured claim and is unlikely to be recoverable. The impairment therefore reflects the loss of interest to the authority from 15 November 2008 until the funds are repaid.

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As with Landsbanki Islands HF, failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank equate to only 40% of its liabilities, assuming that the bond remains at its current value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 40p in the £ and the impairment charged to the Income and Expenditure account would be significantly greater.

No information has been provided about the timing of any payments to depositors. Since the value of deposits is small compared to the total assets of the bank, in calculating the impairment the authority has made the assumption that repayment of priority deposits will be made by 31 March 2010.

The resolution committee's presentations and further information can be found at www.Glitnir.co.uk

The accounting entries made in respect of the banks are therefore as follows. All impairments have been recognised as at the balance sheet date of 31 March 2009.

Bank	Interest rate %	Amount invested £'000	Impairment £'000	Carrying amount at 31 March 2009 £'000
Kaupthing, Singer & Friedlander	5.30	2,000	1,154	920
Kaupthing, Singer & Friedlander	5.86	1,000	604	472
Landsbanki Islands Hf	5.29	2,000	360	1,714
Landsbanki Islands Hf	5.31	2,000	360	1,713
Landsbanki Islands Hf	5.40	1,000	187	882
Glitnir Bank Hf	5.56	3,000	242	3,142
Total		11,000	2,907	8,843

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 have been classified as short term.

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

Interest credited to the Income and Expenditure Account in respect of the investments but not received is as follows:

Bank	Amount invested £'000	Interest rate %	Interest credited in 2007/08 £'000	Interest credited in 2008/09 £'000	Total interest credited but not received £'000
Kaupthing, Singer & Friedlander	2,000	5.30		75	75
Kaupthing, Singer & Friedlander	1,000	5.86	17	59	76
Landsbanki Islands Hf	2,000	5.29		73	73
Landsbanki Islands Hf	2,000	5.31		74	74
Landsbanki Islands Hf	1,000	5.40	16	54	70
Glitnir Bank Hf	3,000	5.56	216	166	382
Total	11,000		249	501	750

The authority has taken advantage of The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009 to defer the impact of the impairments on the General

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Fund, and the impairment of £2,907,473 charged to the Income & Expenditure account has been reversed out to the Financial Instruments Adjustment account, via the Statement of Movement in the General Fund Balance. Under the regulations the authority must transfer the loss back to the Income & Expenditure account no later than 31 March 2011.

The regulations do not however allow interest credited to the Income & Expenditure Account but not received to be deferred, and accordingly a charge for this, totalling £0.750 million, has been borne in full by the General Fund balance via a transfer from the Financial Instruments Adjustment Account. This charge will however reduce the impairment loss transferred back to the Income and Expenditure account by 31 March 2011.

Discussions are ongoing with the government to amend regulations to allow the authority to charge the relevant proportion of the impairment loss, including lost interest, to the Housing Revenue Account (HRA). In the meantime an amount of £77,600 has been debited to the HRA but reversed out to the General Fund via the Statement of Movement in the HRA Balance.

25. Debtors

	31st March 2009	31st March 2008
	£000's	£000's
Amounts falling due in one year		
Government Departments	3,030	1,730
Non-Domestic Ratepayers	831	430
Council Taxpayers	1,584	1,486
Other Local Authorities	478	717
Cheltenham Borough Homes	66	136
Housing Rents	630	669
Sundry Debtors	3,611	2,906
Payments in Advance	140	232
	10,370	8,306
Provision for doubtful debts	(1,636)	(1,444)
	8,734	6,862

Previously, the Council has created a bad debt provision for 20% of its Housing Revenue Account rechargeable works debtors outstanding at the year end, forming part of the balance sheet. A change of policy in 2008/09 has resulted in 80% of these debts at 31st March 2009 to be included in the Housing Revenue Account bad debt provision. This reflects current recovery rates. The change in policy has resulted in an additional charge of £100,400 to the income and expenditure account in 2008/09. The Government departments debtor includes a refund of VAT and associated interest of £1.166 million.

26. Creditors

	31st March 2009	31st March 2008
	£000's	£000's
Government Departments	1,138	328
Non-Domestic Ratepayers	4,897	434
Council Taxpayers	550	548
Cheltenham Borough Homes	802	1,135
Housing Rents	98	102
Other Local Authorities	1,140	954
Sundry Creditors	2,787	3,770
Receipts in Advance	1,009	1,663
	12,421	8,934

27. Long Term Borrowing

	Range of Interest Rates Payable %	Total Outstanding	
		31st March 2009	31st March 2008
		£000's	£000's
Public Works Loan Board (PWLB)	4.35% - 4.875%	11,011	26,011
Money Market	3.82% to 4.95%	16,147	16,148
		27,158	42,159
<hr/>			
An analysis of PWLB by maturity is:			
Maturing in 3-5 years		2,011	2,011
Maturing in more than 10 years		9,000	24,000
		11,011	26,011
<hr/>			
An analysis of Money Market loans by maturity is:			
Maturing in 3-5 years		-	-
Maturing in 6-10 years		-	-
Maturing in more than 10 years		16,147	16,148
		16,147	16,148

28. Fair Value of assets and liabilities carried at amortised cost

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

- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair value of PWLB loans held at 31st March 2009 is £12,409,741 (£27,283,290 at 31st March 2008) compared to the carrying value of £11,010,964 at 31st March 2009 (£26,011,203 at 31st March 2008). 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 fair value equates to carrying value at the Balance Sheet date.

29. Nature and extent of risks arising from financial instruments

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

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

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

The authority's overall risk management is carried out by the central treasury team under policies approved by the Council in the treasury management strategy approved in February 2008. The Council provides written policies for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

a. Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the authority's customers. Deposits during the first half of 2008/09 were made with financial institutions that were rated independently with a Fitch credit rating of a minimum of AA credit rating and met the Council's lending criteria as approved in its Investment Policy 2008/09. When the banking and financial markets were in turmoil towards the end of 2008, a decision was made not to place deposits with any banks or building societies, but to only place the Council's investments with the Government's Debt Management Office and other Local Authorities, thus minimising risk.

The policy dictates the maximum amount of lending that can be held with any one institution, set in accordance with the institutions credit rating and the guidance of the Council's treasury advisors, Arlingclose. The maximum amount of surplus balance that can be lent to an approved counterparty was £5m in 2008/09, and has since been increased to £7m as indicated in the Investment Policy 2009/10, which was approved at Council in February 2009. No credit limits were exceeded during the year.

b. Liquidity risk

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

c. Market risk

The authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. A rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the income and expenditure account will rise
- borrowings at fixed rates – the fair value of the liabilities borrowing will fall
- investments at variable rates – the interest income credited to the income and expenditure account will rise
- investments at fixed rates – the fair value of the assets will fall

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Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure account or the Statement of Recognised Gains and Losses (STRGL). However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the income and expenditure account and will affect the general balance. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

The authority has a number of strategies for managing interest risk. Policy is to aim to keep a maximum of 50% of its 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.

d. Foreign exchange risk

The authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

30. Provisions

	Balance at 1st April 2008	Charged in Year	Payments/ Transfers in Year	Balance at 31st March 2009
	£000's	£000's	£000's	£000's
General Fund Insurance	1	169	-	170
Legal claims	-	350	-	350
	<u>1</u>	<u>519</u>	<u>-</u>	<u>520</u>

A number of Insurance Provisions were established in 1992/93 to fund the cost of claims from third party claims against the Council under insurance policy excesses. The Insurance 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 areas where the council does not carry insurance cover, fluctuations in insurance premiums and corporate risk management strategy implementation.

The Legal Claims provision has been set up to cover additional court costs and legal fees arising from the judgement made by the High Court against the Council in the Cheltenham Borough Council v. Christine Laird case (see the post-balance sheet events Note 37).

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31. Capital Grants and Contributions Unapplied

	Balance at 1st April 2008	Receipts / Refunds in year	Amounts used to fund revenue expenditure charged to capital under statute	Amounts used to fund fixed assets	Other amounts transferred to Revenue	Balance at 31st March 2009
	£000's	£000's	£000's	£000's	£000's	£000's
Developers Contributions Partnership Funding Lottery Grants Government Grants	885 9 - 222	4 4,066 97 724	(74) (14) (734)	(68) (3,847) (84) (42)	(115) (11) (13) (11)	632 203 - 159
	1,116	4,891	(822)	(4,041)	(150)	994

Where government grants or contributions are used to fund revenue expenditure charged to capital under statute, they are written off fully in the year to the Income and Expenditure account. When a sum has been used to fund expenditure on fixed assets, a balance is established on the Capital Government Grants and Capital Contributions Deferred Account. The balance is then written off to the Income and Expenditure account to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them (see Note 32). Consequently, £994,286 is available at 31st March 2009 to meet new expenditure.

The receipts from Partnership funding includes £3.54 million received from the Council's insurers for reinstatement of the Cheltenham Recreation Centre, which was applied during the year to fund the cost of the rebuilding works, following damage by flooding in 2007. The Centre was re-opened in September 2008.

32. Government Grants and Capital Contributions Deferred

	Balance at 1st April 2008	Amounts applied to finance fixed assets in year	Amounts transferred out to Service Revenue Accounts	Balance at 31st March 2009
	£000's	£000's	£000's	£000's
Developer/Other Contributions Lottery Grants Government Grants	1,322 3,238 604	3,915 84 42	(312) (148) (21)	4,925 3,174 625
	5,164	4,041	(481)	8,724

At 31st March 2009 £8,723,960 is available to be released, by instalments in subsequent years, to meet the depreciation charge on the fixed assets financed between 2001/02 and 2008/09.

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33. Reserves

The council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Restated balance 1 st April 2008 £000's	Net Movement in Year £000's	Balance 31 st March 2009 £000's	Purpose of Reserve
a. Revaluation Reserve	25,779	14,662	40,441	Store of gains on revaluation of fixed assets not yet realised through sales
b. Capital Adjustment Account	273,660	(3,921)	269,739	Store of capital resources set aside to meet past expenditure
c. Financial Instruments Adjustment Account	(3,913)	(1,928)	(5,841)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments
d. Usable Capital Receipts	-	-	-	Proceeds of fixed asset sales available to meet future capital investment
e. Pensions Reserve (2007/08 £26,753k less prior year adj. of £1,717k (see Note 39)	(25,036)	(12,045)	(37,081)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet
f. Housing Revenue Account	1,023	(712)	311	Resources available to meet future running costs for council houses
g. Major Repairs Reserve	-	-	-	Resources available to meet capital investment in council housing
h. General Fund	1,399	1,488	2,887	Resources available to meet future running costs for non-housing services
i. Earmarked Reserves:				
Capital Reserve	4,379	(1,324)	3,055	Resources available to finance the General Fund Capital Programme and new initiatives
Equalisation Reserves	1,500	(572)	928	Resources available to smooth out fluctuations in expenditure or income from year to year
Repairs & Renewals Reserve	2,595	(694)	1,901	Resources available to meet the future costs of building repairs/infrastructure
Reserves for Commitments	1,761	(552)	1,209	Resources available to carry forward budget commitments where spending did not take place in the year approved
Other Reserves	5,462	406	5,868	Include sums built up to cover the future costs of planned expenditure
Total	288,609	(5,192)	283,417	

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a. Revaluation Reserve	2008/09	2007/08
	£000's	£000's
Tangible Fixed Assets		
Balance at 1 st April	25,779	-
Revaluation gains on Fixed Assets	14,671	28,822
Write down of accumulated revaluation gains	-	(3,043)
Write down in respect of the difference between current value and historic cost depreciation	(9)	
Balance at 31 st March	<u>40,441</u>	<u>25,779</u>

The Revaluation Reserve formally came into existence at midnight on 1st April 2007 with a zero balance. The balance on the reserve represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost.

b. Capital Adjustment Account	2008/09	2007/08
	£000's	£000's
Balance at 1 st April	273,660	275,761
Capital Financing:		
Capital Receipts	46	1,280
Government Grants/Capital Contributions Applied	569	2,522
Revenue	2,945	6,439
Major Repairs Reserve	2,900	3,744
Government Grants	734	920
Minimum Revenue Provision (MRP)	320	70
Less:		
Write Down of Revenue Expenditure charged to Capital under statute	(1,302)	(2,197)
Depreciation in year	(4,811)	(4,757)
Write down in respect of the difference between current value and historic cost depreciation	9	
Amortisation in year	(66)	(66)
Impairment Losses	(5,123)	(11,774)
Write down of accumulated revaluation gains	-	3,043
Disposals	(142)	(1,325)
Balance at 31 st March	<u>269,739</u>	<u>273,660</u>

The Capital Adjustment Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The balance on the Account thus represents timing differences between the amount of the historical cost of fixed assets that have been consumed and the amount that have been financed in accordance with statutory requirements.

c. Financial Instruments Adjustment Account

	2008/09	2007/08
	£000's	£000's
Balance at 1 st April	(3,913)	-
Net impact on transition to the SORP 2007 (Premiums)/discounts received in year	-	(3,393)
Amortisation of past premiums/discounts	229	133
Impairment of Icelandic banks	(2,907)	-
Interest re Icelandic banks	750	-
Balance at 31 st March	<u>(5,841)</u>	<u>(3,913)</u>

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Where premiums and discounts on the early repayment of loans have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2009 allows authorities to defer the impact on the General Fund of the impairment of investments in Icelandic banks (see paragraph 24), which the authority has decided to take advantage of in full. The regulations also require, however, that where an investment is impaired, any related interest credited to the Income and Expenditure Account but not received must be reversed out in determining the movement on the general fund balance for the year. These adjustments are managed by transfers to or from the Financial Instruments Adjustment Account in the Statement of Movement in the General Fund Balance.

d. Usable Capital Receipts

	2008/09 £000's	2007/08 £000's
Balance at 1 st April	-	869
Capital receipts in year from sale of assets	269	1,496
Pooling of Housing Capital receipts	(222)	(1,086)
Receipts set aside to repay debt	-	-
Capital receipts applied during the year	(47)	(1,279)
Balance at 31 st March	-	-

e. Pensions Reserve – further detail of movements is shown within Note 39 to the Core Financial Statements on Pages 66-70.

f. Housing Revenue Account (HRA) – further detail of movements is shown within the HRA Statements on Pages 73-78

g Major Repairs Reserve (MRR) – further detail of movements is shown within the HRA Statements on Pages 73-78.

h. General Fund – further detail of movements is shown within the Statement of Movement on the General Fund Balance on Pages 34-35.

i. Earmarked Reserves

	Balance at 1 st April 2008 £000's	Transfers to in Year £000's	Transfers from in Year £000's	Balance at 31 st March 2009 £000's
Capital Reserve	4,379	671	(1,995)	3,055
Equalisation Reserves	1,500	156	(728)	928
Repairs & Renewals	2,595	1,282	(1,976)	1,901
Reserves for Commitments	1,761	1,004	(1,556)	1,209
Other Reserves	5,462	3,173	(2,767)	5,868
	15,697	6,286	(9,022)	12,961

34. Deferred Credits

These are amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of Council houses.

35. Contingent Liabilities

The Council has a potential liability in respect of the run off of Municipal Mutual Insurance to the value of £474,019. This will only materialise if the assets of the company do not cover the insurance claims yet to be settled, the likelihood and timing of which is unknown at this stage.

The Council has impaired its investments with Glitnir Bank hf and Landsbanki Islands hf to reflect the likely amounts to be recovered. However it has been assumed that local authority deposits have preferential creditor status under Icelandic law, which is likely to have to be tested through the courts. Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable and the impairment charge to the Income and Expenditure account for future years may as a result be significantly greater than that made in 2008/09.

The Council may have a further potential liability for legal costs in relation to the CBC v. Laird court case – see Note 37 (post balance events) for more details.

36. Authorisation of Accounts for issue

FRS 21 *Events after the Balance Sheet Date* requires the establishment of a date after which events will not have been recognised in the Statement of Accounts. For the audited accounts this is the date the accounts are signed by the Chief Finance Officer. On this basis, the date beyond which there can be no reasonable expectation that events could have been taken into account by the authority is 30th September 2009. This is the date after which any events are not recognised in the accounts for the year 2008/09.

37. Post Balance Sheet Events

Legal proceedings – Council v Former Managing Director, Mrs Laird:

During January to April 2009 the Council's case against its former Managing Director, Mrs Christine Laird, for damages for negligent and/or fraudulent misrepresentation was heard in the High Court. On 15 June 2009 the Court dismissed the Council's claim and also Mrs. Laird's counter-claim for damages and entitlement to benefits received by the Council. The Council has decided not to appeal against this decision.

The Court also ruled, however, that the Council must cover its own legal costs and part of Mrs Laird's legal costs. Mrs Laird has since appealed against this decision, requesting that the Council cover her full legal costs. Although the costs payable to Mrs Laird under the court's decision need to be finalised, the Council has estimated they are likely to be between £200,000 and £350,000. Consequently a provision of £350,000 has been set aside in 2008/09 to cover the future payment of these costs. Potentially the Council is liable for additional costs, depending on the outcome of Mrs Laird's appeal, which cannot be quantified at this stage.

Single Status:

Single status is a national agreement which was entered into in 1997, with the purpose of providing harmonised, non-discriminatory, terms and conditions and grading structures at both national and local level across white collar and manual workers.

As a consequence, the Council undertook a process of proposing new terms and conditions, and

job evaluating all the professional, technical, clerical and manual posts in the authority for those grades covered by the national agreement. This has enabled the Council to ensure fair terms and conditions, and that its new pay and grading structure provides for equal pay for work of equal value. This work was carried out by a single status working group comprising representatives from management and unions, over the period 2005/06 to 2008/09 at a total cost of £348,900.

The nationally recognised trade unions were unable to agree the proposed package, therefore the Council decided to put the proposals to employees (on the NJC terms and conditions) via a consultative ballot which was held in April 2009. In addition GMB balloted their membership. The consultative ballot resulted in an acceptance of the proposals. Single status implementation has therefore been reached with any changes to pay, and protection effective from 1st September 2008.

Employees have a deadline of 30th June 2009 to lodge any appeal over their job evaluation outcome. These appeals will be held during 2009/10 and the outcome included in the 2009/10 accounts.

Letters have been sent to all employees to ask for their signed individual agreement to the contractual variation. The intention is that, subject to individual agreement, the changes will take place effective from 1st September 2009, aiming to pay any retrospective pay due to employees (as from 1st September 2008) with the September 2009 pay.

A full equality impact assessment has been made on the single status package, and shared with the Trade Unions. No provision or contingent liability is included in the 2008/09 accounts in respect of back pay that may be awarded as a result of equal pay claims, as no such claims have been lodged and it is not therefore possible at this time to quantify the potential impact should any subsequent claim prove successful.

VAT refund

In September 2009 HM Revenues and Customs agreed the Council's claim for a refund of VAT covering the period March 1973 to November 1996. The claim follows a House of Lords judgement in January 2008 (known as the 'Fleming' case) and new legislation introduced in the March 2008 budget. The refund relates to overpaid VAT in respect of sports and cultural services, excess parking charges, domestic waste, and cemetery and crematorium supplies. The refund due is shown in the Income and Expenditure account as an exceptional item and included as a debtor at the year end.

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38. Trust Funds

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

	Balance at 1 st April 2008	Receipts in Year	Payments in Year	Balance at 31 st March 2009
	£	£	£	£
Captain Wild	64,238	1,401	0	65,639
Major Mason	430	7	0	437
Miss Privett	15,512	338	(1020)	14,830
Phyllis Kay	1,822	40	0	1862
Leslie Young	1,394	30	0	1,424
Garden of Remembrance	26,966	2,168	(6,564)	22,570
	110,362	3,984	(7,584)	106,762

The purpose of each of the funds is as follows:

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

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

	Balance at 1 st April 2008	Receipts in Year	Payments in Year	Balance at 31 st March 2009	Capital Value of fund at 31 st March 2009
	£	£	£	£	£
Stansby	1,087	84	0	1,171	2,827
Ald W A Baker	1,204	0	0	1,204	1,204
Septimus Redhead	15,610	1,414	0	17,024	48,299
Turner Long	10,721	2,782	(2,400)	11,103	55,769
Caroline Strickland	5,500	9,081	(8,324)	6,257	39,266
Hay Trust	19,579	28,909	(21,667)	26,821	102,966
Walker Memorial	2,962	765	(1,000)	2,727	17,299
	56,663	43,035	(33,391)	66,307	267,630

The capital value of the Trust funds is based on the share values at 31st March 2009. The purpose of each of the funds is as follows:

- Stansby To fund apprenticeships for under 21 years of age entering a trade occupation
- Ald W A Baker To offer relief to the widows and children of ex Council employees
- Septimus Redhead Grants to the hospital and RSPCA
- Turner Long Annuities to indigent women over 50 years of age
- Caroline Strickland Support to Almshouses - Hales Road
- Hay Trust Support to Almshouses - Naunton Park
- Walker Memorial Annuities to indigent women over 50 years of age

39. Retirement Benefits

Participation in the Pensions Scheme

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

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

Transactions Relating to Retirement Benefits

In accordance with the requirements of *Financial Reporting Standard No 17 – Retirement Benefits* (FRS 17), the operating costs of providing retirement benefits to employees are included in the Income and Expenditure Account. The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

The employers' contributions to the pension fund of £3,381,000 (£2,934,000 in 2007/08) have been replaced by the current service (pensions) costs, being the increase in the present value of the defined benefit scheme's liabilities expected to arise from employee service in the current period. These are included in the net cost of services and total £1,474,000 for 2008/09 (£2,202,000 in 2007/08).

Past service costs represent discretionary benefits awarded on early retirement, to include added years and unreduced pension benefits awarded under the rule of 85. Current liabilities of the scheme include an allowance in respect of retrospective changes to members benefits that came into effect on 1st April 2008, that have been reflected in the 2008-09 accounts as past service costs. These are £531,000 in respect of the extension of the death grant upon death after retirement and £178,000 in respect of the eligibility criteria for dependant's pensions upon death. The total past service costs are £733,000 for 2008/09 and are included in the net cost of services as non-distributed costs (£13,000 in 2007/08).

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 net cost of services as non-distributed costs and total £395,000 for 2008/09 (£2,000 in 2007/08).

The expected return on employer assets is based on the long-term future expected investment return on assets as at 31st March 2009. This is £4,560,000 for 2008/09, representing 39.7% of pensionable pay (£4,747,000 in 2007/08, being 40.5%) and is included in the net operating expenditure within the Income and Expenditure Account.

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 £6,242,000 for 2008/09, representing 54.4% of pensionable pay (£5,605,000 charge for 2007/08, being 47.9%) and is included in the net operating expenditure within the Income and Expenditure Account.

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The overall effect on the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year is summarised in the following table:-

Income and Expenditure Account	2008/09	2007/08
	£000's	Restated £000's
<i>Net Cost of Services:</i>		
current service cost	(1,474)	(2,202)
past service costs	(733)	(13)
curtailments	(395)	(2)
<i>Net Operating Expenditure:</i>		
expected return on employer assets	4,560	4,747
interest on pension scheme liabilities	(6,242)	(5,605)
Net Charge to the Income and Expenditure Account	(4,284)	(3,075)
<i>Statement of Movement in the General Fund Balance:</i>		
reversal of net charges made for retirement benefits in accordance with FRS 17	4,284	3,075
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
employer contributions	(3,381)	(2,934)
Net effect on the General Fund Balance	903	141

In addition to the recognised gains and losses included in the Income and Expenditure account, actuarial losses of £11,142,000 (£9,944,000 gain 2007/08 as restated) are included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £11,309,000.

Assets and Liabilities in relation to Retirement Benefits

In accordance with FRS 17, 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 2009	31st March 2008	Net Increase
	£000's	Restated £000's	/(Decrease) £000's
Fair value of scheme Assets (A)	51,561	65,549	(13,988)
Present value of Scheme Liabilities	(87,206)	(89,144)	1,938
Present value of Unfunded Liabilities	(1,436)	(1,441)	5
Total value of Liabilities (B)	(88,642)	(90,585)	1,943
Net Pension Asset/(Liability) (A-B)	(37,081)	(25,036)	(12,045)

STATEMENT OF ACCOUNTS 2008/09

(A) Fair value of scheme Assets	31st March 2009	31st March 2008	Net Increase
	£000's	Restated £000's	/(Decrease) £000's
1 April	65,549	69,438	(3,889)
Expected return on assets	4,560	4,747	(187)
Contributions by members	779	734	45
Contributions by the employer	3,381	2,934	447
Actuarial gains / (losses)	(19,093)	(8,540)	(10,553)
Unfunded benefits paid	(90)	(86)	(4)
Benefits paid	(3,525)	(3,678)	153
Closing fair value of assets	51,561	65,549	(13,988)

(B) Present value of Liabilities	31st March 2009	31st March 2008	Net Increase
	£000's	Restated £000's	/(Decrease) £000's
1 April	90,585	104,277	(13,692)
Current service cost	1,474	2,202	(728)
Interest cost	6,242	5,605	637
Contributions by members	779	734	45
Past service costs	733	13	720
Losses (gains) on curtailments	395	2	393
Actuarial losses / (gains)	(7,951)	(18,484)	10,533
Estimated Unfunded benefits paid	(90)	(86)	(4)
Estimated Benefits paid	(3,525)	(3,678)	153
Closing value of liabilities	88,642	90,585	(1,943)

The liabilities show the underlying commitments that the Council has in the long-term to pay retirement benefits. The net liability of £37.081m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, although the overall balance remains positive at £283.269m. 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.

Restatement of 2007/08 Pensions reserve and Pensions

As a result of the amendment to FRS17, adopted in accordance with the 2008 Statement of Recommended Practice (SORP), the value of scheme assets in the balance sheet at 31st March 2008 has been restated from £26,753,000 to £25,036,000, a decrease of £1,717,000. This results in a decrease in the value of scheme liabilities in the balance sheet at 31st March 2008 of £1,717,000, which has been restated from £26,753,000 to £25,036,000. Current and prior year surplus have been unaffected by this change in estimation technique.

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.

STATEMENT OF ACCOUNTS 2008/09

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

	31 st March 2009	31 st March 2008
Mortality Assumptions:		
Longevity at 65 for current pensioners - men	20.4 yrs	
Longevity at 65 for current pensioners - women	23.4 yrs	
Longevity at 65 for future pensioners - men	22.6 yrs	
Longevity at 65 for future pensioners - women	25.5 yrs	
Rate of inflation	3.1%	3.6%
Pension increase rate	3.1%	3.6%
Rate of increase in salaries	4.6%	5.1%
Rate of discounting scheme liabilities	6.9%	6.9%
Expected return on assets	5.9%	6.9%
Take-up of option to convert annual pension into retirement grant	50.0%	50.0%

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

Assets at 31 st March 2009			Restated Assets at 31 st March 2008			
Value		Expected long term return	Value		Expected long term return	
£000's	%	%	£000's	%	%	
25,781	50.00	7.00	Equities	41,009	63.00	7.70
12,890	25.00	5.40	Bonds	17,363	26.00	5.70
4,125	8.00	4.90	Property	6,030	9.00	5.70
8,765	17.00	4.00	Cash	1,147	2.00	4.80
51,561	100.00	6.90	Total	65,549	100.00	6.90

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.

The LGPS funding level is determined by actuarial valuation every three years. At the last valuation, 31st March 2007, the overall fund was 75% funded. Employers' contribution rates are calculated at each triennial valuation to achieve full funding of each employer's part of the scheme over the average future working life of that employer's active members. The minimum employers contribution rates agreed at the last triennial valuation were:

1 April 2008 to 31 March 2009	24.9% of pensionable pay
1 April 2009 to 31 March 2010	24.9% of pensionable pay
1 April 2010 to 31 March 2011	24.9% of pensionable pay

STATEMENT OF ACCOUNTS 2008/09

The council has agreed the objective to return the ongoing funding level of its portion of the scheme to 100% of the projected past service liabilities within a period of 20 years measured in accordance with the assumptions adopted as at the valuation date.

Actuarial Gains and Losses

The actuarial gains identified as movements on the pension reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2009.

Restated amounts for current and previous accounting periods	Year to 31st March 2009 £000's	Year to 31st March 2008 £000's	Year to 31st March 2007 £000's	Year to 31st March 2006 £000's	Year to 31st March 2005 £000's
Fair value of employers assets	51,561	65,549	69,438	64,453	51,338
Present value of liabilities	(88,642)	(90,585)	(104,277)	(104,671)	(88,291)
Surplus / (Deficit)	(37,081)	(25,036)	(34,839)	(40,218)	(36,953)
Experience gains / (losses) on Assets	(19,093)	(8,540)	(80)	8,666	1,204
Percentage of Assets	(37.0%)	(13.0%)	(0.1%)	13.4%	2.3%
Experience Gains/(Losses) on Liabilities	(55)	1,657	(1)	(30)	(1,027)
Percentage of the Total Present Value of Liabilities	(0.1%)	1.8%	(0.0%)	(0.0%)	(1.1%)
Actuarial Gains/(Losses) Recognised in STRGL	(11,142)	9,944	5,973	(2,982)	(13,102)
Percentage of the Total Present Value of Liabilities	(12.6%)	11%	5.7%	(2.8%)	(14.8%)
Cumulative Actuarial Gains/(Losses)	(11,309)	(167)	(10,111)	(16,084)	(13,102)
Percentage of the Total Present Value of Liabilities	(12.7%)	(0.2%)	(9.7%)	(15.4%)	(14.8%)

STATEMENT OF ACCOUNTS 2008/09

Notes relating to the Cash Flow Statement

40. A reconciliation of net surplus/deficit on the Income and Expenditure Account to the revenue activities net cash flow in the Cash Flow Statement

2007/08		2008/09
£000's		£000's
222	General Fund	(1,488)
3,372	Housing Revenue Account	712
3,594	Net (Surplus) / Deficit	(776)
(1,338)	Extract Financing shown elsewhere	(591)
2,256		(1,367)
(6,440)	Adjust for : - Capital financed from Revenue Sources	(2,945)
(3,744)	- Capital financed from Capital Reserve	(2,900)
81	- Revenue financed from Capital Sources	56
-	- Reserves used for Non Revenue purposes	-
-	Adjust for : - (Increase) / Reduction in General Provisions	(519)
(794)	- (Increase) in Reserves	2,736
(2,469)	- (Increase) / Reduction in Revenue Creditors	(3,487)
826	- Increase / (Reduction) in Revenue Debtors	3,365
(17)	- Increase / (Reduction) in Stocks & Work in Progress	3
(10,301)	Net Cash (Inflow) from Revenue Activities	(5,058)

41. A reconciliation of the movement in cash to the movement in net debt

2007/08		2008/09
£000's		£000's
	Net Debt	
3,778	Net increase / (decrease) in short-term investment	1,572
(320)	Net movement in long-term borrowings	15,001
(3,523)	Net (increase) / decrease in temporary borrowing	(9,437)
210	Premium paid on rescheduled debt	0
145	Net Outflow / (Inflow) of cash (See Note 42)	7,136
	Other Activities	
(10,301)	Cash outflow / (inflow) on revenue activities (See Note 40)	(5,058)
1,338	Cash (inflow) / outflow on investments and servicing of finance	591
7,810	Cash outflow on capital activities	(3,380)
(1,153)	Net Outflow / (Inflow) of cash	(7,847)
(1,008)	Net Outflow / (Inflow) of cash from all activities	(711)

STATEMENT OF ACCOUNTS 2008/09

42. A reconciliation of the items shown within the financing and management of liquid resources sections of the Cash Flow Statement to the opening and closing Balance Sheets

2007/08			2008/09	
£000's	£000's		£000's	£000's
		Management of Liquid Resources		
5,652		Short term investments at the beginning of the year	9,431	
9,430		Short term investments at the end of the year	11,003	
	3,778	Cash (Inflow)/Outflow		1,572
		Financing Transactions		
(7,230)		Short Term borrowings at beginning of year	(10,753)	
(41,839)	(49,069)	Long Term borrowings at beginning of year	(42,159)	(52,912)
(10,753)		Short Term borrowings at end of year	(20,190)	
(42,159)	(52,912)	Long Term borrowings at end of year	(27,158)	(47,348)
	(3,843)	Cash (Inflow)/Outflow		5,564
	210	Premium paid on rescheduled debt		0
		Net (Inflow)/Outflow of Cash arising from the Management of Liquid Resources and Financing Transactions		
	145			7,136

43. Liquid Resources

The liquid resources shown in this statement are current asset investments that are held without disrupting the authority's activities and are readily convertible into known amounts of cash.

44. Analysis of DWP and Other Government Grants

2007/08		2008/09
£000's		£000's
	Revenue (DWP)	
1,005	Housing Benefits Administration	831
9,333	Rent Rebates	9,854
13,653	Rent Allowances	14,506
5,707	Council Tax Benefit	6,181
29,698		31,372
	Revenue (Other Government Grants)	
183	Tax Collection Costs	186
(1,076)	HRA Subsidy	(1,737)
2,515	HRA Subsidy (ALMO allowance)	2,515
1,572	Other Grants	481
3,194		1,445
	Capital	
256	Specified Capital Grant	274
665	Private Sector Decent Homes	461
-	Other	
921		735

45. Additional Information

The Cash Flow Statement follows the current Accounting Code of Practice which uses a more simple definition of cash rather than of cash equivalents as was the case previously.

STATEMENT OF ACCOUNTS 2008/09

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE ACCOUNT

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.

	2008/09	2007/08
	£000's	£000's
Income		
Dwelling rents	(15,379)	(15,338)
Non-dwelling rents	(361)	(362)
Charges for services and facilities	(579)	(389)
Contributions towards expenditure	-	(19)
Supporting people grant	(144)	(147)
Total Income	(16,463)	(16,255)
Expenditure		
Repairs and maintenance	3,623	3,671
Supervision and management	5,571	5,286
Rents, rates, taxes and other charges	66	95
Housing Revenue Account subsidy payable	1,722	1,080
Depreciation and impairment of fixed assets	8,036	11,748
Deferred Charges	20	223
Debt Management Costs	40	37
Increase in bad debt provision	252	98
Rent Rebates Subsidy Limitation	197	309
Total Expenditure	19,527	22,547
Net Cost of HRA Services per Authority Income and Expenditure Account	3,064	6,292
HRA services share of Corporate and Democratic Core	122	115
Net Cost of HRA Services	3,186	6,407
Gain on sale of HRA fixed assets	(93)	(12)
Interest payable and similar charges	818	856
Interest and investment income *	(51)	(187)
Deficit for the year on HRA Services	3,860	7,064

* Interest and investment income made up of £13,000 mortgage interest and £38,000 on notional cash balances (£19,000 and £168,000 respectively in 2007/08).

STATEMENT OF ACCOUNTS 2008/09

STATEMENT OF MOVEMENT ON THE HRA BALANCE

The reconciliation Statement takes the outturn on the HRA Income and Expenditure Account 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:

2007/08		2008/09
£000's		£000's
7,064	(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	3,860
(3,692)	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	(3,148)
3,372	(Increase) / Decrease in the HRA Balance for the Year	712
(4,395)	HRA Balance brought forward	(1,023)
(1,023)	HRA Balance carried forward	(311)

STATEMENT OF ACCOUNTS 2008/09

NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

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

2007/08		2008/09
£000's		£000's
	Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Balance for the year	
(7)	Amortisation of premiums and discounts	9
(8,886)	Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	(5,177)
12	Gain or loss on sale of HRA fixed assets	93
(8,881)		(5,075)
	Items not included in the HRA Income and Expenditure Account but included in the Movement on the HRA Balance for the year	
(81)	Transfer to/(from) Major Repairs Reserve	(57)
5,270	Capital expenditure funded by the HRA	1,984
5,189		1,927
(3,692)	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	(3,148)

2. Housing Stock

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

Type	1 st April 2008	Additions	Sales	Demolitions	31 st March 2009
Houses & Bungalows	2,267	1		(26)	2,242
Flats	2,380		(1)		2,379
Shared Ownership (flats)	19				19
Total Stock	4,666	1	(1)	(26)	4,640

* The number of houses and bungalows at 1st April 2008 shows an additional 33 units to the figure detailed in the 2007/08 statement of accounts. These properties had been approved for demolition before 31st March 2008 and deducted from stock numbers but had not been physically demolished at that date.

The properties were situated in a regeneration area and have been demolished in two phases. 22 were demolished in 2008/09 (part of the 26 shown above) and the remainder in 2009/10. It is anticipated that the construction of replacement housing will commence in 2010/11 subject to planning permission.

STATEMENT OF ACCOUNTS 2008/09

3. HRA Fixed Assets

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

	1st April 2008 £000's	Revaluation £000's	Additions £000's	Impairment £000's	Disposals £000's	Depreciation £000's	31st March 2009 £000's
Operational Assets							
Dwellings	234,786	7,585	4,572	(5,079)	(118)	(2,900)	238,846
Garages	786					(21)	765
Infrastructure	1,415		424			(36)	1,803
Non-operational Assets							
Investment Property	2,997				(332)		2,665
Total net fixed assets	239,984	7,585	4,996	(5,079)	(450)	(2,957)	244,079

The charges for impairment relate to capital expenditure in 2008/09 which has not enhanced asset valuation and has been written off to the capital adjustment account.

4. Dwelling Valuation

The vacant possession value of dwellings within the HRA at 1st April 2008 was £551,195,898. This valuation and the lower Balance Sheet valuation show the economic cost to Government of providing council housing at less than open market rents.

5. Major Repairs Reserve

An analysis of movements on the reserve is shown below:

	£000's
Balance 1 st April 2008	-
Transfer to reserve	2,956
Transfer from reserve to HRA	(56)
Finance of HRA capital expenditure	(2,900)
Balance 31 st March 2009	-

6. Housing Repairs Account

An analysis of movements on the account is shown below:

	£000's
Balance 1 st April 2008	25
Contribution from HRA	3,598
Repair & Maintenance expenditure	(3,623)
Balance 31 st March 2009	-

STATEMENT OF ACCOUNTS 2008/09

7. HRA Capital Expenditure

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

HRA Capital Expenditure	Total Expenditure £000's	Sources of Finance		
		Major Repairs Allowance £000's	Revenue £000's	Capital Receipts £000's
Major Repairs & Improvements	4,288	2,900	1,388	
Infrastructure	424		424	
Repurchase of shared ownership flats	164		153	11
Asset Disposal	24			24
Total	4,900	2,900	1,965	35

8. HRA Capital Receipts

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

	£000's
Sale of Dwellings	55
Mortgage Principal	22
Discounts repaid on former Council dwelling sales	29
Sale of Shared Ownership Flats	141
Land	11
Total	258

9. Deferred Charges

Expenditure on deferred charges amounted to £20,163 in 2008/09 and related to grants to third parties. This has been wholly written off to the HRA within the year.

10. HRA Subsidy

The Council's entitlement to HRA subsidy in 2008/09 is calculated in accordance with the subsidy determination for the year and is analysed into its component elements below:

	£000's
Management Allowance	2,642
Maintenance Allowance	4,998
Charges for Capital	9
Major Repairs Allowance	2,900
ALMO Allowance	2,515
Tenant Survey	8
Guideline Rent Income	(14,413)
Interest on Receipts	(381)
Total Net Subsidy Payable by Cheltenham Council	(1,722)

11. Rent Arrears

Rent arrears at the 31st March 2009 amounted to £629,788 (£669,277 as at 31st March 2008) and the Balance Sheet includes a bad debt provision of £359,000 relating to those arrears (£359,000 as at 31st March 2008).

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 2008/09 this amounted to £197,147, a figure which will reduce in future years as government policy on rent restructuring is implemented.

13. Dwelling Rents

From April 2008 charges for cleaning communal areas were separated from the rent charged to tenants. In the 2008/09 income and expenditure account these charges, totalling £176,729, were classified as income from charges for services and facilities. In 2007/08 and previous years this income was included in dwelling rents.

STATEMENT OF ACCOUNTS 2008/09

THE COLLECTION FUND - INCOME AND EXPENDITURE ACCOUNT

	2008/09	2007/08
	£000's	£000's
INCOME		
Council Taxpayers	52,732	49,990
Transfers from General Fund		
Council Tax Benefits	6,110	5,647
Transitional Relief	-	-
Income Collectable from Business Ratepayers	48,678	44,345
Bad and Doubtful Debts		
Movement in Provision Increased / (Decreased)	(84)	5
Total Income	107,436	99,987
EXPENDITURE		
Precepts and Demands from County and District Councils	58,500	55,225
Business Rates		
Payment to National Pool	48,073	44,107
Costs of Collection	185	183
Interest on Repayments	18	35
Bad and Doubtful Debts		
Write Offs	377	65
Surplus Distribution	240	240
Total Expenditure	107,393	99,855
Surplus/(Deficit) for the Year	43	132
Balance of Fund as at 1st April	771	639
Fund Balance as at 31st March	814	771

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 is 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 2009 was £117.430m (£117.432m at 31st March 2008) and the national non-domestic multiplier for 2008/09 was 46.2p (44.4p 2007/08) resulting in gross income before cost of collection and provision for bad debts and interest of approximately £49m. The income shown in the Collection Fund of £48.4m is net of these adjustments.

2. CALCULATION OF COUNCIL TAX

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

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

Council Tax is a property based tax with 25% reduction being made for single occupancy and 100% for void.

The District Valuer has valued all domestic property in the area and has placed them into one of eight bands. A factor is then applied to each band so that the tax base can be expressed as a "Band D" equivalent (see below).

Band	Estimated Number of Properties in each Band (adjusted for discounts)	Ratio	Band "D" Equivalents
A	6954.00	6/9	4,636.00
B	10,355.45	7/9	8,054.22
C	11,669.10	8/9	10,372.52
D	7550.35	1	7,550.35
E	4180.30	11/9	5,109.26
F	2282.25	13/9	3,296.58
G	1739.85	15/9	2,899.75
H	68.30	2	136.60
			42,055.28

Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation bandings, demolitions, disabled persons' relief and exemptions, plus adjustments for new properties. (This amounts to 1.05% of the tax base).

Council Tax Base for 2008/09 **41,617.30**

STATEMENT OF ACCOUNTS 2008/09

3. PRECEPTS

The precepts on the Collection Fund are as follows:-

	2008/09 £000's	2007/08 £000's
Gloucestershire County Council	43,131	40,649
Cheltenham Borough Council	7,376	7,045
Gloucestershire Police Authority	7,843	7,384
Charlton Kings Parish Council	41	40
Leckhampton Parish Council	24	23
Prestbury Parish Council	53	51
Swindon Village Parish Council	9	10
Up Hatherley Parish Council	23	23
	58,500	55,225

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 shared between the Council and its major precepting authorities in the following year. Of the balance any amounts arising from Council Tax are shared by the Council and 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 authority's share of the balances is as follows:

	CBC share £000's	County share £000's	Police share £000's	Total £000's
Balance at 1 st April 2008	98	570	103	771
Increase in the Year	6	31	6	43
Balance at 31st March 2009	104	601	109	814

GROUP ACCOUNTS

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

Further details of these companies are given in Note 23 to the core financial statements on Pages 49 to 51.

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 FRS 2.

FRS 2 requires income and expenditure, assets and liabilities to be consolidated on a line-by-line basis. The operating income and expenditure has been included within the local authority housing (HRA) line before net cost of service. Taxation has been disclosed as a separate line before net operating expenditure, although it should be noted that Cheltenham Borough Homes has been granted exemption from Corporation Tax.

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

Gloucestershire Airport Limited has been categorised as a joint venture company as the decisions regarding the operating and financial policies of the company require the consent of all parties. Its assets and liabilities have been consolidated with the Council's in accordance with FRS 9.

FRS 9 requires the Gross Equity Method to be used when consolidating joint ventures. Under this method, the council's share of the operating result of the Airport is reported gross (i.e. gross turnover and expenditure) as a separate line before net cost of service within the Group Income and Expenditure Account. Taxation has been disclosed as a separate line before net operating expenditure.

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

PRIOR YEAR ADJUSTMENTS

Gloucestershire Airport fully adopted FRS17 (Accounting for Pension costs) during the year and its accounts for the year ended 2007/08 have been restated to reflect this. Consequently the Group accounts for the year ended 31st March 2008 have been restated to reflect the changes. As a result of the changes the profit for the year remained unchanged, but net assets at 31st March 2008 reduced by £838,000 (of which Cheltenham's share was £417,000), compared to the published figures, due to the inclusion of the pension liability.

The Group Balance Sheet has also been restated for changes to the pensions liability of Cheltenham Borough Council at 31st March 2008 (see Note 39 of the Council's accounts).

STATEMENT OF ACCOUNTING POLICIES FOR THE GROUP ACCOUNTS

These are set out on Pages 20-31. There are a number of exceptions and additions which are identified in Note 19 on Page 30, to ensure compliance with UK generally accepted accounting practice (UK GAAP).

STATEMENT OF ACCOUNTS 2008/09

GROUP INCOME AND EXPENDITURE ACCOUNT

	Note	2008/09 Gross Expenditure	2008/09 Gross Income	2008/09 Net Expenditure	2007/08 Net Expenditure RESTATED
		£000's	£000's	£000's	£000's
Central Services to the public		8,615	(9,226)	(611)	(40)
Cultural, environmental and planning services		21,638	(8,837)	12,801	13,243
Highways, roads and transport services		5,974	(6,165)	(191)	(633)
Local authority housing (HRA)	1	19,745	(16,463)	3,282	6,266
Other housing services		28,817	(27,425)	1,392	1,312
Corporate and democratic core		2,688	(240)	2,448	3,076
Share of operating result of Gloucestershire Airport Limited	2	1,940	(2,008)	(68)	(50)
Non distributed costs		2,420	(150)	2,270	1,088
Net Cost of Services		91,837	(70,514)	21,323	24,262
(Gain) or Loss on the disposal of fixed assets				(104)	(102)
Contribution of housing capital receipts to Government Pool				222	1,086
Parish council precepts				150	146
(Surpluses)/deficits on trading undertakings not included in Net Costs of Services				(665)	(758)
Interest payable and similar charges				1,784	2,799
Share of interest payable of Gloucestershire Airport Limited				30	15
Gains and losses on the repurchase or early settlement of borrowing				-	210
Interest and investment income				(1,461)	(1,664)
Share of interest and investment income of Gloucestershire Airport Limited				(6)	(10)
Pensions interest cost and expected return on pensions assets				1,652	858
Share of taxation of Cheltenham Borough Homes				-	-
Share of taxation of Gloucestershire Airport Limited				12	12
Exceptional item – Impairment of Icelandic investments				2,907	-
Exceptional item – VAT refund				(1,166)	-
Exceptional Item – CBC v. Laird case				729	-
Net Operating Expenditure				25,407	26,854
Demand on the Collection Fund				(7,558)	(7,223)
General Government Grants				(1,387)	(2,126)
Non-Domestic Rates Redistribution				(7,664)	(7,351)
(Surplus)/Deficit for the Year				8,798	10,154

STATEMENT OF ACCOUNTS 2008/09

RECONCILIATION OF THE SINGLE ENTITY SURPLUS OR DEFICIT FOR THE YEAR TO THE GROUP SURPLUS OR DEFICIT

	2008/09	2007/08
	£000's	RESTATED £000's
(Surplus)/Deficit on the authority's single entity Income and Expenditure Account for the year	8,743	10,303
Add subsidiary and associate dividend income and any other distributions from group entities included in the single entity surplus or deficit on the Income and Expenditure Account	25	25
Add: surplus or deficit arising from other entities included in the group accounts analysed into the amounts attributable to:		
Cheltenham Borough Homes	62	(141)
Gloucestershire Airport Limited	(32)	(33)
Group Account (Surplus)/Deficit for the year	8,798	10,154

STATEMENT OF ACCOUNTS 2008/09

GROUP BALANCE SHEET

	Notes	31 st March 2009 £000's	RESTATED 31 st March 2008 £000's
Fixed Assets			
<i>Intangible Fixed Assets</i>		315	205
<i>Tangible Fixed Assets</i>			
Operational assets:			
Council dwellings		238,845	234,786
Other land & buildings		85,631	82,955
Vehicles, plant, furniture and equipment		2,198	2,167
Infrastructure assets		7,815	7,623
Community assets		61	61
Non-operational assets:			
Investment properties		25,501	18,584
Assets under construction		-	-
Other		125	95
Total Fixed Assets		360,491	346,476
Long-term investments		10,812	20,163
Long-term investment in Gloucestershire Airport Limited	3	22,176	22,439
Long-term debtors		284	323
Total Long-Term Assets		393,763	389,401
Current Assets			
Stocks and work in progress		102	99
Debtors	4	8,747	7,057
Investments		11,003	9,431
Cash and bank		161	472
Total Assets		413,776	406,460
Current Liabilities			
Short-term borrowing		(20,189)	(10,753)
Creditors	4	(12,273)	(8,718)
Bank overdraft		(164)	(1,424)
Total Assets Less Current Liabilities		381,150	385,565
Long-term borrowing		(27,158)	(42,159)
Provisions		(520)	(1)
Capital Grants and contributions unapplied		(994)	(1,116)
Capital Grants and contributions deferred		(8,724)	(5,164)
Liability related to defined benefit pension scheme	6	(38,479)	(24,536)
Total Assets Less Liabilities		305,275	312,589
Financed by:			
Revaluation Reserve	5	62,045	47,366
Capital Adjustment Account		269,739	273,660
Financial Instruments Adjustment Account		(5,841)	(3,913)
Usable Capital Receipts Reserve		-	-
Deferred Credits		204	226
Pensions Reserve	6	(37,081)	(24,536)
Major Repairs Reserve		-	-
Earmarked Reserves		12,961	15,697
Cheltenham Borough Homes Profit & Loss Account		(901)	479
Gloucestershire Airport Limited Profit & Loss Account		137	417
General Fund Balance		2,887	1,399
Collection Fund Balance		814	771
Housing Revenue Account Balance		311	1,023
Total Net Worth	7	305,275	312,589

STATEMENT OF ACCOUNTS 2008/09

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Group for the year and shows the aggregate increase in its net worth. In addition to the surplus/deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	2008/09	2007/08
	£000's	£000's
(Surplus)/Deficit for the year on the Income and Expenditure Account	8,798	10,154
(Surplus)/Deficit arising on revaluation of fixed assets	(14,688)	(41,148)
Actuarial (gains)/losses on pension fund assets and liabilities	13,247	(8,760)
(Surplus)/Deficit for the year on the Collection Fund	(43)	(133)
Total recognised (gains)/losses for the Year	7,314	(39,887)
Prior Period Adjustments:		
Loan premiums and discounts transferred to the Financial Instruments Adjustment Account at 1 st April 2007	-	3,189
Actuarial losses on pension fund assets and liabilities	(1,298)	-
Total recognised (gains)/losses since the last annual report	6,016	(36,698)

STATEMENT OF ACCOUNTS 2008/09

GROUP CASH FLOW STATEMENT

Revenue Activities	2008/09		2007/08
Cash Outflows	£000's	£000's	£000's
Cash paid to and on behalf of employees	22,095		21,333
Payments made to NNDR National Pool	47,748		44,037
Precepts and Collection Fund Surplus	51,016		48,166
Payments to the Capital Receipts Pool	222		1,086
Other operating costs	39,121		30,093
Housing Benefits paid out	15,631	175,833	13,629
Cash Inflows			
Rents (after rebates)	(17,540)		(16,833)
DWP Grants for Benefits	(31,372)		(29,698)
Government grants	(1,445)		(4,428)
NDR Redistribution Grant	(7,664)		(7,351)
Revenue Support Grant	(1,067)		(1,234)
Goods, services and other income	(17,171)		(14,642)
Council Taxpayers	(52,553)		(50,091)
NDR Receipts	(52,429)	(181,241)	(44,295)
Net Cash (Inflow) from Revenue Activities		(5,408)	(10,228)
Dividends from joint ventures and associates - Airport		(25)	(25)
Returns on investments and Servicing of Finance			
Cash Outflows			
Interest paid	1,820		2,439
Cash Inflows			
Interest received	(1,233)	587	(1,104)
Net Cash (Inflow)		(4,846)	(8,918)
Capital Activities			
Cash Outflows			
Purchase of fixed assets & other capital payments	9,472		13,745
Payment of grants & advances	1,981		3,037
Purchase of long-term Investments	(9,130)		(6,718)
Cash Inflows	2,323		
Sale of fixed assets	(47)		(410)
Repayment of advances	(11)		(7)
Government Grants	(735)		(921)
Other capital income	(4,770)		(867)
		(3,240)	
Net Cash (Inflow) / Outflow before financing		(8,086)	(1,059)
Management of liquid resources			
Net increase / (decrease) in short term deposits		1,572	3,778
Financing			
Cash Outflows			
Repayment of amounts borrowed	332,174		73,331
Capital element of finance lease rentals	-		-
Premiums paid on borrowings repaid	-		210
Cash Inflows			
New long term loans raised	-		-
New short term loans	(326,610)		(77,174)
Cash Outflow/(Inflow) from Financing		5,564	(3,633)
Net Cash Outflow/(Inflow) from all activities		(950)	(914)

NOTES TO THE GROUP ACCOUNTS

1. Cheltenham Borough Homes Limited

The audited accounts show that company made a trading loss of £62,323 to 31st March 2009 (£140,950 profit to 31st March 2008) which has been included in the gross expenditure line for local authority housing (HRA).

2. Gloucestershire Airport Limited

The audited accounts show that company made an after tax operating profit of £62,646 to 31st March 2009 (£66,719 to 31st March 2008), of which 50% is represented within the Group Accounts. The company paid dividends of £50,000 for the year to 31st March 2009, of which the council received £25,000. Equity dividends proposed by the Board of Directors of the Airport are not recorded in the 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.

3. Long-term investment in Gloucestershire Airport Limited

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

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

4. Inter-organisation debtors and creditors

Internal debtors and creditors between the Council and Cheltenham Borough Homes have been eliminated from the Group Balance Sheet. There is no requirement to adjust for transactions carried out and balances held between the Council and Gloucestershire Airport Limited.

5. Revaluation Reserve

The difference on the Revaluation Reserve is due to the revaluation of the Airport's assets (50% of (£44.620m - £1.412m) = £43.208m) as detailed above in Note 3.

6. Pension Liability/Reserve

FRS 17 requires Cheltenham Borough Homes to consolidate the financial position of the Pension Fund within its Balance Sheet and Profit and Loss Account. Given that the council will need to indemnify Cheltenham Borough Homes from such a liability, the Pension Liability/Asset and Reserve have been grossed up to reflect that the liability/asset is covered by the Group's overall net worth.

7. Total Net Worth

The Group Balance Sheet shows an increase of £20.84 m in net assets, compared to the single entity Balance Sheet.

STATEMENT OF ACCOUNTS 2008/09

Notes relating to the Group Cash Flow Statement

The Group Cash flow Statement combines the cash flow statements of Cheltenham Borough Council and its subsidiary (Cheltenham Borough Homes), eliminating intra-organisational transactions. The statement does not include cash transactions for Gloucestershire Airport Ltd, as this is classified as a joint venture.

A reconciliation of net surplus/deficit on the Income and Expenditure Account to the revenue activities net cash flow in the Cash Flow Statement

	2008/09	2007/08
	£000's	£000's
General Fund	(1,488)	222
Housing Revenue Account	712	3,372
Cheltenham Borough Homes Ltd	62	(141)
Net (Surplus) / Deficit	(714)	3,453
Extract Financing and dividends shown elsewhere	(562)	(1,310)
	(1,276)	2,143
Adjust for : - Capital financed from Revenue Sources	(2,945)	(6,440)
- Pension costs	(80)	(48)
- Capital financed from Capital Reserve	(2,900)	(3,744)
- Revenue financed from Capital Sources	56	81
- Depreciation	(105)	(107)
Adjust for : - (Increase) / Reduction in General Provisions	(519)	-
- (Increase) in Reserves	2,736	(794)
- (Increase) / Reduction in Revenue Creditors	(3,425)	(2,262)
- Increase / (Reduction) in Revenue Debtors	3,047	960
- Increase / (Reduction) in Stocks & Work in Progress	3	(17)
Net Cash (Inflow) from Revenue / Operating Activities	(5,408)	(10,228)

A reconciliation of the movement in cash to the movement in net debt

	2008/09	2007/08
	£000's	£000's
Net Debt		
Net increase / (decrease) in short-term investments	1,572	3,778
Net movement in long-term borrowings	15,001	(320)
Net (increase) / decrease in temporary borrowing	(9,437)	(3,523)
Premium paid on rescheduled debt	-	210
Net Outflow / (Inflow) of cash	7,136	145
Other Activities		
Cash outflow / (inflow) on revenue activities plus dividends	(5,433)	(10,253)
Cash (inflow) / outflow on investments and servicing of finance	587	1,335
Cash outflow on capital activities	(3,240)	7,859
Net Outflow / (Inflow) of cash	(8,086)	(1,059)
Net Outflow / (Inflow) of cash from all activities	(950)	(914)

Annual Governance Statement 2008/09

Scope of responsibility

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

In discharging this overall responsibility, Cheltenham Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk. It should conduct a review at least annually on the effectiveness of these arrangements.

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

A copy of the code is on our website at www.cheltenham.gov.uk or can be obtained from the policy and performance division of the council. This statement explains how Cheltenham Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

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

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

The governance framework has been in place at Cheltenham Borough Council for the year ended 31 March 2009 and up to the date of approval of the annual report and statement of accounts.

The governance framework

Code of governance approved by council in March 2008 has identified a number of principles that underpin the effective governance of the council, and these have been used when assessing the adequacy of its governance arrangements. The main elements that contribute to these arrangements are set out below:

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

The council has a three year business plan (2007 -10) which is based on the sustainable community strategy – a document which was drawn up following extensive public consultation (Cheltenham 20:20) on key issues and priorities for the town and which sets out a long term vision for Cheltenham. The business plan is updated on an annual basis to reflect any issues which have arisen since the plan was drawn up and to provide a clear work programme based on priorities for the council. This document is approved by council. Monitoring reports are taken to meetings of the overview and scrutiny committees to ensure that the council's objectives are progressing as planned.

The cabinet agrees a medium term financial strategy which is in line with the priorities as set out in the council's business plan and identifies any new expenditure which may need to be incurred to meet new legislation or changes in service provision. In order to address year on year budget shortfalls and identify savings, the council has developed within its medium term financial strategy how it will broadly achieve the savings targets while keeping council tax at a reasonable level. The council undertakes service reviews and some of its services have been subject to independent inspection. The council has adopted a gateway process for major procurement projects. Each year the council looks to areas where it can make efficiency savings or budget cuts, which will not impact on its ability to deliver in priority areas. During 2008/9 the council took the opportunity to improve its medium term financial reporting and is taking steps to further improve the linkages between this document and its business plan for 2010 onwards.

The council has a well established web site with many services online, including a "report it" tool and during 2008/9 took steps to improve the interactive nature of the site and also to make it more user friendly. The council makes significant use of the local media in order to get across key messages and to receive feedback, and councillors and officers are now taking part in the neighbourhood panels set up by the Police as part of their neighbourhood management initiative. Council, cabinet and committee meetings are open to the public with agendas and minutes being publicly available. Members of the public are able to ask questions at such meetings. The council has an adopted equality policy which recognises the need to engage with different sections of the community and has a community engagement strategy.

The council undertakes a customer satisfaction survey on a periodic basis and uses the results to identify whether we are meeting customer needs. The council also undertakes service specific user surveys as well as using customer feedback from its corporate complaints and comments system to improve service quality.

The leader and chief executive of the council sit on the Cheltenham Strategic Partnership (CSP) which supports the delivery of the sustainable community strategy. During 2007/8 the council took the opportunity to strengthen its partnership role and cabinet members now sit on the six thematic partnerships which support the CSP in the delivery of the vision and each partnership has a dedicated part time partnership officer. The council also supports partnership work at a county level to ensure that the vision and aspirations of Cheltenham are supported through the local area agreement, and through the work of the Gloucestershire Conference.

The Cheltenham Strategic Partnership and its thematic partnerships have reviewed their governance arrangements, which include terms of reference, membership and identification of partnership risk. The board of directors have each agreed to take a lead on one of the thematic partnerships, and along with the relevant cabinet member are able to ensure that the council's views are fully represented at partnership meetings.

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

The council's constitution defines and documents the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication. The cabinet has executive powers and make decisions within the overall policy framework (three year business plan and budget) as set by the council. The board of directors and senior management team support all councillors and provide advice to members on policy options and implications. All reports identify the financial, legal and HR implications and also any risks associated with the matter, as well as how it addresses corporate plan priorities. There are three overview and scrutiny committees which hold the cabinet to account and assist with policy formulation. The council has two committees which deal with governance, internal control and ethical arrangements, (Audit Committee and Standards Committee), as well as a Staff and Support Services Committee which deals with employee related matters. In addition there are two quasi judicial committees which deal with licensing and planning. The council's constitution is approved by council, and is subject to periodic review.

The council has an established audit committee. The committee meets four times per year and its terms of reference are set out in the council's constitution. The council's external and internal auditors have access to the committee, and the committee also has responsibility for overseeing the risk management process.

The council has statutory posts of monitoring officers (to ensure decisions comply with legislation and that the council has robust procedures in place to prevent maladministration) and a section 151 officer (to ensure that the council's financial arrangements are sound). In addition there is an internal audit function which reports to the council's audit committee. The council has external inspection and audit undertaken by the KPMG, the external auditors appointed by the Audit Commission, and their annual management letter is presented to members. There is a corporate governance group chaired by the Chief Executive who ensure corporate governance arrangements are addressed. The council runs induction courses for new members and employees and training and awareness sessions are held when there is new legislation or policies. The council has an intranet site where policies are easily accessible to employees.

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

The code of corporate governance was reviewed during 2007/8 and a new code adopted by council in March 2008. This code clearly sets the aspirations of the council in ensuring that there are effective governance arrangements. All members and officers are subject to a member and officer code of conduct, and periodically training sessions are held. Both members and officers must declare interests and a register of declarations is maintained. The council's monitoring officer and standards committee are responsible for ensuring that breaches of the code are investigated appropriately.

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

The council publishes a leaflet with its council tax demands which summarises performance and at the end of each financial year the council publishes an annual report. During 2008/9 the council took the opportunity to update the way it presents the business plan, so that there are clear ambitions, milestones and performance measures. Each of the assistant directors is now responsible for co-ordinating a cross cutting theme of the business plan, so that there is greater strategic ownership.

The council has an electronic service planning system (ESP) which provides up to date information as to how the council is performing against the performance measures and milestones as set out in the business plan. Quarterly reports are presented to the Board of Directors to track progress and periodically the overview and scrutiny committee receive reports on progress. The business plan is used

to drive the organisation, and activities and associated expenditure have to demonstrate they are meeting business plan priorities. The council also prioritises expenditure to where the council's performance requires improvement. The council has an appraisal process where all employees are set objectives for the coming year which meet the business plan priorities.

The council approves the council's standing orders, financial rules and scheme of delegation and these are periodically reviewed to ensure that they are still relevant and appropriate. The staff and support services committee have a role to play in any review of the council's constitution to ensure that changes are considered in more detail ahead of their consideration by council. The council has a risk policy which was approved by the audit committee and clearly identifies responsibilities. This policy is reviewed on an annual basis. Risk management is embedded into the organisation and reports to cabinet identify risks associated with the proposals. The corporate risk register is periodically reviewed by the economy and business overview and scrutiny committee, while divisional risks are managed and monitored through the ESP system. The council reviewed the way in which it recorded risks within the council's business plan and there is now a specific section against each ambition identifying the risks. The council's budget is also risk assessed and risks identified for all saving proposals.

The council has a whistle blowing policy and has also agreed an anti-fraud and anti-corruption policy. These documents are available on the council web site, and accessible to employees from the intranet site. The council has a complaints and comments system for member of the public. There is a three stage complaint system which gives divisions an opportunity to resolve a complaint at the first point of contact but if a complainant is still unhappy they are entitled for the matter to be investigated on behalf of the chief executive. Complainants may also refer matters to the local government ombudsman for investigation once they have been through the council's complaint system.

Processes are in place governing the procedures for the regulation of investigatory powers act (RIPA) with clearly named officers. The council has also recently reviewed its procedures and processes for information management and data protection, and the internal auditors have identified a number of actions which will improve on the governance arrangements.

The council's budget is set annually and agreed by council. Monitoring reports are presented to cabinet and an outturn report and annual statement of accounts is approved by the council. The council operates with cost centre managers who are responsible for the day to day management of their budgets and all expenditure is incurred in line with financial rules. Each year the council produces an annual efficiency statement which demonstrates how the council makes 2.5% efficiency savings.

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

There is a member training programme, which is supported by both the human resources division and democratic services. Generic training needs for members are identified in consultation with members and group leaders. Senior officer training needs are identified through the appraisal process, and the Senior Leadership Team including Directors and the Chief Executive has recently completed a senior leadership development programme. The Chief Executive and strategic directors are developing a coaching relationship with other senior managers within the organisation so that they can free their time to deal with strategic and corporate projects as opposed to operational issues, and this approach is being rolled out through assistant directors to service managers.

Delivery through third parties

The council delivers its housing management responsibilities through Cheltenham Borough Homes (CBH) an arms length management organisation 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 internal audit review the procedures and policies and report on the adequacy of arrangements. The company policy is overseen by a board of directors which includes

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

The council is a shareholder of Gloucestershire Airport, which is a company limited by shares, and is subject to the requirements set by the companies act. There is a board of directors who monitor the company's performance and are responsible for the internal control activities. The airport has a commercial director and company secretary as well as an airport director. The statutory accounts are audited each year by a private firm of accountants, and presented to the board and to the shareholders, and are approved at the AGM in September. The council's chief finance officer receives regular management accounts for the airport, and either he or the strategic director corporate services attends the monthly airport programme board meetings.

Review of effectiveness

Cheltenham Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The effectiveness of the governance framework draws on evidence from:

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

The council approves the code of corporate governance and it has established a corporate governance officer group who oversee the review of the effectiveness of the code of corporate governance and internal control. All assistant directors have to complete an annual statement of assurance which outlines the key control areas to which the division should comply. This assurance statement is discussed with the director and cabinet member. Internal audit review the statements to identify common themes which need to be reflected in any action plan. Individual Assistant Directors are expected to take forward any specific control improvements within their own workplan, and these should be monitored through the ESP system. 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 assistant chief executive, audit and assurance manager and the policy officer governance who identify governance and control issues to be included in the action plan for the forthcoming year, and reflected in the annual governance statement. The statement is then considered by the board of directors, the leader and the corporate governance group.

The draft annual governance statement is presented to the audit committee who review the summary evidence and make a recommendation to council to approve the annual governance statement as part of the statement of accounts. The audit committee are then responsible for monitoring progress against the actions taken, or proposed, to deal with significant governance issues.

The economy and business improvement overview and scrutiny committee oversee the corporate risk register and satisfy themselves that action is being taken to mitigate against any risk, and the other two overview and scrutiny committees may get involved in key governance issues relating to their area of work e.g. scrutiny of partnership activity. The standards committee and the staff and support services committee were involved in the development of the code of governance and if assurance issues are identified which fall within their remit then they will need to satisfy themselves that the issues are being actioned and addressed.

Although internal control procedures are the responsibility of officers, major service issues are discussed with the relevant cabinet member. There is also a cabinet member (currently the leader) who has responsibility within their portfolio for corporate governance, internal audit and risk. Regular briefings are held with the cabinet member so that they are aware of any issues. The council has established an audit committee which receives reports from internal audit and external audit.

The council maintains its own in house internal audit function, which has clear lines of accountability to both the S151 officer and the chief executive. They periodically report to the board of directors and to members. External audit periodically undertake a full review of the adequacy of internal audit arrangements.

Significant governance issues

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by audit committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Control issue and source	Action	Lead officer
April 2009-10		
The Code of Corporate Governance was adopted in March 2008 when the guidance was first issued. The code needs to be reviewed in light of experience of operating the new code. Governance assurance	A review of the Code of Corporate Governance should be carried out to identify if there is a need to strengthen it. The agreed terms of reference for the Governance group (10-01-2007) should be reviewed and approved	Assistant CEO Assistant CEO
There is concern that not all corporate policies, departmental procedures and codes of practice have identified owners and are reviewed on a routine basis Governance assurance	Key policies, procedures and codes together with their owner and review date will be identified. Adopt a corporate method of version control for policies and procedures that identifies, date of creation, date of review, owner, file location and if on the intranet and or internet.	Assistant CEO All ADs
The current audit of payroll highlights that controls could be put at risk due to anticipated short term resource constraints in the payroll team. Audit Assurance report	HR operations manager's response to the audit report should include a plan of action to manage resource issues as evidence that risks to key controls are being managed in the shorter term.	AD HR
More assurance is needed on community and business grant award procedures: to ensure viability of grant aided organisation or business, the control of financial risks and formal monitoring arrangements. Audit Assurance report	Procedures will be put in place to assess the risks and standard contract documents for Community Investment and Community Giving Grants for all economic regeneration and partnership grant funding activity will be used. Monitoring arrangements will be put in place. Where CBC is administering funds on behalf of other organisations appropriate monitoring and feedback arrangements will be put in place.	Assistant CEO
The council has put in place arrangements for safeguarding children but arrangements need to be strengthened in relation to management and oversight. Governance assurance	A methodology will be developed to enable managers to periodically test and review the arrangements within their division, along with reporting, action plans and feedback to senior management should arrangements not be satisfactory.	All ADs
The Use of Resources assessment has identified a need to develop targets for income collection and recovery of arrears KPMG Use of Resources Assessment 2007-08	To develop a corporate debt recovery policy with clear targets and performance monitoring arrangements	AD CAST

STATEMENT OF ACCOUNTS 2008/09

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

Signed: Leader of Council

.....Councillor Steve Jordan

and Chief Executive

.....Andrew North

on behalf of Cheltenham Borough Council

GLOSSARY OF TERMS

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

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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.
Debtor	An amount due to an organisation within the accounting period not received at the balance sheet date.
Deferred Charges	Expenditure which has been capitalised but which does not always produce a fixed asset, e.g. renovation grants.
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 Account (final accounts and balance sheet) as specified in the Accounts and Audit Regulations 1993.
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 1 st April and finishes 31 st 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.

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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
Interest	An amount received or paid for the use of a sum of money when it is invested or borrowed.
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. It is calculated by applying a prescribed percentage of the capital financing requirement (currently 4%).
National Non Domestic Rates (NNDR)	A 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.
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 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.
Stock	Items of raw materials and stores an authority has procured to use on a continuing basis which it has not used.
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,

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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 auditors' report to the Members of Cheltenham Borough Council

Opinion on the accounting statements

We have audited the accounting statements and related notes of Cheltenham Borough Council and its Group for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Authority and Group Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account and the Collection Fund. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective responsibilities of the Responsible Financial Officer and auditors

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In our opinion the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority and its Group as at 31 March 2009 and its income and expenditure for the year then ended.

Ian Pennington (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Statutory Auditor
Cardiff

30 September 2009

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

Authority's Responsibilities

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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. 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.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice. Having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, we are satisfied that, in all significant respects, Cheltenham Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Ian Pennington (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Statutory Auditor
Cardiff

30 September 2009