CHELTENHAM BOROUGH COUNCIL

Draft Statement of Accounts 2016/17

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NARRATIVE REPORT

INTRODUCTION TO CHELTENHAM BOROUGH COUNCIL

Cheltenham is one of Britain's finest spa towns, set in a sheltered position between the rolling Cotswold Hills and the Severn Vale. It has a population of 116,500 (2014 national statistics mid-year census based population estimate) and with its architectural heritage, educational facilities and quality environment, Cheltenham is an attractive place to live, work and play.

Cheltenham is home to a number of festivals that take place throughout the year which include the world-renowned Jazz, Music, Science and Literature Festivals. Cheltenham Racecourse hosts sixteen days of racing over 8 events every year including the Gold Cup Festival. The borough also plays host to the Everyman Theatre, the Playhouse Theatre and Cheltenham Town Hall, all of which offer a rich and varied programme of professional and amateur performing arts. It is also home of The Wilson art gallery and museum, hosting a wide range of collections, exhibitions and cultural events.

Cheltenham Borough Council has an extensive property portfolio including a number of listed buildings that are operated by The Cheltenham Trust including the Town Hall, Pittville Pump Room and The Wilson Art Gallery and Museum. The council acquired a new property, Delta Place, in 2015/16. This building is held for investment purposes, currently fully occupied by local businesses. The council has secured a long term revenue stream from tenancy arrangements.

The council also has an interest in the Regent Arcade shopping centre. These properties help provide the council with a funding stream to support its services provided to the public.

Political Structure in the 2016/17 Municipal year

The council has 40 elected members representing 20 wards within the Cheltenham Borough. Elections are held every two years for which 50% of the seats are put up for re-election, with the most recent elections held in May 2016. There are also 5 parish councils within the Borough. Additional elections may arise from time to time if a councillor or parish councillor resigns from office.

The political make-up of the council in the 2016/17 municipal year was:

Liberal Democrat Party	29 councillors
Conservative Party	7 councillors
People Against Bureaucracy Party	3 councillors
Independent	1 councillor

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

The Cabinet consists of the Leader and up to seven Deputies 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.

The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the Budget or Policy Framework, this must be referred to the Council (chaired by the mayor) as a whole to decide.

The Cabinet for 2016/17 was made up as follows:

Leader of the Council	Councillor Steve Jordan
Deputy Leader of the Council and Cabinet Member Clean and Green Environment	Councillor Chris Coleman
Cabinet Member Finance	Councillor Rowena Hay
Cabinet Member Healthy Lifestyles	Councillor Flo Clucas
Cabinet Member Development and Safety	Councillor Andrew McKinlay
Cabinet Member Finance and Deputy Leader	Councillor John Rawson
Cabinet Member Housing	Councillor Peter Jefferies
Cabinet Member Corporate Services	Councillor Roger Whyborn

The Mayor and Deputy Mayor for 2016/17 were:

Mayor	Councillor Chris Ryder
Deputy Mayor	Councillor Klara Sudbury

Full details of all the council's committees, including chairs and membership can be found on the council's website at www.Cheltenham.gov.uk.

Management Structure

Supporting the work of councillors is the organisational structure of the council, headed by the Executive Board team, led by the Head of Paid Service, Mrs Pat Pratley. During 2016/17 the Executive Board comprised of the Head of Paid Service, two Executive Directors and the statutory section 151 officer, Mr Paul Jones. The statutory role of monitoring officer / borough solicitor to the council is held by Ms Sara Freckleton.

Bankers

The council's banking services are provided by Lloyds Bank, 130 High Street, Cheltenham, GL50 IEW.

External Auditor

The appointed external auditor in 2016/17 was Grant Thornton UK LLP, Hartwell House, 55 – 61 Victoria Street, Bristol, BS1 6FT.

COUNCIL VISION

The council's vision is of a vibrant Cheltenham that delivers the very best quality of life for its people. We believe that key elements in achieving this vision are to protect and enhance the built heritage and green spaces that have shaped the unique character of the town; to create the conditions in which businesses can thrive, innovate and provide good quality jobs; to make the town a world-class cultural and learning centre which is outward-looking and welcoming to visitors; to build strong, safe and healthy communities for residents and their families; to facilitate the provision of a wide-range of sustainable travel options and to accept our responsibility to present and future generations to live within environmentally sustainable limits.

Applying this 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."***

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

The council's Corporate Strategy and its associated action plan for 2016/17 was agreed in April 2016. This strategy focuses efforts on three high level outcomes covering the issues that matter most to our residents, businesses and visitors. There is also an internal "transformation" outcome covering commissioning, asset management, business improvement and financial management.

The outcomes are:

- Cheltenham's environmental quality and heritage is protected, maintained and enhanced
- Sustain and grow Cheltenham's economic and cultural vitality
- People live in strong, safe and healthy communities
- Transform our council so it can continue to enable delivery our outcomes for Cheltenham and its residents.

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 continues to deliver on the issues that matter most to local people and to improve the quality of services at all levels. Our performance management system helps the council to identify what does and does not work and the factors that support or hinder economic, efficient and effective service delivery.

Overall the council performed well during 2016-17. We continue to get recognition for our high standards, good performance, sound financial management and value for money.

The published corporate strategy for 2016-17 set out our commitment to deliver 27 projects across four corporate outcomes and identified 99 milestones to track our progress, 73% of which were completed in 2016/17 or are on target to be completed in 2017/18.

Significant projects completed in the year included:-

A £500k refurbishment of the Pittville Park play area – Cheltenham's flagship park – which now has a substantial increase in the amount of play equipment, an on-site refreshment kiosk and wheelchair-accessible swings and roundabouts.

The restoration of the Cheltenham War Memorial; following a 12 week restoration programme to bring the war memorial back to its former glory

The introduction of a Business Improvement District for Cheltenham town centre following a referendum with 72% of local businesses voting in favour. The BID will generate an estimated £2m worth of additional investment into the town centre.

The construction of 10 new-build homes that were allocated to armed forces veterans as part of the Homes for Veterans project.

The coordination and delivery of several high profile events and festivals in the town to promote community cohesion including the Cheltenham Midsummer Fiesta and the Cheltenham Children's Festival.

Other significant projects started in the year included:-

A complete redesign of our waste and recycling services to maximise opportunities for recycling and round optimisation that will go live in Autumn 2017.

The commitment to building two new crematorium chapels that will be opened to the public in Summer 2019.

SERVICE DELIVERY

The council puts a strong focus on designing community-focused outcomes and working closely with other parts of the public service and the voluntary and community sector (VCS), making objective, transparent, evidence-based decisions about how services should be provided and by whom.

The council has entered several shared service and partnership arrangements with other organisations, to ensure the delivery of quality services in an efficient, cost-effective manner, including GO Shared services, providing Human Resources, Payroll, Finance and Procurement functions, shared with Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council, using a common platform (Agresso Enterprise Resource Planning (ERP) system). The council's Information, Communications and Technology (ICT) is shared with Forest of Dean District Council, also using common ICT platforms, enabling service resilience within the councils.

2020 Vision

Joint working savings have been delivered by shared services arrangements between this council and its "GO Partners" (West Oxfordshire District Council, Forest of Dean District Council and Cotswold District Council). In June 2014, the four councils approved a vision document "2020 Vision for Joint Working" which set out the outline business case for extending joint working. Funding has been received from central government to support the transitional costs of this work.

In October 2015 each of the four councils' Cabinets and Full Councils approved the decision to proceed with the 2020 programme. A Joint Committee was set up on 1st April 2016, with delegated authority on behalf of the partner councils to oversee the partnership core functions (Finance, HR and IT), partnership shared services and the 2020 Vision programme. The purpose of the Joint Committee is to provide political direction and guidance, and ensure the 2020 Vision business case benefits are delivered to each council as well as the partnership.

This Council approved a decision in 2016 not to share other services as part of the 2020 vision at this time, although to continue to share the Finance, HR and IT services.

All partner councils, including this Council are now working towards establishing local authority owned companies, named as "Publica Limited" planned to be operational from Autumn 2017. Publica will therefore provide ICT, HR and financial services for Cheltenham Borough Council.

Ubico Ltd

Ubico Ltd. was originally formed in 2012 wholly owned by its shareholders, Cheltenham Borough Council and Cotswold District Council. The company is responsible for delivering the shareholders' environmental services within their respective council boundaries. The Forest of Dean District Council, Tewkesbury Borough Council and West Oxfordshire District Council joined the partnership on 1st April 2015. Stroud District Council and Gloucestershire County Council joined in 2016 and each of the seven authorities are now equal shareholders.

Social housing scheme developments

During 2016/17 the council, working in partnership with its Arms-Length Management Organisation or ALMO, Cheltenham Borough Homes Ltd (CBH), developed ten new homes on four former derelict garage sites and a further ten new homes for veterans on a former commercial unit in the Town Centre. The schemes were funded by capital receipts and revenue contributions from the Housing Revenue Account.

During the year, Full Council approval was secured to redevelop four further garage sites with construction due to commence on two of the sites in the Summer of 2017. By the end of March 2018, a further six new homes will be complete with the expectation that works will have commenced on the other two sites which will provide 10 more homes. The council, in partnership with CBH, continues to evaluate a number of other opportunities to redevelop HRA sites across Cheltenham.

The Cheltenham Trust

The council's Leisure and Culture services were transferred to The Cheltenham Trust on 1st October 2014. This is an independent charitable trust, contracted to supply leisure and cultural related services to Cheltenham Borough Council via a management agreement. The Cheltenham Trust operates from the Art Gallery & Museum (The Wilson), Town Hall, Pittville Pump Rooms, Leisure@ Recreation centre and the Prince of Wales Stadium, the buildings of which are all still owned by the council.

Cheltenham Development Task Force

The Task Force has brought together volunteer specialists from the private, public and voluntary sectors who work in partnership, with a shared passion for Cheltenham. Their remit is to consider specific issues or sites and provide advice to Cheltenham Borough and Gloucestershire County Council.
The vision has been articulated as ***"To support the town's economic strength and sustainable development by bringing together private and public investors to support the growth agenda as articulated in the GFirst LEP strategic economic plan, for the benefit of the whole community".***

The Brewery II and Regency Place schemes have completely changed the local landscape, and this year has seen the start of works to replace the Beechwood shopping arcade with a John Lewis partnership store; these activities have in turn encouraged new commercial interest within the town. North Place and Portland Street remain a challenge but negotiations continue with all parties to bring forward a revised scheme .

In addition to these schemes, a range of other initiatives have been progressing during the year.

The Cheltenham Transport Plan continues to progress on the agreed phased delivery approach with works at Albion Street and Imperial Square North implemented. Gloucestershire County Council, as the highways authority, plan to carry out a trial at Boots Corner starting in the summer of 2017. Another project progressing is the pocket park initiative in the Lower High Street.

Cheltenham Spa station upgrade is gaining momentum and partners at Great Western Rail and Network Rail plan to commence works in 2017.

Beyond this, significant focus has been on the potential employment land and cyber business park at West Cheltenham. The aim being to release 45 hectares of land for much needed employment with a particular focus upon cyber, given the proximity of GCHQ. A successful growth deal 3 bid secured via gFirst LEP for £22m will help provide the necessary infrastructure should the scheme progress through the Joint Core Strategy and planning process.

CHALLENGES

Local Government Finance

The General Election in May 2015 returned a majority Conservative Government. As expected, work to reduce the national deficit continued with the Chancellor's Summer Budget in July 2015, confirming that an additional £20 billion of public sector spending reductions would be required by 2020. The Chancellor's Budget in March 2016 included further proposals for Government policies and strategies aimed at reducing the national budget deficit.

The outcome of the Spending Review was announced by the Chancellor on 25th November 2015. The review was wide-ranging and raised some new issues not previously anticipated. It set out fundamental changes to Local Government and its future financial arrangements, including the end of Revenue Support Grant (the main non-ringfenced grant received by councils), and the proposal for local authorities to retain 100% of Business Rates. Whist the Spending Review did not have a direct impact on the council's financial position in 2015/16, some of the measures announced began to have an effect in 2016/17.

Economic proposals - Government austerity measures aimed at getting the public sector deficit under control have continued to affect the resources available to the council, with the authority having to make considerable budget reductions. As the Governments' own targets have changed, it has meant that the austerity measures have been extended to 2020.

The proposed reductions in New Homes Bonus in future years to provide funding for social care provision, through the introduction of a baseline target and a reduction in the number of years the bonus is payable, will require the Council to work up new income streams and additional savings over the next 2 years to counter this further reduction in Central Government funding

In addition to pressures arising from cuts in Government funding, the council faces cost pressures from the triennial valuation of the Gloucestershire Local Government Pension Scheme. The council has made provision for growth in contributions to the Pension Fund. The most recent valuation took place in March 2016, the results of which were confirmed in Autumn 2016 set the contribution rates for the period 2017/18 – 2019/20.

There are a number of local challenges facing the council which will enable the Council to close the funding gap. These include the delivery of our town centre regeneration aspirations, economic growth challenges in strategic sites like West and North West Cheltenham, delivery of the place strategy, and service transformation. 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.

In determining the budget strategy in October 2016, the Section 151 Officer recommended the strengthening of the specific earmarked 'budget strategy (support) reserve', created in 2015 to provide greater resilience for the council's medium term financial strategy. The reserve will also help protect the council against the challenges which we know we will encounter in the coming years, some of which are expected to be short term.

INTRODUCTION TO THE FINANCIAL STATEMENTS

The purpose of this narrative report is to provide electors, local taxpayers, members of the council 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 council'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 2016/17 and the council's assets and liabilities at the year end.

The accounts for the year ending 31st March 2017 have been prepared and published in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This incorporates International Financial Reporting Standards (IFRSs), ensuring the accounts are compliant with these standards. The following main statements and notes are included:

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

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

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

General Fund Revenue Budget

During 2016/17 the council continued with the process of the formal monitoring of budgets, reporting to cabinet on a quarterly basis. This has assisted in strengthening the sound management of the council's finances and provides a mechanism to ensure that any budgetary problems are identified and rectified as soon as possible during the year. This has resulted in council services being delivered within current budget, with an overall saving compared to budget of £571k. This budget saving has been transferred to the Budget Strategy (Support) reserve and is included in the 'transfers to/from earmarked reserves' line in the Financial Outturn table below.

REVENUE OUTTURN 2016/17	Note	Original Budget 16/17 £	Current Budget 16/17 £	Actual 16/17 £	Variance 16/17 £
DIRECTORATES:					
Head of Paid Service	(i)	7,438,597	8,276,643	7,991,728	(284,915)
Regulatory & Environmental Services	(ii)	3,238,958	4,101,761	3,506,735	(595,026)
Resources Directorate	(iii)	4,843,855	6,298,853	5,441,353	(857,500)
Net Expenditure on Services		**15,521,410**	**18,677,257**	**16,939,815**	**(1,737,442)**
Capital Charges		(738,100)	(2,881,246)	(3,309,514)	(428,268)
Interest payable and receivable		407,500	562,338	527,237	(35,101)
Use of balances and reserves		(1,438,072)	(2,557,674)	(123,490)	2,434,184
Total net expenditure		**13,752,738**	**13,800,675**	**14,034,048**	**233,373**
FINANCED BY:					
Council Tax income		(7,924,545)	(7,924,545)	(7,924,616)	(71)
Non-domestic rates income and expenditure		(1,808,967)	(1,815,750)	(2,020,130)	(204,380)
Revenue Support Grant (net of parish council tax support grant)		(1,337,151)	(1,337,151)	(1,337,155)	(4)
New homes bonus grant		(2,151,500)	(2,151,500)	(2,158,158)	(6,658)
S31 NDR compensation grant		(530,575)	(571,729)	(574,163)	(2,434)
Other specific government grants		0	0	(19,827)	(19,827)
Total Funding		**(13,752,738)**	**(13,800,675)**	**(14,034,048)**	**(233,373)**

(i) Includes Strategic Management, Community Engagement, Democratic Services, Elections, Waste & Recycling commissioning, Leisure & Culture commissioning

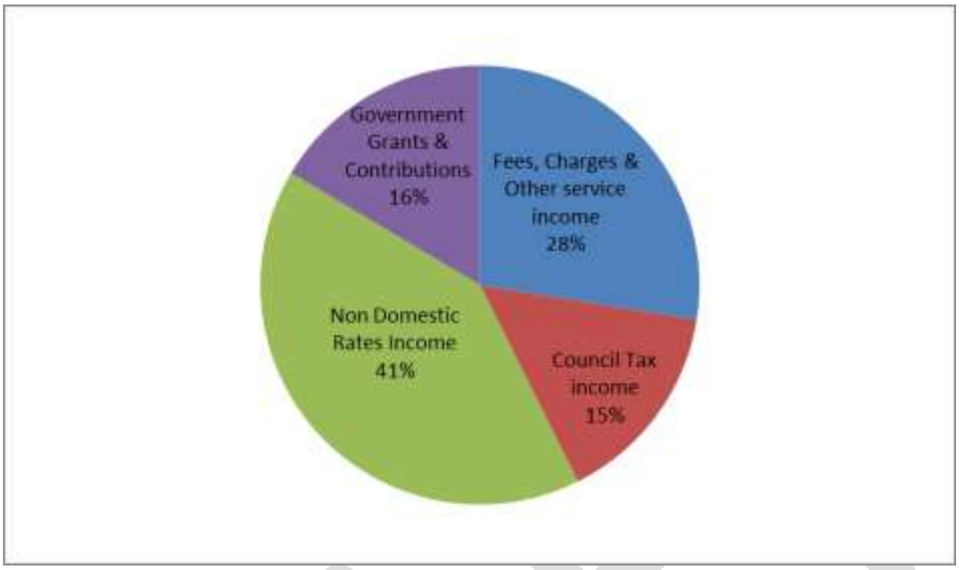
(ii) Includes Building and Development control, planning & housing enabling, car parking, bereavement services, Parks & Gardens, and Public Protection

(iii) Includes Housing Benefits, Revenues (council tax and business rates collection), Property & Assets, Treasury Management and pensions backfunding

The Expenditure and Funding Analysis on page 18 links the increase in earmarked reserves and the HRA balance, with the surplus shown in the Comprehensive Income and Expenditure Statement, showing the adjustments made to ensure the statement complies with generally accepted accounting practice.

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 income in the form of general and specific grants, and determines the amount of business rates we receive through pooling arrangements.



How the money was spent

The council provides a wide range of services, employing 255 people at 31st March 2017. The activities vary widely and include the provision and upkeep of council housing, provision for the collection of refuse and recycling, provision for culture and leisure services, car parking, cemeteries and crematoria, environmental health and many other services.

Housing Revenue Account (HRA)

The HRA generated a surplus in the year of £3.476 million, which after statutory adjustments and transfers from earmarked reserves, resulted in an increase of £0.826 million in the HRA balance, compared to a revised budget of £0.135 million. Full details of the Housing Revenue Account activity for the year are provided on pages 101 to 104.

Capital Expenditure

In 2016/17 the council spent £13.479 million on capital projects, grants and loans, across the general fund and the Housing Revenue Account capital programmes. Included in the expenditure for the year was £7.4 million on major repairs and modernisation of existing council dwellings, £0.867 million on acquisition of additional dwellings, £2.459 million on new council dwellings, £0.405 million on disabled facilities and adaptations to the dwellings, £0.331 million on housing enabling and housing corporation schemes, £0.193 million on the ICT 5 year infrastructure strategy, £0.237 million on the completion of the new Pittville play area, £0.428k on the new car park on the former Shopfitters site and £0.335m on the development of the Crematorium and Cemetery site (due to have two new chapels constructed in 2017/18).

In common with most local authorities, the council has been paying for a proportion of its capital expenditure from the proceeds of the sale of its assets, and £3.944 million of capital receipts were used for this purpose. The remaining sources of finance were: government grants £0.434 million, capital contributions and partnership funding £0.781 million, Major Repairs Reserve £6.064 million and £2.255 million revenue financing.

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

Treasury Management (Investments and borrowing)

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 the council of an Annual Review Report at the financial year end.

The council manages the cash flow arising from the provision of all council services, using the money market to invest daily cash surpluses and borrow to fund cash shortfalls.

The challenging economic climate continues to have an impact on the council's finances. The historically low Bank of England base rate continues to dampen the level of interest earned by the council's cash investments. Interest rates fell even further in 2016 when the Bank of England reduced the Base Rate from 0.50% to 0.25% in August 2016, and remains at this level as at 31st March 2017.

During the year the council's General Fund paid £2.443 million in borrowing costs (which was £18,302 less than budgeted for the year); and earned £435,048 investment income (which was £1,948 more than budgeted). The overall impact was a saving to the General Fund of £20,250 compared to the revised budget.

<u>Sale of Escrow account</u>

In June 2016 the council participated in an auction to sell its Icelandic Krona held in a Glitnir bank escrow account and £627,856 was received in July 2016. The carrying value of the Glitnir Escrow stood at £795,493 as at 31st March 2016, giving a loss on disposal of £167,637.

Pension Liability

The council is required to account for retirement benefits when they are committed, even if the payment is many years in the future, in accordance with International Accounting Standard 19 (IAS 19). The pension liability or asset shown in the accounts represents the council's pension commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (via reduced future employer contributions) from a surplus in the pension scheme.

The council's net liability according to the actuarial assessment at 31st March 2017 was £62,301,000, an increase of £8,682,000 over the figure for 31st March 2016 of £53,619,000. This is principally due to the fact that the financial assumptions at 31st March 2017 were less favourable than they were at 31st March 2016. All else being equal, these factors serve to increase the value of the liabilities and thus had a negative impact on the IAS19 pension position.

Reserves, Balances and Provisions

At the year-end usable reserves stood at £30.1 million, a decrease of £0.7 million during the year. Of this decrease, £0.033 million related to the General Fund and £0.184 million to the Housing Revenue Account (HRA).

Of the usable reserves at the year-end, non-earmarked General Reserves or 'Balances' stood at £1.4 million for the General Fund and £6.9 million for the HRA.

At the year-end provisions stood at £1.05 million, a reduction of £0.358 million during the year, most of which arise from the need to provide for potential reductions to business rateable values in future years.

Changes in accounting policies and estimates

The council has reviewed its accounting policies during the year and revised them in accordance with the 2016/17 Code of Practice in Local Authority Accounting. The policies are detailed in note 1 to the accounts (pages 22 to 41) and the changes in accounting policies are detailed in note 2 on page 41.

The bad debt provision included in the accounts for the non-recovery of overpayment of housing benefit was increased in 2015/16 from 60% to 70% of outstanding overpayment balances at 31st March 2016. This accounting policy has remained in place in 2016/17 and the bad debt provision for 2016/17 therefore represents 70% of outstanding balances at 31st March 2017. This estimate reflects the potential impact of changes to the recovery processes in 2017.

CHANGES IN STATUTORY FUNCTIONS AND IMPACT OF NEW LEGISLATION

The Cities and Local Government Devolution Act 2016 became law on 28th January 2016. This provides the legal framework for the implementation of devolution deals with combined authorities and other areas. It is an enabling piece of legislation, with further details for different areas to be set out in regulations that will be put before Parliament. The council awaits the outcome and the implications of this act.

Local government audit

On 23rd March 2015 the Local Audit and Accountability Act 2014 (Commencement No 7, Transitional Provisions and Savings) Order 2015 was made. The Order implemented the majority of the provisions of the Local Audit and Accountability Act 2014 that had not been enabled.

On 12th February 2015 the Accounts and Audit Regulations 2015 were made. The Regulations, which came into force on 1st April 2015, revoke and replace the Accounts and Audit Regulations 2011 and contain provisions on the internal control and annual accounts and audit procedures that apply to relevant authorities, as defined in Schedule 2 to the Local Audit and Accountability Act 2014.

National Audit Office (NAO) review of burdens on local authorities

On 11th June 2015 the National Audit Office (NAO) published a review of how well the government has applied the new burdens doctrine. The review sets out how the government would ensure that new requirements that increased local authorities' spending did not lead to excessive council tax increases. The report also focuses on what local authorities could do to improve transparency in this area, pointing out that government departments have struggled in some cases to obtain reliable cost data from local authorities.

On 5th October 2015 HM Treasury announced its plans to devolve a number of powers to local government in relation to local taxes, and in particular business rates. The government's intention is that, by the end of 2020, local authorities will:

- be able to retain 100% of local taxes to spend on local government services
- have the power to reduce business rates in their areas, given the proposal to abolish the uniform business rate.

The council awaits the details of how these new arrangements will operate and the impact on the council's finances.

Council Tax

SI 2017/13 - The Council Tax (Demand Notices) (England) (Amendment) Regulations 2017 came into force 10th February 2017. The Regulations amend the previous 2011 Regulations relating to demand notices so that additional information about expenditure on adult social care functions may be presented in or with the notices for the financial year beginning in 2016. The purpose of the amendments is to provide for additional information about expenditure on adult social care functions to continue to be presented in or with notices in the financial year beginning in 2017 and in subsequent financial years and to make amendments to the information which must be presented.

Property

The Non-Domestic Rating (Reliefs, Thresholds and Amendment) (England) Order 2017 (SI 2017/102) came into force in England on 3 March 2017. Empty non-domestic properties with a rateable value below a certain threshold are exempt from business rates. The 2017 Order increases that threshold from £2,600 to £2,900, with effect from 1 April 2017.

Employment

The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 came into force on 31 March 2017. The regulations impose a new duty on public authorities to publish gender pay gap information, including differences in bonus pay and between mean and median hourly rates of pay, and apply to public authorities in England with 150 employees or more. Gender pay gap information is to be published by 30 March 2018 and at annual intervals thereafter.

The regulations introduce the gender pay gap reporting duty as part of the existing public sector equality duty (PSED) contained in section 149 of the Equality Act 2010, rather than creating a new standalone duty. Otherwise the regulations contain similar provisions to the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, which apply to the private and voluntary sectors and which came into force on 6 April 2017.

There is a further reporting duty, contained in regulation 4 of the regulations that obliges public authorities to publish information demonstrating compliance with their PSED. This information is to be published by 30 March 2018 and then every four years thereafter. Public authorities must publish one or more objectives that will work towards achieving any of the three core objectives of the PSED contained in section 149(1)(a)-(c) of the Equality Act 2010. The objectives must be specific and measurable (regulation 5), and published in a manner that is accessible to the public (regulation 6).

Cap on exit payments for public sector employees

On 31st July 2015 HM Treasury published a consultation paper on the government's proposals to introduce a cap of £95,000 on the total value of exit payments made to public sector employees, if agreed. Any waiver of the cap would require consent from the relevant Minister, or from the full council in the case of local government exit payments. The reform proposals cover:

- current and future employees and office holders of all local government departments

- all types of payments made in relation to leaving employment, including voluntary and compulsory exits, and take into account the monetary value of any extra leave, allowances or other benefits granted as part of the exit process that are not payments in relation to employment.

FURTHER INFORMATION

Further information about the accounts is available from GO Shared Services (Finance), Cheltenham Borough Council, Municipal Offices, Promenade, Cheltenham GL50 9SA. This is part of the council's policy of providing full information about the council's affairs. In addition, interested members of the public have a statutory right to inspect the accounts during a 'period for the exercise of public rights' before the audit is completed. The accounts were available for inspection by appointment between 5th June 2017 and 14th July 2017 at the Municipal Offices, and local government electors for the area may exercise their rights to question the auditor about or make objections to the accounts for the year ended 31st March 2017, in writing, during this period.

Paul Jones
Section 151 Officer

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE COUNCIL'S RESPONSIBILITIES:

The council is required:

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

THE SECTION 151 OFFICER'S RESPONSIBILITIES:

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

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

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

The Section 151 Officer has also:

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

CERTIFICATE OF SECTION 151 OFFICER

I certify that the Statement of Accounts on pages 17 to 21 gives a true and fair view of the financial position of the council at the reporting date and its income and expenditure for the year ended 31st March 2017.

PAUL JONES **31st May 2017**
Section 151 Officer

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2015/16 Restated Gross expenditure £'000	2015/16 Restated Gross income £'000	2015/16 Restated Net expenditure £'000		2016/17 Gross expenditure £'000	2016/17 Gross income £'000	2016/17 Net expenditure £'000
13,007	(5,231)	7,776	Head of Paid Service	12,506	(4,688)	7,818
14,458	(9,939)	4,519	Environmental & Regulatory Services	13,640	(10,180)	3,460
37,969	(33,316)	4,653	Resources Directorate	37,245	(32,082)	5,163
16,884	(20,888)	(4,004)	Housing Revenue Account (HRA)	16,897	(20,594)	(3,697)
82,318	**(69,374)**	**12,944**	**Cost of Services**	**80,288**	**(67,544)**	**12,744**
655	(1,488)	(833)	Other operating expenditure *(note 8)*	614	(2,240)	(1,626)
4,582	(4,503)	79	Financing and Investment (income) and expenditure *(note 9)*	4,757	(2,730)	2,027
19,063	(34,168)	(15,105)	Taxation and non-specific grant (income) and expenditure *(note 10)*	19,286	(35,710)	(16,424)
106,618	**(109,533)**	**(2,915)**	**(Surplus) or Deficit on the provision of services**	**104,945**	**(108,224)**	**(3,279)**
		(17,477)	(Surplus) or Deficit on revaluation of non-current assets (*note 33)*			(43,880)
		(6,210)	Remeasurement of the net defined benefit liability /(asset) *(note 34)*			9,680
		(23,687)	**Other Comprehensive (Income) and Expenditure**			**(34,200)**
		(26,602)	**Total Comprehensive (Income) and Expenditure**			**(37,479)**

EXPENDITURE & FUNDING ANALYSIS

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

2015/16				2016/17		
Net expenditure chargeable to the General Fund and HRA balances £'000	**Adjustments between the funding and accounting basis (note 17) £'000**	**Net expenditure in the Comprehensive Income and Expenditure statement £'000**	**EXPENDITURE & FUNDING ANALYSIS**	**Net expenditure chargeable to the General Fund and HRA balances £'000**	**Adjustments between the funding and accounting basis (note 17) £'000**	**Net expenditure in the Comprehensive Income and Expenditure statement £'000**
7,886	(110)	7,776	Head of Paid Service	7,995	(176)	7,819
3,015	1,504	4,519	Environmental & Regulatory Services *	3,416	43	3,459
6,418	(1,765)	4,653	Resources Directorate **	7,419	(2,256)	5,163
(4,004)	-	(4,004)	Local Authority housing (HRA)	(3,698)	-	(3,698)
13,315	**(371)**	**12,944**	**Net Cost of Services**	**15,132**	**(2,389)**	**12,743**
(16,784)	925	(15,859)	Other income and expenditure	(14,915)	(1,107)	(16,022)
(3,469)	**554**	**(2,915)**	**(Surplus) or Deficit**	**217**	**(3,496)**	**(3,279)**
(12,469)			Opening General Fund and HRA balance including earmarked reserves at 1 April	(15,938)		
(3,469)			Add (Surplus) / deficit in year	217		
(15,938)			**Closing General Fund and HRA balance including earmarked reserves at 31 March***	**(15,721)**		

* Expenditure & Funding Analysis includes £90k capital grant reclassified as revenue; not included within Environmental & Regulatory Services Directorate outturn report 2016/17, as shown in narrative statement.

** Narrative statement -reported outturn 2016/17 classifies £1978k net income and expenditure from investment properties within Resources Directorate; included in Other income and expenditure above.

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

BALANCE SHEET

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

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

31 March 2016		Note	31 March 2017
£'000			£'000
297,994	Property, Plant & Equipment	19	343,376
34,677	Heritage Assets	20	39,157
39,824	Investment Property	22	35,320
736	Intangible Assets	24	667
462	Long Term Investments	26	1,460
8,397	Long Term Debtors	26	7,984
382,090	**Long Term Assets**		**427,964**
15,300	Short term Investments	26	20,264
396	Assets held for sale	25	330
12	Inventories		34
5,521	Short term Debtors	27	5,035
5,668	Cash and cash equivalents	28	307
26,897	**Current assets**		**25,970**
(112)	Bank overdraft	28	(74)
(808)	Short term borrowing	26	(826)
(14,075)	Short term creditors	29	(14,706)
(1,257)	Grants receipts in advance - revenue	16	(224)
(906)	Provisions	30	(653)
(17,158)	**Current Liabilities**		**(16,483)**
(498)	Provisions	30	(393)
(64,830)	Long term borrowing	26	(64,286)
(83)	Grants receipts in advance - capital	16	(1,642)
(1,724)	Grants receipts in advance - revenue	16	(275)
(53,619)	Other long term liabilities	34	(62,301)
(120,754)	**Long term liabilities**		**(128,897)**
271,075	**Net Assets**		**308,554**
(30,815)	Usable Reserves	32	(30,150)
(240,260)	Unusable Reserves	33	(278,404)
(271,075)	**Total Reserves**		**(308,554)**

Signed ……………………………………………………………… Paul Jones, Section 151 Officer

MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2015	**1,600**	**5,311**	**5,558**	**13,839**	**-**	**975**	**27,283**	**217,190**	**244,473**
Movement in Reserves during 2015/16									
Total Comprehensive Income and (Expenditure)	(396)		3,311				**2,915**	23,687	**26,602**
Adjustments between accounting basis and funding basis under regulations (Note 5)	2,373	-	(1,819)	(441)	508	(4)	**617**	(617)	**-**
Transfers to/from earmarked reserves (Note 32)	(2,168)	2,168					**-**		**-**
Increase / (decrease) in 2015/16	**(191)**	**2,168**	**1,492**	**(441)**	**508**	**(4)**	**3,532**	**23,070**	**26,602**
Balance at 31 March 2016	**1,409**	**7,479**	**7,050**	**13,398**	**508**	**971**	**30,815**	**240,260**	**271,075**
Movement in Reserves during 2016/17									
Total Comprehensive Income and (Expenditure)	(196)		3,475				**3,279**	34,200	**37,479**
Adjustments between accounting basis and funding basis under regulations (Note 5)	163	-	(3,659)	211	(508)	(151)	**(3,944)**	3,944	**-**
Transfers to/from earmarked reserves (Note 32)	33	(33)					**-**		**-**
Increase / (decrease) in 2016/17	**-**	**(33)**	**(184)**	**211**	**(508)**	**(151)**	**(665)**	**38,144**	**37,479**
Balance at 31 March 2017	**1,409**	**7,446**	**6,866**	**13,609**	**-**	**820**	**30,150**	**278,404**	**308,554**

CASH FLOW STATEMENT

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

2015/16 £'000		2016/17 £'000	2016/17 £'000
(2,915)	Net (surplus) or deficit on the provision of services	(3,279)	
(13,821)	Adjust net surplus or deficit on the provision of services for non-cash movements (note 35)	(10,088)	
4,374	Adjust for items in the net surplus or deficit on the provision of services that are investing or financing activities (note 36)	3,920	
(12,362)	**Cash (inflows) generated from operating activities**		**(9,447)**
21,101	Investing activities (note 36)		14,241
(6,435)	Financing activities (note 37)		529
2,304	**Net (increase) / decrease in cash and cash equivalents**		**5,323**
7,860	Cash and cash equivalents at beginning of the year		5,556
5,556	Cash and cash equivalents at end of the year (note 28)		233
(2,304)	**Net increase / (decrease) in cash and cash equivalents**		**(5,323)**

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

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

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

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

1.2 ACCOUNTING CONCEPTS

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

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

- Relevance
- Reliability
- Comparability
- Materiality

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

Accruals of Income and Expenditure

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

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

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

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

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

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

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

Going Concern

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

Primacy of legislative requirements

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

1.3 EMPLOYEE BENEFITS

Benefits Payable during Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

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

- The assets of the Gloucestershire pension fund attributable to the council are included in the balance sheet at their fair value on the following basis:
  - quoted securities – current bid value
  - unquoted securities – professional estimate of fair value
  - unitised securities – current bid price
  - property – market value.

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

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

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

  - Interest cost on defined obligation: the expected increase in the present value of liabilities during the year as they move one year closer to being paid - charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

  - Measurement of the net defined benefit liability: changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.

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

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

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

Discretionary Benefits

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

1.4 GRANTS AND CONTRIBUTIONS

Grants and contributions received from the government and other organisations are not credited to the Comprehensive Income and Expenditure Statement until any conditions attached to the grant or contribution have been, or it is reasonably certain that they will be, satisfied. For example conditions may be stipulated that specify that the grants or contributions are required to be consumed by the recipient as specified, or they must be returned to the transferor.

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

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

1.5 OVERHEADS AND SUPPORT SERVICES

The agreed estimated cost of overheads and support services for the financial year are charged to those service segments that benefit from them, based on a variety of methods including officers' estimated time allocations, fixed charges per unit of service and, for administrative building costs, area occupied.

Any surplus or deficit on overhead and support service accounts arising at the year-end is not reallocated to services. This is consistent with the way financial performance is reported to management.

1.6 COUNCIL TAX RECOGNITION

Council Tax receivable for the financial year is recognised in the Collection Fund, a separate statutory account maintained by billing authorities. The Fund is charged with the council tax requirements ('precepts and demands') set by the major preceptors and billing authority before the start of the year, leaving (after providing for uncollectable debts) a surplus or deficit, which is then distributed to the same authorities in future years in proportion to their precepts or demands.

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

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

1.7 NATIONAL NON-DOMESTIC RATES (NNDR) INCOME RECOGNITION

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

1.8 ACQUISITIONS AND DISCONTINUED OPERATIONS

Any operations or services acquired or discontinued during the financial year (for example transferred from or to another public organisation due to changes in legislation) are shown separately on the face of the Comprehensive Income and Expenditure Statement.

1.9 VAT

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

1.10 FOREIGN CURRENCY TRANSLATION

Where the council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are converted at the spot exchange rate for 31st March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Account.

1.11 NON-CURRENT ASSETS - RECOGNITION OF CAPITAL EXPENDITURE

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

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

The initial cost of an asset is recognised to be:

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

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

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

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

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

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

1.12 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (PPE)

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

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

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

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

Recognition

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

Measurement

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

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

- Dwellings – Current value, using the basis of existing use value for social housing (EUV-SH)
- Other Land and Buildings – Current value, using the basis of existing use value (EUV) where an active market exists or Depreciated Replacement Cost (DRC), where there is no active market for the asset or it is specialised
- Infrastructure – depreciated historic cost
- Community assets – historic cost (where known). The cost of many of the council's parks, gardens and open spaces is not known and they are therefore shown at Nil value. The Code offers the option for authorities to measure community assets at valuation, which is the requirement for Heritage assets. The council has so far not adopted to change its accounting policy in this way as it does not currently have the management information to make reasonable valuation estimates of community assets.
- Assets under construction – historic cost
- Surplus Assets – Current value, using the Fair Value basis (see paragraph *1.21* Fair Value *Measurement*).
- In the case of assets that have short useful lives or low values (or both) i.e. Vehicles, Plant and Equipment, depreciated historic cost is used as a proxy for current value.

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

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

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

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

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

Impairment

PPE assets are assessed at the end of each year for evidence of impairment. Where evidence exists and the effect is considered material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the difference.

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Council dwellings – depreciated on the basis of the Major Repairs Allowance, a measure of the ‘wearing out’ of the stock, provided by the government.

- Other buildings, Vehicles, Plant, Furniture and Equipment, Infrastructure, Surplus assets – straight-line allocation over the asset’s estimated useful life.

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

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

Assets disposed of during the year are depreciated in the year of disposal or in the case of assets reclassified as Held for Sale, in the year they were reclassified.

Componentisation

Where a *material* item of Property Plant and Equipment has components whose cost is *significant* in relation to the total cost of that item, *and* which have different estimated useful lives and/or depreciation methods, they are identified as separate assets and depreciated separately. The council's current Componentisation Policy defines a material item as an individual building exceeding a gross book value of £872,100 and a significant individual component as one which exceeds 20% of the gross replacement cost of that building. Significant components are identified as separate assets and separately depreciated if their estimated useful lives are considered significantly different to the 'host' building or other components.

'Material' buildings are considered for componentisation whenever such a building is acquired, enhanced, or revalued after 1 April 2010.

1.13 NON-CURRENT ASSETS - HERITAGE ASSETS

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

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

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

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

Statues and Monuments

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

Archaeology

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

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

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

1.14 NON-CURRENT ASSETS - INVESTMENT PROPERTY

Investment properties are those that are used *solely* to earn rentals and/or for capital appreciation.

The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value (see paragraph *1.21 Fair Value Measurement*). Properties are not depreciated but are revalued annually as necessary dependent on changes in market conditions in the year. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Such gains and losses, however, are not permitted by statutory arrangements to have an impact on the General Fund Balance and are therefore reversed out in the Movement in Reserves Statement and credited to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

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

1.15 NON-CURRENT ASSETS - INTANGIBLE ASSETS

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

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

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

1.16 NON-CURRENT ASSETS – DISPOSALS AND ASSETS HELD FOR SALE

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

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

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

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

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

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

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

1.17 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

1.18 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

1.19 LEASES

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

Defining a Finance Lease

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. This is likely to apply if some or all of the following situations are met:

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. in the case of hire purchase)
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised
- If the lease term is for the major part of the economic life of the asset, even if title is not transferred. The economic life of the asset is deemed to be consistent with the useful life of the asset in the depreciation policy. The council recognises the major part to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease. If this rate cannot be determined the incremental borrowing rate applicable for that year is used. The council recognises “substantially all” to mean 90% of the value of the asset. In some circumstances, a level of 75% is used if the council believes that using this level will give a result that better reflects the underlying transaction

- The leased assets are of such a specialised nature that only the lessee can use them without major modifications

- If the lessee cancels the lease, the lessor's losses associated with the cancellation are borne by the lessee

- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease)

- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

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

Lessee Accounting for a finance lease

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

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

Lessor Accounting for a finance lease

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

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

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

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

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

Defining an Operating Lease

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

Lessor Accounting for an operating lease

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

Lessee Accounting for operating leases

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

1.20 FINANCIAL INSTRUMENTS

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

Financial Liabilities

Financial liabilities are initially measured at fair value and then carried at amortised cost. Where interest is payable this is charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. Transaction costs are charged to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement, unless deemed material, in which case they are added to the initial cost.

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

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

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

Financial Assets

The authority's financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments *and* 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 amortised cost. Where interest is receivable this is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. Normally this means, for the council's loans and investments, the amount recognised in the Balance Sheet is the outstanding principal receivable plus any accrued interest, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year stated in the loan agreement.

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

Where loans and receivables 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 an impairment charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised cash flows, discounted at the asset's original effective interest rate.

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

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

Available-for-sale financial Assets

Available-for-sale financial assets are initially measured and carried at fair value, except in the case of equity instruments that do not have a quoted price in an active market for which a reliable fair value cannot be established, which are measured at cost. For instruments quoted in an active market, fair values are based on their market prices at the reporting date, except where the instruments will mature within twelve months of that date, in which case they are assumed not materially different to (and therefore equal to) their carrying values.

Where the asset has fixed or determinable payments, the interest receivable is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, any income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the council.

Changes in fair value (except those arising from impairments), if material, are balanced by an entry to the Available-for-Sale Reserve and the gain or loss is recognised in Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement. Where impairment losses have been incurred, these are charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

1.21 FAIR VALUE MEASUREMENT

The authority measures certain non-financial assets (Surplus Assets, Investment Property and Assets Held for Sale) and its Available-for-sale financial assets at fair value at the balance sheet date.

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

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

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

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

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

1.22 INVENTORIES

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

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1.23 CASH AND CASH EQUIVALENTS

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

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

1.24 PROVISIONS

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

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

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

1.25 CONTINGENT LIABILITIES

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

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

1.26 RESERVES

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

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

1.27 CONTINGENT ASSETS

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

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

1.28 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

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

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

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

1.29 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

1.30 ESTIMATION TECHNIQUES

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

1.31 JOINTLY CONTROLLED OPERATIONS

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

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

1.32 INTERESTS IN COMPANIES AND OTHER ENTITIES – GROUP ACCOUNTS

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

Basis of Consolidation

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

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

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

At 31st March 2017 the council also had a 14.29% shareholding in Ubico Ltd., a local authority owned company which has seven members, providing environmental services to the shareholder councils. Previously the company was jointly owned and controlled with Cotswold District Council. Since the council no longer has control or joint control or significant influence over the company, from 2015/16 its accounts have not been consolidated into the group accounts, however full disclosure notes are provided.

Accounting Policies

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

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

Consequently dwellings owned by CBH are initially valued at historic cost. For the purposes of the group accounts they have been re-valued at Current value to bring them into line with the council's accounting policies, using the existing use value for social housing (EUV-SH) appropriate to the dwellings' tenure as affordable homes. Any revaluation gains or losses are treated as described in paragraph 1.12 (Measurement).

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

Gloucestershire Airport Ltd

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

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

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

The following changes in accounting standards were introduced in the 2016/17 Code:

- Amendments to IAS19 *Employee benefits* (Defined Benefit Plans: Employee Contributions)
- Annual improvements to IFRSs 2010 - 2012 Cycle
- Amendment to IFRS11 *Joint Arrangements*
- Amendment to IAS16 *Property, Plant and Equipment* and IAS38 *Intangible Assets*
- Annual Improvements to IFRSs 2012 – 2014 Cycle
- Amendment to IAS1 *Presentation of Financial Statements*
- Changes to the format of the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MIRS) and the introduction of a new Expenditure and Funding Analysis (EFA) and notes.

With the exception of changes to the format of the CIES and MIRS and introduction of the EFA, these amendments have not had a material impact on the financial statements or balances of the council.

The change to the format of the CIES has resulted in a restatement of the segmental section for 2015/16 only, with no change to the Cost of Services, Surplus on the Provision of Services or Total Comprehensive Income and Expenditure. Consequently there is no change to the movement in reserves or balances of the council for the year. The change means reportable segments are now based on those most commonly reported to management for the purposes of resource allocation and performance monitoring (i.e. the council's directorates), rather than on the segment classification determined by the CIPFA Service Reporting Code of Practice (SeRCOP). The changes to the original published figures are given below:

	Gross expenditure £'000	Gross Income £'000	Net expenditure £'000
As reported in the Comprehensive Income and Expenditure Statement 2015/16:			
Central Services to the public	1,773	(537)	1,236
Cultural and related services	8,753	(940)	7,813
Environment and Regulatory services	8,637	(4,750)	3,887
Planning Services	3,782	(2,064)	1,718
Highways and Transport Services	3,407	(4,154)	(747)
Local Authority housing (HRA)	16,724	(20,888)	(4,164)
Other housing services	33,372	(32,821)	551
Corporate and Democratic Core	4,817	(3,,220)	1,597
Non-Distributed costs	1,053	-	1,053
Cost of Services	**82,318**	**(69,374)**	**12,944**
As restated 2015/16:			
Head of Paid service	13,007	(5,231)	7,776
Environmental and Regulatory Services	14,458	(9,939)	4,519
Resources Directorate	37,969	(33,316)	4,653
Housing Revenue Account (HRA)	16,884	(20,888)	(4,004)
Cost of Services	**82,318**	**(69,374)**	**12,944**

The following standards will be introduced in the 2017/18 Code:

- AASB 9 - Financial instruments, applicable from 1st January 2018
- AASB 15 - Revenue from contracts with customers, applicable from 1st January 2018
- Amendments to IAS40 – Transfers of investment property, applicable from 1st January 2018
- IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration, applicable from 1st January 2018

These amendments (when adopted) are not anticipated to have a material impact on the financial statements or balances of the council.

3. CRITICAL JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out on pages 22-41, the council has had to make certain judgments about complex transactions or those which may be uncertain depending on future events.

Leases

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

Business Rate Appeals Provision

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

The provision is based on the expected success rate of appeals lodged and any known or highly probable reductions at the year end, and no allowance has been made for any successful appeals or other reductions against previous years' rate liabilities that may be received after this date.

Non-Current Assets
The classification of non-current and Property, Plant and Equipment assets has been reassessed in accordance with the Code and judgements made as to the category, and therefore the valuation basis, in which each asset falls, including those held for investment purposes.

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

Bad Debts Provision
In estimating current debtors due at the year end the council has had to make judgements as to the likely amounts recoverable and irrecoverable and therefore the level of bad debts provision required.

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

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

The items on the council's Balance Sheet at 31st March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of assets falls. It is estimated that the annual depreciation charge for buildings (including council dwellings), vehicles, plant and equipment and Infrastructure would increase by £450,000 for every year that useful lives had to be reduced.
Fair Value measurements	When the fair values of assets and liabilities cannot be measured based on quoted prices (level 1 inputs) they are measured using valuation techniques. Where possible the inputs to these techniques are based on observable data (level 2 inputs), but where this not possible judgement is required to establish fair values based on unobservable (level 3) inputs. Changes in the assumptions informing such judgements could affect the fair values given. Where level 1 inputs are not available the authority employs relevant experts to identify the most appropriate valuation techniques used.	Unobservable inputs used in the fair value measurements include management assumptions regarding rent growth and discount rates. Significant changes in any of the unobservable inputs would result in lower or higher fair value measurements for some of the Investment properties.

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the council with expert advice about the assumptions to be applied.	The effects on the net pensions' liability of changes in individual assumptions can be measured. For example, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of approximately 9%, and a one year increase in member life expectancy would increase the pension liability by approximately 3%. A sensitivity analysis is included in note 34 on Pensions.
Non-domestic rates (NDR) appeals provision	This provision has been set up to meet losses arising from the successful appeal of businesses against the rateable value of their properties. The provision is based on an expected success rate of appeals submitted at 31st March and an estimated reduction in rateable value. Although based on past experience, both the actual success rate and actual reduction may differ from the estimate.	A 1% increase in the assumed success rate, together with a 1% reduction in the rates payable, would result in an increase in the estimated provision required of £295,000, of which the council's share would be £118,000. This would increase the collection fund deficit to be distributed to the council in future years. Some of this reduction may be compensated by the local NDR pool if it resulted in a deficit in the year. Certain categories of appeals are estimated at 100% expected success rate, based on experience to date.

5. ADJUSTMENTS BETWEEN ACCOUNTING AND FUNDING BASIS UNDER THE REGULATIONS

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

The following describes the major reserves and the adjustments made to each reserve:

General Fund Balance

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

Housing Revenue Account (HRA) Balance

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

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

Capital Receipts Reserve

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

Major Repairs Reserve

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

Capital Grants Unapplied Reserve

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

2015/16 Usable Reserves						2016/17 Usable Reserves				
General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000		General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
					Adjustments to Revenue Resources					
					Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements					
					Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (charged or credited to the Capital Adjustment Account)					
(4,394)	(5,501)				Charges for depreciation, amortisation and impairment of non-current assets	(4,811)	(5,560)			
(1,582)					Revaluation losses on, and derecognitions of, Property, Plant and Equipment	(111)				
2,100					Movements in the fair value of Investment properties	(70)				
481	140			(482)	Capital grants and contributions	789	275			(789)
(550)					Revenue Expenditure Funded from Capital Under Statute	(764)				
(487)	(2,401)				Amounts of non-current assets w ritten off on sale as part of the gain/loss on disposal	(278)	(1,402)			
415					Donated Assets	879				
					Capital grants repaid	85		(85)		
289					Pension costs transferred from the Pensions Reserve	998				
146	(10)				Financial instruments transferred from the Finanacial Instruments Adjustment Account	145	(7)			
(1,603)					Council tax and NNDR net deficit transferred to the Collection Fund Adjustment Account	648				
(1)					Holiday Pay transferred to the Accumulated Absences Account	(1)				
(5,186)	(7,772)	-	-	(482)	**Total adjustments to Revenue Resources**	(2,491)	(6,694)	(85)	-	(789)
					Adjustments between Revenue and Capital resources					
1,178	3,211	(4,045)			Transfer of non-current asset sale proceeds from revenue to capital receipts	1,382	2,540	(3,922)		
	(15)	15			Administrative costs of non-current asset disposals funded by capital receipts		(2)	2		
(456)		456			Payments to the government housing receipts pool funded by a transfer from capital receipts	(410)		410		
	5,501		(5,501)		Transfer of HRA resources from revenue to the Major Repairs Reserve		5,560		(5,560)	
1,204					Statutory and voluntary provision for the repayment of debt transferred to the Capital Adjustment Account	1,356				
887	894				Capital expenditure financed from revenue balances transferred to the Capital Adjustment Account		2,255			
2,813	**9,591**	**(3,574)**	**(5,501)**	**-**	**Total adjustments between Revenue and Capital Resources**	**2,328**	**10,353**	**(3,510)**	**(5,560)**	**-**
					Adjustments to Capital resources					
		4,490			Use of capital receipts to finance capital expenditure			3,941		
			4,993		Use of the Major Repairs Reserve to finance capital expenditure				6,068	
				486	Application of capital grants and contributions to fund capital expenditure					940
		(244)			Transfer from Deferred Capital Receipts upon receipt of cash			(327)		
		(231)			Capital Grants and loans repaid			(230)		
-	**-**	**4,015**	**4,993**	**486**	**Total adjustments to Capital Resources**	**-**	**-**	**3,384**	**6,068**	**940**
(2,373)	**1,819**	**441**	**(508)**	**4**	**Total adjustments**	**(163)**	**3,659**	**(211)**	**508**	**151**

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Section 151 Officer on 31st May 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. TRADING OPERATIONS

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

	2016/17			2015/16		
	Income £'000	Expenditure £'000	(Surplus) / deficit £'000	Income £'000	Expenditure £'000	(Surplus) / deficit £'000
Included within Net cost of Services						
Cemetery and Crematorium	(1,819)	1,268	(551)	(1,664)	1,121	(543)
Car Parks	(3,769)	2,781	(988)	(3,552)	2,378	(1,174)
Total	**(5,588)**	**4,049**	**(1,539)**	**(5,216)**	**3,499**	**(1,717)**

The Cemetery and Crematorium and car parking trading operations are included within the Environmental and Regulatory services cost of services in the Comprehensive Income and Expenditure Statement.

8. OTHER OPERATING EXPENDITURE

	2016/17 £000	2015/16 £000
Parish Precepts and council tax support grant	204	197
Payments to the Government Housing Capital Receipts Pool	410	458
(Gains) / losses on disposal of non-current assets	(2,240)	(1,488)
Total Other Operating Expenditure	**(1,626)**	**(833)**

9. FINANCING AND INVESTMENT (INCOME) AND EXPENDITURE

	2016/17 £000	2015/16 £000
Interest payable and similar charges	2,479	2,409
Losses on disposal of Icelandic bank investments	168	-
Exchange rate (profit) / loss on Icelandic bank investments	-	(95)
Net interest on the net defined benefit liability/(asset)	1,775	1,831
Interest and investment income	(487)	(487)
Income and expenditure on investment properties and changes in their fair value	(1,908)	(3,579)
Net Financing and Investment (Income) and Expenditure	**2,027**	**79**

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

	2016/17 £000	2015/16 £000
Council Tax	(8,112)	(7,763)
Non -Domestic Rates (income) and expenditure		
- Billing authority share	(22,336)	(22,236)
- Collection Fund (surplus) / deficit	376	1,113
- Tariff payable to central government	19,243	19,084
- Levy payable to central government less Pool surplus	43	(21)
General government grants	(4,100)	(4,628)
Net gains from donated assets	(879)	(415)
Capital grants and contributions	(659)	(239)
Net Taxation and Non Specific Grant Income	**(16,424)**	**(15,105)**

11. MEMBERS' ALLOWANCES

In 2016/17 the council paid £329,230.59 (2015/16 £323,852) in allowances to its 40 members. The expenditure reflects members' allowances approved by council for 2016/17. Full details of the Members' Allowances scheme for 2016/17 can be found on the council's website.

12. OFFICERS' REMUNERATION

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

2016/17

Post Title	Salary £	Expenses/ Allowances £	Compensation for loss of office £	Other payments £	Total remuneration excluding pension contributions £	Pension contributions £	Total Remuneration including pension contributions £
Head of Paid Service (note i)	100,061	1,233	-	4,008	105,302	14,609	119,911
Civic Pride Managing Director	92,895	973	-	-	93,868	13,563	107,431
Director, Corporate Resources	80,871	186	-	-	81,057	11,371	92,428
Managing Director, Place & Economic Development	77,007	591	-	-	77,598	11,243	88,841
Director , Environment	69,088	-	-	-	69,088	10,087	79,175
Director, Wellbeing & Culture (note ii)	15,904	214	47,014	-	63,132	2,322	65,454
Director, Planning	58,370	354	-	-	58,724	8,522	67,246
TOTAL	**494,196**	**3,551**	**47,014**	**4,008**	**548,769**	**71,717**	**620,486**

2015/16

Post Title	Salary £	Expenses/ Allowances £	Compensation for loss of office £	Other payments £	Total remuneration excluding pension contributions £	Pension contributions £	Total Remuneration including pension contributions £
Deputy Chief Executive	90,917	645	-	-	91,562	13,428	104,990
Civic Pride Managing Director	91,975	933	-	-	92,908	13,428	106,336
Director, Corporate Resources	77,113	101	-	-	77,214	11,259	88,473
Managing Director, Place & Economic Development (note iii)	12,274	169	-	-	12,443	1,792	14,235
Director , Environment	70,183	117	-	-	70,300	10,247	80,547
Director , Wellbeing & Culture	62,985	377	-	-	63,362	9,196	72,558
Director, Planning (note iv)	52,323	411	-	-	52,734	7,639	60,373
TOTAL	**457,770**	**2,753**	**-**	**-**	**460,523**	**66,989**	**527,512**

Notes:

i) 'Other payments' relate to Returning Officer fees paid in respect of elections

ii) The Director, Wellbeing & Culture left in July 2016

iii) The Managing Director, Place & Economic Development started in post in February 2016

iv) The Director, Planning started in post in October 2015.

For the purposes of this disclosure 'senior employee' means Head of Paid Service, their direct reports and statutory chief officers whose salary is between £50,000 and £150,000.

The council does not operate a Performance Pay System and does not pay bonuses to any member of staff.

The position of statutory role of Section 151 Officer for the council was performed by the Chief Finance Officer, Paul Jones, under a secondment arrangement with Cotswold District Council, at a cost of £30,600 plus expenses / allowances to the council in 2016/17. With effect from 1st May 2017 Paul Jones, Chief Finance Officer, is now a direct employee of Cheltenham Borough Council, continuing to fulfil the statutory Section 151 Officer role for the council.

The position of statutory role of Monitoring Officer for the council is carried out by Ms Sara Freckleton, under a shared arrangement with Tewkesbury Borough Council. This council pays a contribution of 35% of her costs, being £37,423 in 2016/17 (£35,676 in 2015/16).

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

Remuneration Band	**No of Employees 2016/17**	**No of Employees 2015/16**
£50,000 - 54,999	5	0
Total	**5**	**0**

13. TERMINATION BENEFITS

The council terminated the contract of three employees in 2016/17 (one in 2015/16). Total costs incurred were £66,207 (£176,999 in 2015/16), of which £42,696 (£59,910 in 2015/16) related to compulsory redundancy costs and £23,511 (£117,089 in 2015/16) related to other departure costs. All staff redundancies were made on a compulsory basis, with no voluntary redundancies. These costs have been charged to the relevant service lines within the Comprehensive Income and Expenditure Statement.

These termination benefits are summarised in the table below:

2016/17			2015/16 Restated	
No. of staff	£	Bands	No. of staff	£
2	19,193	£0 - £20,000		
		£20,001 - £40,000		
1	47,014	£40,000 - £60,000		
		£60,001 - £80,000		
		£80,001 - £100,000		
		£100,001 - £150,000		
		£150,001 - £200,000	1	176,999
	66,207		**1**	**176,999**

14. RELATED PARTY TRANSACTIONS

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

Central Government

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

Members and Officers

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in note 11. No member or officer has declared an interest with any outside commercial organisation. Several members serve officially on bodies that receive major grants from the council and these are listed below.

Assisted organisations

The council provided financial assistance to 79 local bodies and voluntary organisations (84 2015/16) totalling £614,138 (£650,524 in 2015/16). 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.

Grants over £35,000 made during 2016/17 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. of Members
Everyman Theatre	195,050	(63,045)	132,005	
County Community Projects (CCP)	108,000	5,900	113,900	
Playhouse Theatre	65,700	(57,517)	8,183	1
	368,750	**(114,662)**	**254,088**	1

The Gloucestershire Everyman Theatre leases the Everyman building from the council. In 2011/12 the council approved a loan of £1 million to the Theatre company to fund restoration costs, of which £0.536 million was outstanding at 31st March 2017.

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

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

Four members of the borough council are also members of Gloucestershire County Council. Seven members of the borough council are also members of parish councils. Parish Precepts are shown in the Comprehensive Income and Expenditure Statement.

Council employees are eligible to be members of the Local Government Pension Scheme, administered by Gloucestershire County Council. The total employer's contributions to the Pension Fund by the council were £4,398,556 in 2016/17 (£4,014,000 in 2015/16).

Companies and joint ventures

Gloucestershire Airport Ltd

The council has a 50% shareholding in Gloucestershire Airport Ltd. The airport's accounts have been consolidated into the Group Accounts. One member serves on the airport's Board of Directors.

The airport purchased goods and services from the council totalling £25,356 during 2016/17 (£21,459 in 2015/16). At 31st March 2017 £6,400 was owed by the Airport to the council (£6,203 at 31st March 2016) in respect of these goods and services. A loan to the Airport of £0.752 million is shown as a debtor on the council's balance sheet at 31st March 2017 (£0.867 million at 31st March 2016), whilst the balance of an overdraft facility also provided to the airport by the council to support the Runway Safety Project was £64,000 at 31st March 2017 (£140,000 at 31st March 2016).

Cheltenham Borough Homes (CBH) Ltd

The council wholly owns an Arm's Length Management Organisation (Cheltenham Borough Homes), which is limited by guarantee. The accounts for this company have been consolidated into the Group Accounts. Two councillors serve on the company's Board of Directors.

The council procured supplies and services totalling £10,403,351 from CBH during 2016/17 (£12,686,644 in 2015/16), £2,223,189 (£2,267,123 in 2015/16) of which is included as short term creditors in the council's balance sheet at the year end. CBH procured supplies and services from the council totalling £945,064 during 2016/17 (£745,580 in 2015/16), £16,627 (£328,550 in 2015/16) of which is included in short term debtors in the council's balance sheet at the year end

In 2011/12 the council loaned CBH £1.4 million for housing development at St Paul's and Brighton Road. A further £2 million was loaned in 2012/13, £1.4 million in 2014/15 and £2.2 million in 2015/16. The outstanding loans totalled £6.725 million at 31st March 2017.

Ubico Ltd

On 1st April 2012, the council set up a local authority 'Teckal' company, jointly owned with Cotswold District Council to deliver environmental services. On 1st April 2015 Forest of Dean District Council, Tewkesbury Borough Council and West Oxfordshire District Council joined the company as shareholders. Subsequently Stroud DC joined in January 2016. No members of Cheltenham Borough Council serve on the company's Board of Directors.

The council procured supplies and services totalling £7,557,857 from Ubico Ltd during 2016/17 (£8,724,728 in 2015/16), £186,043 (£34,118 in 2015/16) of which is included in the council's balance sheet as a short term creditor at the year end. The company procured supplies and services from the council totalling £806,899 during 2016/17 (£1,094,140 in 2015/16), £353,062 (£522,305 in 2015/16) of which is included in the council's balance sheet within the short term debtor at the year end.

Vehicles and plant used by Ubico to provide environmental services in the borough are initially purchased by the council and then leased to the company in the year of purchase under a finance lease arrangement. At 31st March 2017 the amount owing to the council under these leases totalled £318,306 (£630,400 at 31st March 2016).

15. EXTERNAL AUDIT COSTS

The total audit fees payable to the council's external auditor and the Audit Commission in 2016/17 were £58,421 (£63,284 in 2015/16), made up as follows:

	2016/17 £	2015/16 £
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor	49,406	49,406
Fees paid to the External Auditor for the certification of grant claims and returns	9,015	8,361
Other work provided by the appointed auditor:		
Audit of Pooling of Capital Receipts return	-	2,100
Accommodation Strategy Workshop	-	3,000
VAT and employment tax support – GO Shared Services*	-	417
	58,421	**63,284**

*This service is provided to six GO shared Services partners. Total fee is £2,500. The amount disclosed above is the element which relates to Cheltenham.

16. GRANT INCOME

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

	2016/17 £'000	2015/16 £'000
Credited to Taxation and Non Specific grant income		
Revenue Support Grant	(1,273)	(2,111)
New Homes Bonus	(2,158)	(1,614)
Section 31 Business Rates compensation grants	(574)	(814)
Transitional Grant	(74)	-
Council Tax Freeze Grant	-	(82)
Transparency Code Set Up Grant	(20)	(8)
Capital Grants and Contributions	(884)	(544)
Total	**(4,983)**	**(5,173)**
Credited to Services		
Election grants	(268)	(193)
Homelessness grants	(12)	(13)
Housing Benefits subsidy & administration grants	(30,607)	(31,833)
Council Tax Benefit administration grants	(124)	(110)
Recycling grants	(2)	(241)
Transformational Change Award	(1,232)	(2,186)
Other Grants	(96)	(28)
Other partnership funding and contributions	(1,707)	(1,748)
Total	**(34,049)**	**(36,352)**

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

	2016/17 Current £'000	2016/17 Long Term £'000	2015/16 Current £000	2015/16 Long Term £000
Receipts in Advance – Revenue				
Commuted Grounds Maintenance contributions	-	(95)	-	(42)
Affordable housing contributions*	-	-	-	(1,502)
Transformation grant from central government	-	-	(1,257)	-
Other grants and contributions	(224)	(180)	-	(180)
	(224)	**(275)**	**(1,257)**	**(1,724)**
Receipts in Advance – Capital				
Affordable housing contributions*	-	(1,642)	-	-
Other contributions	-	-	-	(83)
	-	**(1,642)**	**-**	**(83)**

* Of the Affordable Housing Contributions £1.5 million was reclassified during the year from Receipts in Advance – Revenue to Receipts in Advance – Capital.

17. SEGMENTAL REPORTING

NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2015/16					2016/17			
Adjustments for capital purposes (note 1 below) £'000	Net changes for the Pension Adjustments (note 2) £'000	Other Differences (note 3) £'000	Total Adjustments £'000	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for capital purposes (note 1 below) £'000	Net changes for the Pension Adjustments (note 2) £'000	Other Differences (note 3) £'000	Total Adjustments £'000
-	(110)	-	(110)	Head of Paid Service	-	(175)	(1)	(176)
1,749	(245)	-	1,504	Environmental & Regulatory Services	343	(300)	-	43
-	(1,765)	-	(1,765)	Resources Directorate	42	(2,298)	-	(2,256)
-	-	-	-	Housing Revenue Account (HRA)				-
1,749	**(2,120)**	**-**	**(371)**	**Net Cost of Services**	**385**	**(2,773)**	**(1)**	**(2,389)**
(2,375)	1,831	1,469	925	Other Income and Expenditure from the Funding Analysis	(2,097)	1,775	(785)	(1,107)
(626)	**(289)**	**1,469**	**554**	**Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit**	**(1,712)**	**(998)**	**(786)**	**(3,496)**

Notes

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

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

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

(2) Net change for the Pensions Adjustments

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

(3) Other Differences

- for Financing and investment income and expenditure – adjustments to the general fund for timing differences in premiums and discounts on financial instruments
- for Taxation and non-specific grant income and expenditure – timing differences between the income for council tax and non-domestic rates (NDR) credited under statutory regulations and that recognised under generally accepted accounting practice.
- for services – the addition of a holiday accrual adjustment, representing the cost of holiday and other leave owed to staff at 31st March 2017.

SEGMENTAL INCOME AND EXPENDITURE

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

	2016/17		2015/16	
	Depreciation, amortisation and impairment £'000	Revenues from external customers £'000	Depreciation, amortisation and impairment £'000	Revenues from external customers £'000
Head of Paid Service	429	(2,660)	350	(2,351)
Environmental & Regulatory Services	1,988	(8,828)	1,786	(8,140)
Resources Directorate	2,394	(994)	2,258	(1,041)
Housing Revenue Account (HRA)	5,579	(20,513)	5,507	(20,791)
Total analysed on a segmental basis	**10,390**	**(32,995)**	**9,901**	**(32,323)**

18. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2016/17 £'000	2015/16 £'000
Expenditure		
Employee benefit expenses	8,653	8,884
Other service expenses	61,461	62,233
Depreciation, amortisation, impairment	10,390	9,901
Losses on revaluation of Property, Plant & Equipment and on disposal of Investments	333	1,653
Interest payments	4,218	4,241
Precepts and levies	19,480	19,250
Payments to Housing Capital Receipts Pool	410	456
Total Expenditure	**104,945**	**106,618**
Income		
Fees, charges and other service income	(36,448)	(34,692)
Interest and investment income	(431)	(2,682)
Income from council tax and non-domestic rates	(30,073)	(28,886)
Government grants and contributions	(39,033)	(41,786)
Net gains on disposal of non-current assets	(2,239)	(1,487)
Total Income	**(108,224)**	**(109,533)**
(Surplus) or Deficit on the Provision of Services	**(3,279)**	**(2,915)**

19. PROPERTY, PLANT & EQUIPMENT

2015/16									2016/17							
Council dwellings £'000	Other Land and buildings RESTATED £'000	Vehicles, Plant and equipment £'000	Infra-structure assets £'000	Community assets £'000	Surplus assets £'000	Assets under construction £'000	Total £'000		Council dwellings £'000	Other Land and buildings £'000	Vehicles, Plant and equipment £'000	Infra-structure assets £'000	Community assets £'000	Surplus assets £'000	Assets under construction £'000	Total £'000
								Cost or valuation								
152,295	121,726	7,620	11,146	226	367	484	293,864	At 1 April	163,167	125,660	4,412	11,738	131	1,655	2,380	309,143
5,207	155	816	655	-	-	1,264	8,097	Additions	8,322	504	422	512	12	-	2,839	12,611
6,659	6,042	-	-	(143)	995	-	13,553	Revaluation increases / (decreases) recognised in the Revaluation Reserve	33,386	3,335	-	-	-	362	-	37,083
-	(315)	-	-	(1,565)	(20)	-	(1,900)	Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	-	(41)	-	-	-	(11)	-	(52)
(968)	(95)	(344)	-	-	(56)	-	(1,463)	Derecognition - disposals	(1,284)	-	-	-	-	-	-	(1,284)
-	-	(3,621)	-	-	-	-	-	Derecognition - other	-	(80)	-	-	-	-	-	(80)
-	(275)	-	-	-	-	-	(275)	Assets reclassified (to)/from held for resale	-	-	-	-	-	(330)	-	(330)
(26)	(1,578)	(59)	(63)	1,613	369	632	888	Other Reclassifications	2,873	3,704	265	-	-	1,316	(3,723)	4,435
163,167	**125,660**	**4,412**	**11,738**	**131**	**1,655**	**2,380**	**312,764**	**At 31 March**	**206,464**	**133,082**	**5,099**	**12,250**	**143**	**2,992**	**1,496**	**361,526**
								Accumulated Depreciation and Impairment								
-	(1,990)	(4,323)	(1,839)	-	(8)	(8)	(8,168)	At 1 April	(5,333)	(2,502)	(1,166)	(2,130)	-	(4)	(14)	(11,149)
(5,333)	(3,700)	(450)	(305)	-	-	-	(9,788)	Depreciation charge	(5,377)	(3,945)	(526)	(317)	-	(32)	-	(10,197)
-	3,568	-	-	-	-	-	3,568	Depreciation written out to the Revaluation Reserve	-	3,189	-	-	-	8	-	3,197
-	-	-	-	-	-	-	-	Depreciation written out to the surplus / deficit on the provision of services	-	6	-	-	-	5	-	11
-	(388)	-	-	-	-	-	(388)	Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(6)	(6)	Impairment losses / (reversals) recognised in the surplus / deficit on the provision of services	-	-	-	-	-	-	(19)	(19)
-	-	-	-	-	8	-	8	Derecognition - disposals	-	-	-	-	-	-	-	-
-	-	3,621	-	-	-	-	3,621	Derecognition - other	-	9	-	-	-	-	-	9
-	4	-	-	-	-	-	4	Assets reclassified (to)/from held for resale	-	-	-	-	-	-	-	-
-	4	(14)	14	-	(4)	-	-	Other Reclassifications	-	6	(2)	1	-	(7)	-	(2)
(5,333)	**(2,502)**	**(1,166)**	**(2,130)**	**-**	**(4)**	**(14)**	**(11,149)**	**At 31 March**	**(10,710)**	**(3,237)**	**(1,694)**	**(2,446)**	**-**	**(30)**	**(33)**	**(18,150)**
157,834	**123,158**	**3,246**	**9,608**	**131**	**1,651**	**2,366**	**297,994**	**Net Book Value at 31 March**	**195,754**	**129,845**	**3,405**	**9,804**	**143**	**2,962**	**1,463**	**343,376**

Depreciation

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

- Council dwellings - depreciation is deemed equivalent to the Major Repairs Allowance calculated by the Government, as permitted by the Code and statutory guidance, equivalent to 28.5 years
- Other Buildings – between 15 - 60 years, depending on the type of asset
- Vehicles, Plant, Furniture and Equipment - between 5 - 15 years, depending on the type of asset
- Infrastructure - 40 years.

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

Revaluations

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

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

	Council Dwellings £'000	Other land and buildings £'000	Vehicles, plant, furniture & equipment £'000	Infrastructure assets £'000	Community assets £'000	Surplus assets £'000	Assets under construction £'000	Total £'000
Carried at (depreciated) historical cost			2,925	9,804	143		1,463	14,335
Valued at current value as at 31st March:								
2014		77,646						77,646
2015	195,754	1,800	480					198,034
2016		9,619				1,644		11,263
2017		40,780				1,318		42,098
Total cost or valuation	**195,754**	**129,845**	**3,405**	**9,804**	**143**	**2,962**	**1,463**	**343,376**

The 31st March 2015 value of council dwellings was uplifted at 31st March 2016 and 31st March 2017 by the annual increase in the local Land Registry house price index and at 31st March 2017 by an increase in the social housing adjustment factor from 31% to 35% - further details are given in the notes to the Housing Revenue account on pages 101 to 104.

Componentisation

Under the Code the council is required to account separately for significant building components as defined in the council's Componentisation policy. This is to ensure material components are depreciated over their respective useful lives. The only component separately identified is the cremators at the Crematorium.

Reclassifications and effect of changes in estimates

A number of reclassifications were made at 31st March 2016 and 31st March 2017 between classes of Property, Plant and Equipment and Investment property, based on reassessments of the nature and reasons for holding each asset. The changes in 2015/16, together with upward revaluations and additions in that year, have resulted in additional depreciation of £0.4 million in 2016/17.

Fair value measurement of Surplus assets

The fair values of surplus assets valued at 31st March 2017 have been based on a market approach using current market conditions, recent sale prices and other relevant information for similar assets in the local area. The level of observable inputs is therefore significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

20. HERITAGE ASSETS

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

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

The four principal collections are:

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

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

The museum holds significant collections in the following areas:

- Fine art: British and foreign paintings, drawing and prints from the 16th century onwards, including English water colours from the 18th century onwards

- Decorative art: British and European ceramics, British furniture, clocks, glass, metalwork and treen from the 16th century onwards

- Oriental art: Chinese ceramics, costume, armour and artefacts from the 9th century to the present day

- Costumes and textiles: garments, underwear and accessories from the 17th century onwards

- The Arts and Crafts Movement: books, ceramics, furniture, metalwork, paintings, textiles, archives, designs and drawings relating to the English Arts and Crafts Movement from the 1860's to the present day, recognised nationally by the government as a Dedicated Collection

.

- Archaeology: Prehistoric, Romano-British and medieval archaeology

- Local history: printed ephemera, photographs, postcards, topographical prints and objects relating to the history of Cheltenham

- Numismatics: British and foreign coins from the Roman empire to the 21st century
- Firearms and edged weapons: British and European examples
- Natural sciences: geology, herbaria, eggs
- Social history: objects relating to English domestic, personal and working life from the 17th century to the present day.

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

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

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

	Ceramics £'000	Art Collection £'000	Furniture £'000	Civic Regalia & Silver £'000	Textiles, Ephemera and other collectables £'000	Statues and Monuments £'000	Total £'000
Valuation							
1 April 2015	2,223	22,029	4,080	201	4,120	962	33,615
Additions	-	98	29	-	288	-	415
Update for inflation	47	440	83	4	73	-	647
31 March 2016	**2,270**	**22,567**	**4,192**	**205**	**4,481**	**962**	**34,677**
Valuation							
1 April 2016	2,270	22,567	4,192	205	4,481	962	34,677
Additions	-	406	-	-	473	-	879
Revaluations	-	2,401	-	-	-	538	2,939
Update for inflation	49	451	83	4	75	-	662
31 March 2017	**2,319**	**25,825**	**4,275**	**209**	**5,029**	**1,500**	**39,157**

Except for two items professionally revalued during the year in preparation for their forthcoming loan, all the major works of art were last revalued at 1 April 2010 by the valuer Gulls. The additions comprise donated items.

21. CAPITAL EXPENDITURE AND FINANCING

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

	2016/17 £'000	2015/16 £000
Opening Capital Financing Requirement	**85,416**	**73,870**
Capital Investment		
Property, Plant and Equipment (see Additions in note 19 for breakdown)	12,611	8,097
Investment properties	-	14.305
Intangible assets	104	187
Long Term Loans	-	1,500
Revenue Expenditure Funded from Capital under Statute	764	550
	13,479	**24,639**
Sources of Finance		
Capital Receipts	(3,940)	(4,490)
Government Grants	(434)	(393)
Capital Contributions	(642)	(207)
Partnership Funding	(140)	(26)
Revenue Financing:		
Minimum Revenue Provision (MRP)	(1,356)	(922)
Voluntary Revenue Provision	-	(282)
Major Repairs Reserve	(6,068)	(4,992)
Revenue	(2,255)	(1,781)
	(14,835)	**(13,093)**
Closing Capital Financing Requirement	**84,060**	**85,416**
Explanation of movement in year		
Increase in underlying need to borrowing (unsupported by Government financial assistance)	-	12,750
Minimum Revenue Provision (MRP)	(1,356)	(922)
Voluntary Revenue Provision	-	(282)
Increase (Decrease) in Capital Financing Requirement	**(1,356)**	**11,546**

<u>*Commitments under capital contracts*</u>

At 31st March 2017 the council was committed to completing the schemes within its capital programme for 2016/17. A total of £10.641 million had not been spent but was contractually committed at 31st March 2017, including £0.095 million for works on housing properties (£1.314 million at 31st March 2016).

22. INVESTMENT PROPERTIES

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

	2016/17 £'000	2015/16 Restated £'000
Rental income from Investment Property	(2,299)	(1,821)*
Direct Operating Expenses	321	342

* Restated to exclude gains on revaluation
The rental figures Include £0.185 million reclassified at 31st March 2017 as Property, Plant and Equipment

In addition in 2016/17 and 2015/16 £0.259 million of rental income is included in the Housing Revenue Account (HRA) line (of which £0.086 million has been reclassified at 31st March 2017 as Property, Plant and Equipment).

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

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

	2016/17 £'000	2015/16 £'000
Balance at 1st April	**39,824**	**24,216**
Additions - purchases	-	14,300
- subsequent expenditure	-	5
Reclassifications (to)/from Property, Plant and Equipment	(4,434)	(1,009)
Transfers (to)/from Assets Held for Sale	-	(33)
Net gains / (losses) for the period included in the surplus or deficit on the provision of services resulting from changes in fair value	(70)	2,345
Balance at 31st March	**35,320**	**39,824**

The fair value of the investment property is reviewed and re-measured annually as necessary at the balance sheet date. All reviews and valuations were carried out internally, in accordance with the methodologies and bases of estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The valuations have been based where possible on a market approach using current market conditions, recent sale prices and other relevant information for similar assets in the local area. In these cases, where existing rents have been capitalised, the yield has been obtained by using market knowledge and evidence. The level of observable inputs is therefore significant, leading to £19.5 million of the value of the properties at 31st March 2017 being categorised at Level 2 in the fair value hierarchy.

The remaining valuation of £15.8 million has been based on an income approach using a discount rate, which are significant unobservable inputs, so have been categorised at level 3 in the fair value hierarchy.

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

In estimating the fair values of the investment properties, the highest and best use of the properties is their current use. A number of transfers to Property, Plant and Equipment were made in the year, following a review of the reasons for the council holding each property.

23. ASSETS HELD UNDER LEASES

<u>The council as Lessor</u>

Finance Leases

The council's policy is to purchase the vehicles and plant required by Ubico Ltd to provide environmental services within Cheltenham and then lease them to the company. The vehicles and plant used on these services at 1st April 2012 were transferred under a finance lease to the company when it commenced operations on that date. The present value of the lease at the date of transfer was £1.364 million. Subsequent purchases of £0.4 million have been subject to further finance leases.

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

	31st March 2017 £'000	**31st March 2016 £'000**
Not later than 1 year	157	312
2 – 5 years	161	311
More than 5 years	-	7
	318	**630**

Operating Leases

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

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

The council received £3,210,172 in rental income in 2016/17 from its granted leases (£2,468,778 in 2015/16).

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

	31st March 2017 £'000	**31st March 2016 £'000**
Not later than 1 year	1,180	2,365
1 – 5 years	4,170	7,675
More than 5 years	5,394	7,927
	10,744	**17,967**

24. INTANGIBLE ASSETS

All of the intangible assets held relate to computer software, licenses being held for a number of the council's main software packages e.g. the Financial Management System. The intangible assets include both purchased licences and internally generated assets relating to the software. The balance is amortised to the relevant service revenue account over the useful life of the software (normally 5 – 10 years) on a straight line basis. The movement on intangible asset balances during the year is as follows:

	2016/17 Software £'000	2015/16 Software £'000
Balance at 1st April		
- Gross carrying amounts	1,099	1,282
- Accumulated amortisation	(363)	(748)
Net carrying amount at start of year	**736**	**534**
Additions - purchases	104	187
Reclassifications from Property, Plant and Equipment		123
Amortisation in Year	(173)	(108)
Balance at 31st March	**667**	**736**
Comprising:		
- Gross carrying amounts	1,203	1,099
- Accumulated amortisation	(536)	(363)
	667	**736**

25. ASSETS HELD FOR SALE

	Current	
	31st March 2017 £'000	31st March 2016 £'000
Balance outstanding at start of year	**396**	**1,427**
Assets newly classified as held for sale from		
- Property, Plant and Equipment	330	271
- Investment Property	-	33
Revaluation gains	-	98
Fair value of assets sold	(396)	(1,433)
Balance outstanding at year end	**330**	**396**

26. FINANCIAL INSTRUMENTS

Categories of financial instrument

The following categories are carried on the Balance Sheet:

	Current		Long term	
	31st March 2017 £'000	31st March 2016 £'000	31st March 2017 £'000	31st March 2016 £'000
Investments				
Loans and receivables (note 1 below)	12,128	11,292	1,025	27
Unquoted equity investment at cost (note 2)	-	-	435	435
Available-for-sale - bank certificates of deposit	6,018	4,008	-	-
- corporate bonds	2,118	-	-	-
Total Investments	**20,264**	**15,300**	**1,460**	**462**
Debtors				
Loans and receivables	2,497	3,060	7,984	8,397
Total included in debtors (note 3)	**2,497**	**3.060**	**7,984**	**8,397**
Cash and Cash equivalents				
Loans and receivables	307	5,668	-	-
Financial liabilities at amortised cost	(74)	(112)	-	-
Total cash and cash equivalents	**233**	**5,556**	**-**	**-**
Borrowings				
Financial liabilities at amortised cost				
- Public Works Loan Board (PWLB) loans	555	541	48,386	48,930
- Bank and other loans	271	267	15,900	15,900
Total borrowings	**826**	**808**	**64,286**	**64,830**
Creditors				
Financial liabilities at amortised cost	5,742	7,790	-	-
Total included in creditors (Note 4)	5,742	7,790	-	-

Notes

(1) These comprise deposits with banks and building societies. During the year the 'Escrow' account held with the Icelandic-administered Glitnir Bank Hf (valued at £0.795 million at 31st March 2016) was sold at a loss of £0.167 million compared to its carrying value, leaving £0.059 million outstanding in Icelandic-owned banks at 31st March 2017 (£0.852 million outstanding at 31st March 2016).

(2) The unquoted equity investment at cost consists of shares held in Gloucestershire Airport Limited, for which a fair value cannot reliably be measured. This is because the council has agreed to retain its investment in the airport as an economic benefit to Gloucestershire, contributing to the attractiveness of the area for inward investment, rather than purely as a commercial investment. The range of reasonable fair value estimates could therefore be significant. There are no current plans to dispose of the shares.

In addition the council holds shares costing £1 in Ubico Ltd. The fair value of the council's interest in the company at 31st March 2017 is considered to be nil, since it is a wholly local authority owned not-for-profit 'Teckal' company. As a 'Teckal' company it is treated as if it were an in house department and the shareholder councils are able to enter into service contracts with the company without undertaking an EU compliant procurement process.

(3) Further details of current debtors are given in note 27, page 72. The figures shown above exclude payments in advance and non-exchange transactions, such as taxes and grants due, which are not classified as financial instruments.

Long term debtors at 31st March 2017 mainly comprise:

- an outstanding loan of £0.536 million (£0.554 million at 31st March 2016) to the Cheltenham Everyman Theatre (made in 2011/12 for 25 years towards the redevelopment of the theatre)
- loans totalling £6.623 million (£6.722 million at 31st March 2016) made to Cheltenham Borough Homes for between 30 and 50 years for housing redevelopment
- finance lease repayments of £0.161 million (£0.318 million) due from Ubico Ltd (relating to leases of vehicles and plant)
- loans totalling £0.632 million (£0.751 million at 31st March 2016) to Gloucestershire Airport Ltd towards the cost of the runway safety project.

The remainder comprises mortgages for house purchase and other housing related loans.

(4) Further details of current creditors are given in note 29, page 72. The figures shown above exclude payments in advance and non-exchange transactions, such as taxes and grants due, which are not classified as financial instruments.

Income, Expense, gains and losses

	2016/17				2015/16			
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available-for-sale £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Financial Assets: Available-for-sale £'000	Total £'000
Interest expense	2,443			2,443	2,410	-	-	2,410
Fee expense	-	1	2	3	3	1	-	4
Total expenses in Surplus or Deficit on the Provision of Services	**2,443**	**1**	**2**	**2,446**	**2,413**	**1**	**-**	**2,414**
Interest Income	-	(410)	**(23)**	**(433)**	-	(426)	(30)	(456)
Interest Income accrued on impaired financial assets	-	(2)	**-**	**(2)**	-	(31)	-	(31)
Total income in Surplus or Deficit on the Provision of Services	-	**(412)**	**(23)**	**(435)**	-	**(457)**	**(30)**	**(487)**
(Net gain)/loss for the year	**2,443**	**(411)**	**(21)**	**2,011**	**2,413**	(456)	(30)	**1,927**

Fair Value of financial assets and liabilities

The fair values of the authorities' financial assets and liabilities are shown below, where different to their carrying amounts. The fair values have been assessed as equal to the present value of the expected cash flows over the remaining term of the instruments, using the following assumptions:

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

	2016/17		2015/16	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Financial Assets				
Long term debtors - loans and receivables	7,984	10,971	8,397	10,831

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

	2016/17		2015/16	
	Carrying amount £'000	Fair Value £'000	Carrying amount £'000	Fair Value £'000
Financial Liabilities				
Borrowing - PWLB loans	48,941	57,889	49,471	54,984
- long term bank loans	15,900	23,121	15,900	19,648
Total	**64,841**	**81,010**	**65,371**	**74,632**

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

Nature and extent of risks arising from financial instruments

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

- credit risk – the risk that other parties might fail to pay amounts due to the council

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

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 12th February 2016. The two key issues were:

- The Authorised Limit for 2016/17 was set at £110 million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary for 2016/17 was expected to be £107 million. This is the expected level of debt and other long term liabilities during the year.

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

Credit Risk

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

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

The council used the creditworthiness services of Capita Asset Services during 2016/17. The maximum investment that could be made with UK approved counterparty was £7 million, and with a non-UK approved counterparty £2 million in 2016/17. No breaches of the council's counterparty criteria occurred during the reporting period and the council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies of £21.3 million cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to that individual organisation. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of default applies to all of the council's deposits, but there was no evidence at 31 March 2017 that this was likely to crystallise.

The following analysis summarises the council's potential maximum exposure to credit risk (using investments outstanding and arranged at 31 March 2017), based on experience of default assessed by the ratings agencies and the council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2017 £000 (a)	**Historical experience of default % (b)**	**Adjustment for market conditions at 31 March 2017 % (c)**	**Estimated maximum exposure to Default £000 (a*c)**
Deposits with banks and financial institutions				
AA rated counterparties	4,000	0.007	0.1875	8
A rated counterparties	17,300	0.067	-	-
	21,300			**8**

The historical experience of default has been taken from average one year default rates published by the three main rating agencies at May 2017, relating to 2016 figures. Whilst current economic conditions have raised the overall possibility of default, the council maintains strict credit criteria for investment counterparties.

The council does not generally allow credit for its trade debtors as payment is due immediately. This means that all of the £1,715,091 trade debtor balance is technically past its due date for payment. The past due amount can be analysed by age as follows:

	2016/17 £000	**2015/16 £000**
Less than 3 months	1,145	1,538
3 to 6 months	75	177
6 months to 1 year	100	139
Over 1 year	395	386
	1,715	**2,240**

Liquidity risk

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

The maturity analysis of financial liabilities is as follows:

	31st March 2017 £'000	31st March 2016 £'000
Less than 1 year	544	808
2-5 years	2,325	2.264
6-10 years	4,394	4,619
More than 10 years	57,567	57,947
Total	**64,830**	**65,638**

Market risk

The council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. By way of illustration, if interest rates were 1% higher in 2016/17, this would have had the following effect:

	Amount outstanding (weighted average) in year £'000	Average actual interest rate %	Actual Interest paid / (receivable) £'000	Projected interest rate %	Projected interest paid / (receivable) £'000	Variation £'000
Borrowing Variable rate	123	0.28	1	1.28	2	1
Lending Fixed rate (up to1 year) Variable rate	26,425	0.46	130	1.46	386	(256)
Net loss / (gain) on surplus / deficit for year						**(255)**

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

With the exception of Available-for-sale instruments, borrowings and investments are not carried at fair value, so nominal gains and losses would not impact on the Comprehensive Income and Expenditure Statement or the Movement in Reserves. Available-for-sale assets are held for less than one year so their fair value is likely to approximate to their carrying value. However, changes in interest payable and receivable on variable rate borrowings and investments, as illustrated above, will affect income and expenditure and the general fund balance.

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

27. SHORT TERM DEBTORS

	31st March 2017 £'000	31st March 2016 £'000
Central Government Bodies	979	1,051
Other Local Authorities	618	468
Other entities and individuals-		
- Council Taxpayers	325	328
- Business Ratepayers	288	324
- Cheltenham Borough Homes	115	424
- Ubico Ltd	240	522
- Housing Rents	215	259
- Sundry Debtors	2,255	2,145
Total	**5,035**	**5,521**

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

28. CASH AND CASH EQUIVALENTS

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

	31st March 2017 £'000	31st March 2016 £'000
Cash held by the Authority	5	5
Bank current accounts	2	2
Short term deposits	300	5,661
Cash and cash equivalent assets	**307**	**5,668**
Cash and cash equivalent liabilities - bank overdraft	**(74)**	**(112)**
Net Cash and cash equivalents per Cash flow Statement	**233**	**5,556**

29. SHORT TERM CREDITORS

	31st March 2017 £'000	31st March 2016 £'000
Central Government Bodies	3,226	2,573
Other Local Authorities	2,529	3,023
Public corporations and trading funds	15	-
Other entities and individuals-		
- Council Taxpayers	101	92
- Business Ratepayers	1,975	1,769
- Cheltenham Borough Homes	2,223	2,267
- Ubico Ltd	206	34
- Housing Rents	242	223
- Sundry Creditors	4,189	4,094
Total	**14,706**	**14,075**

30. PROVISIONS

	Balance at 1st April £'000	Additional provisions made in Year £'000	Amounts used in Year £'000	Amounts reclassified in year £'000	Balance at 31st March £'000
Short term					
Insurance	93	25	(76)	-	42
MMI Scheme (see note 31)	42		(42)	-	
Business rates retention – appeals	771	570	(835)	105	611
	906	**595**	**(953)**	**105**	**653**
Long term					
Business rates retention – appeals	498	-	-	(105)	393
Total 2016/17	**1,404**	**595**	**(953)**	**-**	**1,046**
Total 2015/16	**982**	**1,323**	**(901)**	**-**	**1,404**

Insurance

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

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

Municipal Mutual Insurance (MMI)

The Council has a potential liability in respect of the run-off of Municipal Mutual Insurance (MMI) of £318,014 as at 31st March 2017 (£318,014 at 31st March 2016). The liability will only materialise if the assets of the company do not cover the insurance claims yet to be settled (see Contingent Liability note 31).

In 2015/16 Ernst & Young (who managed MMI's business affairs and assets) set a total levy of 25%, (including 15% levy already paid in 2013/14), against clients/owners potential liabilities as an estimate of the amount that would be needed to achieve a solvent run-off. The 10% balance of the levy (£42,402) was included in the 2015/16 accounts as a provision, and payment made in 2016/17. The likelihood and timing of any additional liabilities is unknown at this stage.

Business Rates Retention - Appeals

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

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

31. CONTINGENT LIABILITIES

Municipal Mutual Insurance Ltd:

The council's former insurers, Municipal Mutual Insurance Ltd, ceased trading in 1992; the council became a party to the scheme of administration for liabilities outstanding at that time. Whilst there is a very low risk that the assets of the company will not meet the liabilities from insurance claims, the scheme guarantees that the council will reimburse the total of payments made in respect of claims less £50,000. At 31st March 2017 this potential total liability equated to £318,014, made up as follows:

	£
Gross claim payments to date	474,019
15% levy paid 2013/14	(63,603)
10% levy paid 2016/17	(42,402)
Net Payments	**368,014**
Levy retention	(50,000)
Potential liability 31st March 2017	**318,014**

This is kept under review annually to ensure that a solvent run-off of the company's business is still anticipated.

32. USABLE RESERVES AND TRANSFERS TO / FROM EARMARKED RESERVES

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

	Balance at 1 April 2015 £'000	Transfers out 2015/16 £'000	Transfers in 2015/16 £'000	Balance at 1 April 2016 £'000	Transfers out 2016/17 £'000	Transfers in 2016/17 £'000	Balance at 1 April 2017 £'000
Earmarked Reserves							
Capital Reserve	**791**	(1,208)	599	**182**	-	88	**270**
Equalisation Reserves	**1,006**	(109)	1,464	**2,361**	(1,484)	371	**1,248**
Repairs & Renewals Reserve	**1,226**	(557)	1,147	**1,816**	(911)	685	**1,590**
Reserves for Commitments	**674**	(675)	313	**312**	(312)	377	**377**
Other earmarked reserves	**1,614**	(438)	1,632	**2,808**	(648)	1,801	**3,961**
Total	**5,311**	**(2,987)**	**5,155**	**7,479**	**(3,355)**	**3,322**	**7,446**

Purpose of reserves

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

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

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

- **Other earmarked reserves** – sums built up to cover the future costs of planned expenditure, for example support to the Cheltenham Trust, risk management initiatives, vehicles and equipment, and Civic Pride match funding.

33. UNUSABLE RESERVES

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

Reserve	31st March 2017 £'000	31st March 2016 £'000	Purpose of Reserve
Revaluation Reserve	154,863	113,191	Store of gains on revaluation of non-current assets not yet realised through sales
Capital Adjustment Account	188,164	183,468	Store of capital resources set aside to meet past expenditure
Financial Instruments Adjustment Account	(2,038)	(2,176)	Balancing account to allow for differences in statutory requirements and proper accounting practices relating to borrowing and investments
Collection Fund Adjustment Account	(500)	(1,148)	Balancing account to allow for differences in statutory requirements and proper accounting practices for council tax and NNDR (business rates) surpluses/deficits
Pensions Reserve	(62,301)	(53,619)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet
Deferred Capital Receipts Reserve	333	660	Capital receipts to be received in future years e.g. from finance lease or mortgage repayments
Accumulating Compensated Absences Adjustment Account	(117)	(116)	Balancing account to allow for differences in statutory requirements and proper accounting practices for staff leave and additional hours not taken at the year end
Total Unusable Reserves	**278,404**	**240,260**	

Revaluation Reserve

	2016/17 £'000	2015/16 £'000
Balance at 1st April	**113,191**	**100,345**
Revaluation gains on non-current assets	45,042	18,082
Downward revaluation of assets and impairments	(1,162)	(604)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**157,071**	**117,823**
Accumulated gains on assets sold, derecognised or reclassified	(206)	(2,762)
Difference between fair value and historic cost depreciation	(2,002)	(1,642)
Other adjustments relating to previous year's revaluations	-	(228)
Amount written off to the Capital Adjustment Account	(2,208)	(4,632)
Balance at 31st March	**154,863**	**113,191**

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

Capital Adjustment Account

	2016/17 £'000	2015/16 £'000
Balance at 1st April	**183,468**	**178,373**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
• Charges for depreciation and impairment of non-current assets	(10,198)	(9,787)
• Revaluation gains/(losses) on Property, Plant and Equipment	(111)	(1,582)
• Amortisation of intangible assets	(173)	(108)
• Donated Assets	879	415
• Revenue expenditure funded from capital under statute	(764)	(550)
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,680)	(2,888)
	171,421	163,873
Capital receipts received on repayment of long term loans	(230)	(230)
Adjusting amounts written out of the Revaluation Reserve	2,208	4,632
Net amount written out for the cost of non-current assets consumed in the year	**173,399**	**168,275**
Capital Financing applied in the year:		
• Use of Capital Receipts Reserve to finance new capital expenditure	3,944	4,490
• Use of the Major Repairs Reserve to finance new capital expenditure	6,064	4,992
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing and application of grants to capital financing from the Capital Grants Unapplied account	1,216	627
• Statutory provision for the financing of capital investment charged against the General Fund Balance	1,356	922
• Voluntary provision for the financing of capital investment charged against the General Fund Balance	-	282
• Capital expenditure charged against the general fund and HRA balances	2,255	1,781
	188,234	181,369
Movements in the market value of Investment properties (charged) or credited to the Comprehensive Income and Expenditure Statement	(70)	2,099
Balance at 31st March	**188,164**	**183,468**

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

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

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

Financial Instruments Adjustment Account

	2016/17 £'000	2015/16 £'000
Balance at 1st April	**(2,176)**	**(2,312)**
Net Premiums incurred in previous years charged against the General Fund and HRA Balance	138	136
Balance at 31st March	**(2,038)**	**(2,176)**

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

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

Collection Fund Adjustment Account

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

	2016/17 £'000	2015/16 £'000
Balance at 1st April	**(1,148)**	**455**
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from that calculated for the year in accordance with statutory requirements	648	(1,603)
Balance at 31st March	**(500)**	**(1,148)**

Pensions Reserve

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

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

	2016/17 £'000	2015/16 £'000
Balance at 1st April	(53,619)	**(60,118)**
Remeasurement of the net defined benefit liability	(9,680)	6,210
Reversal of items relating to retirement benefits charged or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,278)	(3,436)
Employers' pension contributions and direct payments to pensioners payable in the year	4,276	3,725
Balance at 31st March	**(62,301)**	**(53,619)**

Deferred Capital Receipts Reserve

This comprises capital receipts receivable in future years, for example from finance leases and mortgage repayments, which are not usable until they are received. The amount at 31st March 2017 includes £0.318 million for vehicles and plant leased to Ubico Ltd under finance leases.

34. DEFINED BENEFIT PENSION SCHEME

Participation in the pension scheme

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

The council participates in the Local Government Pension Scheme administered by Gloucestershire County Council. This is a funded defined benefit final salary scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets.

The principle risks to the authority of the pension scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute, as described in the accounting policies note 1.3 on page 23.

Transactions relating to post-employment benefits

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

	2016/17 £000	2015/16 £000
Comprehensive Income and Expenditure Statement (CIES):		
Service cost comprising:		
Current service cost	(1,503)	(1,605)
Financing and Investment Income and Expenditure:		
Net Interest Expense	(1,775)	(1,831)
Total post-employment benefits charged to Surplus or Deficit on Provision of Services	(3,278)	(3,436)
Other post-employment benefits charged to the CIES:		
Remeasurement of the net defined benefit liability comprising:		
Changes in demographic assumptions	713	-
Return on plan assets (excluding the amount included in the net interest expense)	7,336	(2,331)
Changes in financial assumptions	(22,970)	6,569
Other experience	5,241	1,972
Total post-employment benefit charged to CIES	**(12,958)**	**2,774**
Movement in Reserves Statement:		
Reversal of net charges made to Surplus or Deficit on Provision of Services for post-employment benefits in accordance with the Code	3,278	3,436
Actual amount charged against General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	4,276	3,725

Pension Assets and Liabilities recognised in the Balance Sheet

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

	2016/17 £'000	2015/16 £'000
Present value of the defined benefit obligation	(149,669)	(131,461)
Fair value of plan assets	87,368	77,842
Net liability arising from defined benefit obligation	**(62,301)**	**(53,619)**

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

	Funded Liabilities Local Government Pension Scheme	
	2016/17 £'000	**2015/16 £'000**
Opening Balance at 1st April	(131,461)	(138,839)
Current service cost	(1,503)	(1,605)
Interest cost	(4,412)	(4,256)
Contributions from scheme participants	(443)	(412)
Remeasurement gain/(loss):		
Arising from changes in demographic assumptions	713	-
Arising from changes in financial assumptions	(22,970)	6,569
Other experience	5,241	1,972
Benefits paid	5,062	5,008
Unfunded benefits paid	104	102
Closing balance at 31st March	**(149,669)**	**(131,461)**

31st March 2017 – Present value of Funded liabilities	**(147,936)**	**(129,825)**
31st March 2017 – Present value of Unfunded liabilities	**(1,733)**	**(1,636)**
Closing balance 31st March	**(149,669)**	**(131,461)**

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

	Funded Assets Local Government Pension Scheme	
	2016/17 £000	2015/16 £000
Opening fair value of scheme assets 1st April	77,842	78,721
Interest income	2,637	2,425
Remeasurement gain/(loss):		
Return on plan assets (excluding the amount included in the net interest expense	7,336	(2,331)
Contributions from employees into the scheme	443	412
Contributions from employer	4172	3,623
Contributions from employer in respect of unfunded benefits	104	102
Unfunded benefits paid	(104)	(102)
Benefits paid	(5,062)	(5,008)
Closing fair value of scheme assets 31st March	**87,368**	**77,842**

The Local Government Pension scheme assets at 31st March comprised:

	Fair Value of Scheme Assets					
	2016/17 Quoted prices in active market £'000	2016/17 Quoted prices not in active market £'000	2016/17 Total £'000	2015/16 Quoted prices in active market £'000	2015/16 Quoted prices not in active market £'000	2015/16 Total £'000
Cash equivalents	1,261.9	-	1,261.9	854	-	854
Equity instruments (by industry type):						
Consumer	4,238.2	-	4,238.2	4,791	-	4,791
Manufacturing	2,272.0	-	2,272.0	2,346	-	2,346
Energy and Utilities	1,662.3	-	1,662.3	1,411	-	1,411
Financial Institutions	3,511.2	-	3,511.2	3,762	-	3,762
Health and Care	1,404.7	-	1,404.7	611	-	611
Information Technology	216.9	-	216.9	422	-	422
Other	2,648.4	-	2,648.4	1,615	-	1,615
Debt Securities:						
Corporate Bonds (investment grade)	4,098.8	-	4,098..8	4,013	-	4,013
Corporate Bonds (non-investment grade)	315.2	-	315.2	302	-	302
UK Government	6,328.0	-	6,328.0	7,113	-	7,113
Other	960.6	-	960.6	1,072	-	1,072

Property:	4,257.5	1,365.8	5,623.3	4,246	1,529	5,775
UK Property	-	474.1	474.1	-	399	399
Overseas Property						
	-	222.1	222.1	-	229	229
Private Equity:						
Investment Funds and Unit Trusts:	3,469.9	39,440.5	42,910.4	2,600	33,283	35,883
Equities	5,283.1	490.3	5,773.4	3,407	200	3,607
Bonds	-	3,379.4	3,379.4	-	3,645	3,645
Other						
Derivatives:	18.1	-	18.1	(7)	-	(7)
Other	49.0	-	49.0	-	-	-
Foreign Exchange						
Closing fair value of scheme assets as at 31 March	**41,995.8**	**45,372.2**	**87,368**	**38,558**	**39,285**	**77,843**

Basis for estimating assets and liabilities

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

The Gloucestershire County Council pension fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 1st April 2016. The significant assumptions made in their calculations have been:

	Local Government Pension Scheme	
	2016/17	**2015/16**
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	22.4 years	22.5 years
Women	24.6 years	24.6 years
Longevity at 65 for future pensioners *		
Men	24 years	24.4 years
Women	26.4 years	27.0 years
Rate of pension increase / inflation (CPI)	2.4%	2.1%
Rate of increase in salaries	2.7%	3.6%
Rate for discounting scheme liabilities	2.5%	3.4%

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

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

	2016/17 %	2015/16 %
Equity investments	80	71
Bonds	12	20
Property	7	8
Cash	1	1
Total	**100**	**100**

Commutation

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

Sensitivity analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the 31st March 2017 and assumes for each change that the assumption analysed changes whilst all other assumptions remain constant. The methods and types of assumptions used in preparing the sensitivity analysis did not change from those used in the previous financial year.

Change in assumptions at year ended 31 March 2017	Approximate % increase to Employer	Approximate cost to Employer £000
0.5% decrease in Real Discount Rate	8%	12,480
0.5% increase in the Salary Increase Rate	1%	1,313
0.5% increase in the Pension Increase Rate	7%	11,020

The above figures have been derived based on the membership profile of the scheme as at the most recent actuarial valuation, being 31st March 2016.

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employer's contributions at as constant a rate as possible. Funding levels are monitored on an annual basis, with the most recent triennial valuation on 31st March 2016.

The council is anticipated to pay employer's contributions of approximately £4.222 million for the period 1st April 2018 to 31st March 2019. The weighted average duration of the defined benefit obligation for scheme members is 15.7 years as at 31st March 2017 (16.7 years as at 31st March 2016).

35. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2016/17 £'000	2015/16 £'000
Interest received	(299)	(449)
Interest paid	2,440	2,408

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

	2016/17 £'000	2015/16 £'000
Depreciation	(10,198)	(9,787)
Impairment and downward valuations	(131)	(1,659)
Amortisation	(173)	(108)
Increase (-) / decrease in creditors	266	(2,886)
Increase / decrease (-) in debtors	(207)	1,027
Increase / decrease (-) in inventories	22	5
Movement in pension liability	998	289
Carrying amount of non-current assets sold or derecognised	(1,680)	(2,888)
Other non cash items charged to the net surplus or deficit on the provision of services	1,015	2,186
	(10,088)	**(13,821)**

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

	2016/17 £'000	2015/16 £'000
Proceeds from the sale of PPE, investment property and intangible assets	3,920	4,374

36. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2016/17 £'000	2015/16 £'000
Purchase of property, plant and equipment, investment property and intangible assets	12,737	21,914
Purchase of Investments	30,300	23,512
Other payments for investing activites	-	1,500
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,247)	(4,274)
Proceeds from the sale of short and long term investments	(24,319)	(21,321)
Other receipts from investing activites	(230)	(230)
Net cash (inflows) / outflows from investing activites	**14,241**	**21,101**

37. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2016/17 £'000	2015/16 £'000
Cash receipts of short and long term borrowing	(4,671)	(22,471)
Repayments of short and long term borrowing	5,200	16,036
Net cash flows from financing activites	**529**	**(6,435)**

THE COLLECTION FUND - INCOME AND EXPENDITURE ACCOUNT

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

2015/16 £'000		Note	2016/17 £'000
	INCOME		
60,427	**Council Tax**	(i)	63,554
56,772	**Non-Domestic Rates**	(iii)	56,843
	Contribution towards previous year's deficit		
-	Non-domestic rates		2,574
117,199	**Total Income**		**122,971**
	EXPENDITURE		
59,285	**Precepts & Demands from major preceptors and the Authority - Council Tax**	(ii)	62,259
	Non-Domestic Rates	(iii)	
27,795	Shares paid to county council and the billing authority		27,920
27,795	Payment of central share to government		27,920
88	Transitional protection payments		92
183	Charge payable to General Fund for Costs of Collection		181
	Impairment of debts for Council Tax		
123	Allowance for Impairment		53
	Impairment of debts/appeals for non-domestic rates		
131	Write offs of uncollectable amounts		-
3,563	Allowance for Impairment		1,670
	Contribution towards previous year's surplus		
864	Council Tax		1,273
1,274	Non-domestic rates		-
121,101	**Total Expenditure**		**121,368**
(3,902)	**Surplus / (Deficit) for the Year**		**1,603**
2,010	Balance of fund at 1st April		**(1,892)**
(1,892)	**Balance of fund at 31st March**	(iv)	**(289)**

NOTES TO THE COLLECTION FUND

(i). COUNCIL TAX

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

Band	Estimated Number of Properties in each Band (adjusted for discounts)	Ratio	Band “D” Equivalents
A Disabled	4.3	5/9	2.4
A	7,811.1	6/9	5,207.4
B	11,162.1	7/9	8,681.7
C	12,156.5	8/9	10,805.8
D	8,032.8	1	8,032.8
E	44,71.3	11/9	5,464.9
F	2,366.3	13/9	3,417.9
G	1,825.8	15/9	3,042.9
H	83.0	2	166.0
	47,913.0		44,821.8
Less Council Tax support (Band D equivalents)			(3,915.2)
Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation bandings, demolitions, disabled persons’ relief, and exemptions, plus adjustments for new properties and 2nd homes (this amounts to 1.25% of the tax base)			(511.3)
Council Tax Base for 2016/17			**40,395.3**

(ii). PRECEPTS & DEMANDS

	2016/17 £’000	2015/16 £’000
Gloucestershire County Council	45,809	43,388
Cheltenham Borough Council	7,761	7,445
Gloucestershire Police & Crime Commissioner	8,496	8,265
Charlton Kings Parish Council	65	64
Leckhampton with Warden Hill Parish Council	33	29
Prestbury Parish Council	62	61
Swindon Village Parish Council	11	11
Up Hatherley Parish Council	22	22
	62,259	**59,285**

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

(iii). NON-DOMESTIC RATES

The council collects non-domestic rates for its area based on business rateable values (as assessed by the Valuation Office) multiplied by a uniform rate set by the government. Certain reliefs are available and the figure shown is net of these reliefs.

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

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

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

The total non-domestic rateable value at 31st March 2017 was £130.556 million (£133.278 million at 31st March 2016) and the national non-domestic multipliers for 2016/17 were 49.7p (49.3p in 2015/16) (standard rate) and 48.4p (48.0p in 2015/16) (small business rate).

(iv). FUND BALANCE

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

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

	Borough Council share £'000	County Council share £'000	Police share £'000	Central Government share £'000	Total £'000
Council Tax					
Balance at 1st April 2016	185	1,056	200	-	1,441
Increase/decrease (-) in the year	(5)	(17)	(8)	-	(30)
Balance at 31st March 2017	**180**	**1,039**	**192**	**-**	**1,411**
Business Rates					
Balance at 1st April 2016	(1,333)	(333)	-	(1,667)	(3,333)
Increase/decrease (-) in the year	653	163	-	817	1,633
Balance at 31st March 2017	**(680)**	**(170)**	**-**	**(850)**	**(1,700)**
Fund Balance at 31st March 2017	**(500)**	**869**	**192**	**(850)**	**(289)**

GROUP ACCOUNTS

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

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

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

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

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

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

STATEMENT OF ACCOUNTING POLICIES FOR THE GROUP ACCOUNTS

These are set out in note 1.32 on pages 40-41.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2015/16 Restated				2016/17		
Gross expenditure	Gross income	Net expenditure		Gross expenditure	Gross income	Net expenditure
£'000	£'000	£'000		£'000	£'000	£'000
			Continuing Operations			
13,007	(5,231)	7,776	Head of Paid Service	12,506	(4,688)	7,818
14,458	(9,939)	4,519	Environmental & Regulatory Services	13,640	(10,180)	3,460
37,969	(33,316)	4,653	Resources Directorate	37,245	(32,082)	5,163
19,597	(21,312)	(1,715)	Local Authority housing (HRA)	15,422	(21,040)	(5,618)
85,031	**(69,798)**	**15,233**	**Cost of Services**	**78,813**	**(67,990)**	**10,823**
655	(1,498)	(843)	Other operating expenditure	614	(2,241)	(1,627)
5,041	(4,504)	537	Financing and Investment (income) and expenditure	4,887	(2,470)	2,417
-	(1,238)	(1,238)	Gain on disposal of Joint Venture - Ubico Ltd	-	-	-
19,087	(34,648)	(15,561)	Taxation and non-specific grant (income) and expenditure	19,315	(35,710)	(16,395)
109,814	**(111,686)**	**(1,872)**	**(Surplus) or Deficit on the provision of services**	**103,629**	**(108,411)**	**(4,782)**
		60	Share of (Surplus) or deficit of Joint Ventures			93
		(35)	Share of Tax expenses of Joint Ventures			**(128)**
		(1,847)	**Group (Surplus) or Deficit**			**(4,817)**
		(17,477)	(Surplus) or Deficit on revaluation of non-current assets (*note 33)*			(43,880)
		(9,033)	Remeasurement of the net defined benefit liability /(asset)			12,232
		(412)	Share of other comprehensive income and expenditure of Joint Ventures			102
		(26,922)	**Other Comprehensive (Income) and Expenditure**			**(31,546)**
		(28,769)	**Total Comprehensive (Income) and Expenditure**			**(36,363)**

GROUP BALANCE SHEET

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

31 March 2015	31 March 2016		Note	31 March 2017
Restated	Restated			
£'000	£'000			£'000
293,229	304,152	Property, Plant & Equipment	44	350,813
33,614	34,677	Heritage Assets	20	39,157
24,216	39,824	Investment Property	22	35,320
531	736	Intangible Assets	24	667
61	27	Long Term Investments	46	1,025
11,811	12,197	Investments in Joint Ventures	39	12,130
2,163	1,675	Long Term Debtors	46	1,361
365,625	**393,288**	**Long Term Assets**		**440,473**
12,950	15,300	Short term Investments	26	20,264
1,427	396	Assets held for sale	25	330
7	12	Inventories		34
5,220	5,270	Short term Debtors	41	5,055
8,688	5,935	Cash and cash equivalents	42	809
28,292	**26,913**	**Current assets**		**26,492**
(742)	(112)	Bank overdraft	42	(74)
(459)	(808)	Short term borrowing	26	(826)
(13,540)	(13,222)	Short term creditors	43	(14,073)
-	(1,257)	Grants receipts in advance - revenue	16	(224)
(595)	(906)	Provisions	30	(653)
(15,336)	**(16,305)**	**Current Liabilities**		**(15,850)**
(386)	(498)	Provisions	30	(393)
(58,744)	(64,830)	Long term borrowing	26	(64,286)
(82)	(83)	Grants receipts in advance - capital	16	(1,642)
(1,443)	(1,724)	Grants receipts in advance - revenue	16	(275)
(1,238)	-	Long term liabilities of Joint Ventures		-
(65,958)	(57,262)	Other long term liabilities	45	(68,657)
(127,851)	**(124,397)**	**Long term liabilities**		**(135,253)**
250,730	**279,499**	**Net Assets**		**315,862**
(24,396)	(29,326)	Usable Reserves	48	(28,699)
(226,334)	(250,173)	Unusable Reserves	49	(287,163)
(250,730)	**(279,499)**	**Total Reserves**		**(315,862)**

GROUP STATEMENT OF MOVEMENT IN RESERVES

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

	Total Authority Usable Reserves	Authority's share of Usable Reserves of subsidiaries and Joint Ventures	Total Group Usable Reserves	Total Authority Unusable Reserves	Authority's share of Unusable Reserves of subsidiaries and Joint Ventures	Total Group Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2015 RESTATED	**27,283**	**(2,887)**	**24,396**	**217,190**	**9,144**	**226,334**	**250,730**
Movement in Reserves during 2015/16 RESTATED							
Total comprehensive Income & (Expenditure)	2,915	(1,068)	1,847	23,687	3,235	26,922	28,769
Adjustments between company reserves (Note 48)	-	2,466	2,466	-	(2,466)	(2,466)	-
Adjustments between accounting basis and funding basis under regulations (Note 5)	617	-	617	(617)	-	(617)	-
Increase / (decrease) in 2015/16	**3,532**	**1,398**	**4,930**	**23,070**	**769**	**23,839**	**28,769**
Balance at 31 March 2016 RESTATED	**30,815**	**(1,489)**	**29,326**	**240,260**	**9,913**	**250,173**	**279,499**
Movement in Reserves during 2016/17							
Total comprehensive Income & (Expenditure)	3,279	1,538	4,817	34,200	(2,654)	31,546	36,363
Adjustments between company reserves (Note 48)	-	(1,500)	(1,500)	-	1,500	1,500	-
Adjustments between accounting basis and funding basis under regulations (Note 5)	(3,944)	-	(3,944)	3,944	-	3,944	-
Increase / (decrease) in 2016/17	**(665)**	**38**	**(627)**	**38,144**	**(1,154)**	**36,990**	**36,363**
Balance at 31 March 2017	**30,150**	**(1,451)**	**28,699**	**278,404**	**8,759**	**287,163**	**315,862**

GROUP CASH FLOW STATEMENT

The cash flow statement shows the changes in cash and cash equivalents of the group (excluding those of the joint venture Gloucestershire Airport Ltd) during the reporting period. The statement shows how the group generates and uses cash by classifying cash flows as operating, investing and financing activities. Cash flows between the council/CBH Ltd with the airport are included, but the cash flows of the latter are not.

2015/16 £'000		2016/17 £'000	2016/17 £'000
(634)	Net (surplus) or deficit on the provision of services	(4,782)	
(15,143)	Adjust net surplus or deficit on the provision of services for non-cash movements (note 50)	(8,612)	
4,360	Adjust for items in the net surplus or deficit on the provision provision of services that are investing or financing activities	3,920	
(11,417)	**Cash inflows generated from operating activities**		(9,474)
19,975	Investing activities (note 51)		14,033
(6,435)	Financing activities (note 52)		529
2,123	**Net (increase) / decrease in cash and cash equivalents**		**5,088**
7,946	Cash and cash equivalents at beginning of the year		5,823
5,823	Cash and cash equivalents at end of the year (note 42)		735
(2,123)	**Net increase / (decrease) in cash and cash equivalents**		**(5,088)**

NOTES TO THE GROUP ACCOUNTS

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

38. Cheltenham Borough Homes Limited

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

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

The draft group accounts for CBH Ltd (including CBHS Ltd) show net liabilities at 31st March 2017 of £3.933 million (£1.39 million at 31st March 2016) and an after tax surplus £0.009 million in the year to 31st March 2017 (£0.917 million loss in the year to 31st March 2016).

The net liabilities of the company are valued at cost (in accordance with company accounting rules) and may not therefore reflect their market value. The accounts of the company show a contingent liability of £53,212 at 31st March 2017.

Since CBH's accounts show non-current assets at historic cost, the company's dwellings were re-valued at 31st March 2015 (for dwellings completed up until that date) and at 31st March 2016 (for dwellings completed in 2015/16) at Current value, with the values uplifted by the increase in the local Land Registry housing price index up to 31st March 2017, to bring them into line with the council's accounting policies. The Current value was assessed by internal and external valuers using the existing use value for social housing (EUV-SH) appropriate to the dwellings' tenure as affordable homes. If CBH charged depreciation on the Current value of the dwellings, instead of their historic cost, the charge would be around £0.1 million less.

The full accounts of Cheltenham Borough Homes Ltd and Cheltenham Borough Homes Services Ltd for the year ending 31st March 2017 can be obtained from the Company Secretary at the company's registered office – Cheltenham House, Clarence Street, Cheltenham, Gloucestershire, GL50 3RD.

39. Gloucestershire Airport Limited

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

The registered name of the airport company is Gloucestershire Airport Ltd (Registration No. 02774189). The draft accounts of the company show net assets at 31st March 2017 of £24.260 million (restated £24.393 million at 31st March 2017), and an after tax profit of £0.071 million for the year to 31st March 2017 (restated loss of £0.051 million to 31st March 2016). The council's commitment to meet losses is limited to the shares that it holds.

The following table discloses the council's share of the airport's draft results and net assets. The draft accounts for 2015/16 have been restated to accommodate the adoption of the accounting standard FRS102.

	Gloucestershire Airport Limited 2016/17 £'000	Council's share 2016/17 £'000	Gloucestershire Airport Limited 2015/16 Restated £'000	Council's share 2015/16 Restated £'000
Turnover	4,399	2,199	4,039	2,020
Profit/(loss) on ordinary activities before taxation	(187)	(93)	(120)	(60)
Tax on profit on ordinary activities	(258)	(129)	(70)	(35)
Profit/(loss) for the financial year after taxation	71	35	(51)	(25)

	31 March 2017 £'000	31 March 2017 £'000	31 March 2016 Restated £'000	31 March 2016 Restated £'000
Non-current Assets	33,241	16,620	32,581	16,290
Current Assets	990	495	1,693	846
Liabilities due within one year	(2,007)	(1,003)	(1,665)	(833)
Liabilities due after one year	(5,886)	(2,943)	(6,440)	(3,220)
Net Pension Liability	(2,077)	(1,038)	(1,775)	(888)

The airport did not pay any dividends in the year to 31st March 2017 (nil to 31st March 2016).

During 2011/12 the council loaned £1.195 million to the airport towards the cost of the runway safety project, of which £0.752 million was outstanding at 31st March 2017. In addition the council provided the airport with a temporary overdraft facility during 2012/13 of £0.350 million, of which £0.64 million was outstanding at 31st March 2017.

The group balance sheet has been prepared by including the council's share of the company's net assets as a long-term investment, eliminating the share capital. Since FRS102 requires Investment property (and allows Property, Plant and Equipment at 'deemed cost') to be measured at fair value, the revaluation adjustments previously applied to bring the airport's accounts into line with the council's accounting policies are no longer required. For the purposes of the airport's accounts its non-current assets were revalued at fair value as at 31st March 2015, 2016 and 2017 by an external valuer.

The group accounts have been restated to reflect the restatement of the airport's accounts for the adoption of FRS102, as follows:

	Previously reported 2015/16 £'000	Restated 2015/16 £'000
Group Comprehensive Income & Expenditure Statement:		
Share of (surplus)/deficit of Joint Ventures	(421)	60
Share of Tax expenses of Joint Ventures	82	(35)
Group (surplus) or deficit	(2,211)	(1,847)
Share of other comprehensive income and expenditure of joint ventures	(221)	(412)
Other Comprehensive (Income) and Expenditure	(26,731)	(26,922)
Total Comprehensive (Income) and Expenditure	(28,942)	(28,769)
	Previously reported at 31st March 2016	**Restated 31st March 2016**
Group Balance Sheet:		
Investments in Joint Ventures	16,086	12,197
Net Assets	283,388	279,499
Usable Reserves	(32,129)	(29,326)
Unusable Reserves	(251,388)	(250,173)
Total Reserves	(283,388)	(279,499)

The Airport's accounts for the year ended 31st March 2017 can be obtained from the Managing Director at the company's registered office - The Terminal Building, Staverton, Cheltenham, Gloucestershire, GL51 6SR.

40. UBICO Limited

Ubico Ltd was established during 2011/12 and commenced operations on 1st April 2012, providing environmental services (street cleaning, refuse collection, recycling and grounds maintenance) to Cheltenham Borough Council from that date and to Cotswold District Council from 6th August 2012. As the company was jointly controlled at 31st March 2015 the company was classified as a Joint Venture and included within the group accounts in 2014/15 as a long term investment or liability.

During 2015/16 four additional local authority members (West Oxfordshire DC, Forest of Dean DC, Tewkesbury BC and Stroud DC) became equal shareholders of the company, resulting in it no longer meeting the definition of a Joint Venture a 31st March 2016, since it is no longer jointly controlled. Consequently the council's share of the company's net liabilities shown in the group balance sheet at 31st March 2015 was written off to the Group Comprehensive Income and Expenditure Statement in 2015/16 as a gain on disposal. Gloucestershire County Council became a further shareholder of the company in 2016/17, resulting in seven equal shareholders of the company as at 31st March 2017.

The fair value of the council's interest in the company at 31st March 2017 is considered to be nil, since it is a wholly local authority owned not-for-profit 'Teckal' company.

The company (registration No. 07824292) is limited by share capital and governed by its memorandum and articles of association. The liability in respect of the shares is set out in the memorandum of association and is limited to £1 per member of the company, of which there are seven at 31st March 2017.

The company's accounts for the year ending 31st March 2017 can be obtained from the Managing Director at the company's registered office – Central Depot, Swindon Road, Cheltenham GL51 9JZ.

41. Short term debtors

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

42. Cash and Cash Equivalents

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

	31st March 2017 £'000	31st March 2016 £'000
Cash held by the Council and subsidiaries	5	5
Bank current accounts of the Council and subsidiaries	504	269
Short term deposits	300	5,661
Cash and cash equivalent assets	**809**	**5,935**
Cash and cash equivalent liabilities - bank overdraft	(74)	(112)
Net Cash and cash equivalents per Cash flow Statement	**735**	**5,823**

43. Short term Creditors

	31st March 2017 £'000	31st March 2016 £'000
Central Government Bodies	4,046	2,573
Other Local Authorities	2,616	3,023
Public corporations and trading funds	15	-
Other entities and individuals-		
- Council Taxpayers	101	92
- Business Ratepayers	1,975	1,769
- Ubico Ltd	206	34
- Housing Rents	242	223
- Sundry Creditors	4,872	5,508
	14,073	**13,222**

44. Group Property, Plant & Equipment

2015/16									2016/17							
Dwellings	Other Land and buildings RESTATED	Vehicles, Plant and equipment	Infra-structure assets	Community assets	Surplus assets	Assets under construction	Total		Dwellings	Other Land and buildings	Vehicles, Plant and equipment	Infra-structure assets	Community assets	Surplus assets	Assets under construction	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
								Cost or valuation								
157,705	122,382	8,464	11,146	226	367	1,995	302,285	At 1 April	168,841	126,316	5,181	11,738	131	1,655	2,380	316,242
5,207	155	879	655	-	-	1,814	8,710	Additions	8,331	504	459	512	12	-	2,839	12,657
6,923	6,042	-	-	(143)	995	-	13,817	Revaluation increases / (decreases) recognised in the Revaluation Reserve	33,386	3,335	-	-	-	362	-	37,083
(2,036)	(315)	-	-	(1,565)	(20)	-	(3,936)	Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	1,559	(41)	-	-	-	(11)	-	1,507
(993)	(95)	(482)	-	-	-	-	(1,570)	Derecognition - disposals	(1,284)	-	(60)	-	-	-	-	(1,344)
-	-	(3,621)	-	-	(56)	-	(3,677)	Derecognition - other	-	(80)	-	-	-	-	-	(80)
-	(275)	-	-	-	-	-	(275)	Assets reclassified to/from held for resale	-	-	-	-	-	(330)	-	(330)
2,035	(1,578)	(59)	(63)	1,613	369	(1,429)	888	Other Reclassifications	2,873	3,704	265	-	-	1,316	(3,723)	4,435
168,841	**126,316**	**5,181**	**11,738**	**131**	**1,655**	**2,380**	**316,242**	**At 31 March**	**213,706**	**133,738**	**5,845**	**12,250**	**143**	**2,992**	**1,496**	**370,170**
								Accumulated Depreciation and Impairment								
-	(2,221)	(4,980)	(1,839)	-	(8)	(8)	(9,056)	At 1 April	(5,332)	(2,794)	(1,815)	(2,130)	-	(4)	(14)	(12,089)
(5,527)	(3,761)	(580)	(305)	-	-	-	(10,173)	Depreciation charge	(5,570)	(4,007)	(598)	(317)	-	(32)	-	(10,524)
-	3,568	-	-	-	-	-	3,568	Depreciation written out to the Revaluation Reserve	-	3,189	-	-	-	8	-	3,197
194	-	-	-	-	-	-	194	Depreciation written out to the surplus/ deficit on the provision of services	-	6	-	-	-	5	-	11
-	(388)	-	-	-	-	-	(388)	Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(6)	(6)	Impairment losses / (reversals) recognised in the surplus / deficit on the provision of services	-	-	-	-	-	-	(19)	(19)
1	-	138	-	-	8	-	147	Derecognition - disposals	-	-	60	-	-	-	-	60
-	-	3,621	-	-	-	-	3,621	Derecognition - other	-	9	-	-	-	-	-	9
-	4	-	-	-	-	-	4	Assets reclassified to/from held for resale	-	-	-	-	-	-	-	-
-	4	(14)	14	-	(4)	-	-	Other Reclassifications	-	6	(2)	1	-	(7)	-	(2)
(5,332)	**(2,794)**	**(1,815)**	**(2,130)**	**-**	**(4)**	**(14)**	**(12,089)**	**At 31 March**	**(10,902)**	**(3,591)**	**(2,355)**	**(2,446)**	**-**	**(30)**	**(33)**	**(19,357)**
163,509	**123,522**	**3,366**	**9,608**	**131**	**1,651**	**2,366**	**304,153**	**Net Book Value at 31 March**	**202,804**	**130,147**	**3,490**	**9,804**	**143**	**2,962**	**1,463**	**350,813**

45. Other Long term liabilities

These comprise the group pension fund liabilities of Cheltenham Borough Council and Cheltenham Borough Homes Ltd. Further details of the council's liabilities are included in note 34 on pages 79 - 83 and for CBH in their accounts. These show a pension liability at 31st March 2017 of £6.356 million (£3.643 million at 31st March 2016).

46. Long term investments and Long term debtors

Long term investments differ from note 26 in the single entity accounts by the shares in Gloucestershire Airport of £0.435 million, which are replaced in the group accounts by a long term investment in the Airport equivalent to a 50% share of the company's net assets, shown immediately below long term investments.

Long term debtors differ from note 26 in the single entity accounts by the elimination on consolidation of the loans to CBH Ltd of £6.623 million.

47. Usable Reserves

These are detailed in the Group Movement in Reserves Statement.

48. Group Movements in the Movement in Reserves Statement

Adjustments are required between group usable and unusable reserves:

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

49. Unusable Reserves

	31st March 2017 £'000	31st March 2016 Restated £'000
Revaluation Reserve	162,524	120,852
Capital Adjustment Account	195,618	189,363
Financial Instruments Adjustment Account	(2,038)	(2,176)
Collection Fund Adjustment Account	(500)	(1,148)
Pensions Reserve	(68,657)	(57,262)
Deferred Capital Receipts Reserve	333	660
Accumulating Compensated Absences Adjustment Account	(117)	(116)
Total Unusable Reserves	**287,163**	**250,173**

50. Cash Flow Statement – Non-cash items included in the surplus or deficit on the provision of services

	2016/17 £'000	2015/16 £'000
Depreciation	(10,525)	(10,173)
Impairment and dow nw ard valuations	1,428	(3,236)
Amortisations	(173)	(108)
Increase (-) / decrease in creditors	247	(1,972)
Increase / decrease (-) in debtors	(2)	1,120
Increase / decrease (-) in inventories (stock)	22	5
Movement in pension liability	967	(142)
Carrying amount of non-current assets sold or derecognised	(1,680)	(2,888)
Other non cash items charged to the net surplus or deficit on the provision of services	1,104	2,251
	(8,612)	**(15,143)**

51. Cash Flow Statement – Investing Activities

	2016/17 £'000	2015/16 £'000
Purchase of property, plant and equipment, investment property and intangible assets	12,784	22,229
Purchase of Investments	30,300	23,512
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,248)	(4,307)
Proceeds form the sale of short and long term investments	(24,319)	(21,321)
Other receipts from investing activites	(484)	(138)
Net cashflows from investing activites	**14,033**	**19,975**

52. Cash Flow Statement – Financing activities

	2016/17 £'000	2015/16 £'000
Cash receipts of short and long term borrow ing	(4,671)	(22,471)
Repayments of short and long term borrow ing	5,200	16,036
Net cash flows from financing activites	**529**	**(6,435)**

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

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

	2016/17 £'000	2015/16 £'000
Expenditure		
Repairs and Maintenance	3,724	3,881
Supervision and Management	7,095	6,965
Rents, Rates, Taxes and Other Charges	60	50
Depreciation and Impairment of Non-current Assets	5,579	5,579
Debt Management Costs	80	81
Movement in Bad Debts	133	133
Total Expenditure	**16,671**	**16,689**
Income		
Dwelling Rents	(18,992)	(19,273)
Non-dwelling Rents	(430)	(419)
Charges for services and facilities	(562)	(568)
Contributions towards expenditure	(462)	(496)
Other Income	(81)	(97)
Total Income	**(20,527)**	**(20,853)**
Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement	**(3,856)**	**(4,164)**
HRA share of Corporate and Democratic core	159	159
Net cost for HRA Services	**(3,697)**	**(4,005)**
HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
Gain on sale of HRA Non-current Assets	(1,136)	(796)
Interest Payable and Similar Charges	1,685	1,685
Interest and Investment Income	(52)	(55)
Capital Grants and Contributions Receivable	(276)	(140)
Surplus for the Year on HRA Services	**(3,476)**	**(3,311)**

MOVEMENT ON THE HRA STATEMENT

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

	2016/17 £'000	2015/16 £'000
Balance on the HRA at the end of the previous year	6,042	3,656
Surplus for the year on the HRA Income and Expenditure Statement	3,476	3,311
Adjustments between accounting basis and funding basis under statute (note 1)	(3,659)	(1,819)
Net Increase before transfers to or from reserves	**5,859**	**5,148**
Transfers from earmarked reserves	1,009	894
Balance on the HRA at the end of the current year	**6,868**	**6,042**

NOTES TO THE HRA STATEMENTS

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

	2016/17 £'000	2015/16 £'000
Items included in the HRA Income and Expenditure Account but excluded from the Movement in the HRA Balance		
Revaluation losses on non-current assets	-	-
Capital contributions applied	(275)	(140)
(Gain)/loss on sale of HRA non-current assets	(1,136)	(795)
	(1,411)	**(935)**
Items not included in the HRA Income and Expenditure Account but included in the Movement in the HRA Balance		
Amortisation of premiums and discounts	7	10
Capital expenditure funded by the HRA	(2,255)	(894)
Net adjustments between accounting basis and funding basis under the regulations	**(3,659)**	**(1,819)**

2. Housing Stock

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

Type	1st April 2016	Additions	Sales	Demolitions	31st March 2017
Houses and Bungalows	2,137	12	23	9	2,117
Flats	2,356	12	5		2,363
Shared Ownership (flats)	16				16
Total Stock	**4,509**	24	**28**	**9**	**4,496**

3. HRA Non-Current Assets

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

	1st April 2016 £'000	Revaluations/ Impairments £'000	Additions £'000	Reclass-ifications £'000	Disposals £'000	Depreciation £'000	31st March 2017 £'000
Dwellings	157,834	33,386	8,322	2,873	(1,284)	(5,377)	195,754
Assets under construction	1,587	(19)	2,459	(2,947)	-	-	1,080
Garages*	2,026	(10)	(4)		-	(51)	1,968
Other land and buildings	111	379	-	1,230	-	(8)	1,712
Infrastructure	4,948		478	-	-	(124)	5,302
Surplus assets	992	169	-	69	-	-	1,230
Assets held for sale	118	-	-	5	(118)	-	5
Investment property	3,234	-	-	(1,230)	-	-	2,004
Plant & Equipment	-	-	28	-	-	-	28
Intangible Assets	-	-	16	-	-	-	16
Total non-current assets	**170,857**	**33,905**	**11,299**	**-**	**(1,402)**	**(5,560)**	**209,099**

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

4. Impairment and Revaluation of Non-Current Assets

HRA assets are revalued every five years (the last revaluation was undertaken as at 31st March 2015). In interim years the dwelling valuation is updated by the movement in the house price index for Cheltenham published by the Land Registry. The valuation is stated at Existing Use Value for Social Housing (EUV-SH) – open market value (OMV), being adjusted to reflect the fact that the properties are socially rented. This adjustment factor is published by the Department for Communities and Local Government and is set regionally. The south west adjustment factor was increased from 31% to 35% of OMV for all valuations after April 2016, which has contributed to the significant increase in valuation at 31st March 2017.The increase in value is transferred to the Revaluation Reserve, a figure of £33,385,733 in 2016/17.

5. Dwellings Valuation

The vacant possession value of dwellings within the HRA at 1st April 2016 was £559,296,931.

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

6. Major Repairs Reserve

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

	£'000
Balance 1st April 2016	508
Transfer to reserve	5,560
Financing of HRA capital expenditure	(6,068)
Balance 31st March 2017	**-**

7. New Build Reserve

The council has created an earmarked revenue reserve to set aside funds that will be used to deliver a programme of new affordable housing within the HRA.

	£'000
Balance 1st April 2016	1,009
Transfer from reserve to fund capital expenditure	(1,009)
Balance 31st March 2017	**-**

8. HRA Capital Expenditure

A summary of HRA capital expenditure and sources of finance for 2016/17 is shown below:

Category	Total Spend	Sources of Finance			
	£'000	Major Repairs Allowance £'000	Capital Receipts £'000	Capital Contributions £'000	Revenue Contributions £'000
New Build	2,459	-	799	-	1,660
Acquisitions	867	-	272	-	595
Major repairs & improvements	7,455	6,056	1,213	186	-
Garages	(4)	(4)	-	-	-
Infrastructure	478	16	373	89	-
Total	**11,255**	**6,068**	**2,657**	**275**	**2,255**

9. HRA Capital Receipts

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

	2016/17 £000	2015/16 £000
Sales of Dwellings	2,357	1,600
Sales of Land	120	1,611
Mortgage Principal	15	6
Sale of Shared Ownership Flats	63	-
Total	**2,555**	**3,217**

10. Rent Arrears

Rent arrears at 31st March 2017 amounted to £609,414 (£648,774 as at 31st March 2016) and the Balance Sheet includes a bad debt provision of £394,000 relating to those arrears (£390,000 as at 31st March 2016).

11. Interest and Investment Income

This includes £51,180 interest from notional cash balances and mortgage interest of £740 (£54,223 and £1,002 respectively in 2015/16).

GLOSSARY OF TERMS

Accounting Code of Practice	Although the preparation and control of accounting is regulated, there is no statutory basis for accounting entries. Instead, Local Authorities have to comply with the CIPFA/LASAAC Code of Practice on Local authority accounting in the United Kingdom (The Code).
Accounting Period	The period of time covered by the accounts, normally a period of twelve months commencing on 1st April for local authority accounts. The end of the accounting period is the balance sheet date.
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.
Accounting Policies	The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its financial statements.
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.
Actuarial Basis	The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.
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 of Accounts	An audit is an examination by an independent expert of an organisation's financial affairs to check that the relevant legal obligations and codes of practice have been followed.
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 council, to reduce future demands on the Collection Fund or to meet unexpected costs during the year. Balances on holding accounts and provisions are available to meet expenditure in future years without having adverse effect on revenue expenditure.
Billing Authority	The authority that sets council tax and collects it from council tax payers.
Budget	A financial plan that expresses an organisation's service delivery plans and capital programmes in monetary terms.
Budget Strategy	A document setting out how an organisation is going to meet its policies and priorities, taking into account the resources available to the organisation. This will include proposals for efficiency savings and possible service changes or reductions, which may free up resources for use on other policies or priorities.

Capital Expenditure This is expenditure on items providing benefits to the organisation over more than one year, such as land, buildings or vehicles.

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 contributions from revenue accounts, the proceeds from the sale of capital assets, and capital grants and contributions from developers or others.

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

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

Capital Programme This is a financial plan of the capital expenditure projects that the organisation intends to carry out over a specified time period.

Capital Receipt This is income resulting from the sale of assets such as land or property. The Government decides what proportion of each capital receipt can be used by the council to finance new capital expenditure. Capital receipts cannot be used to fund revenue expenditure.

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

CIPFA The Chartered Institute of Public Finance and Accountancy. This is the professional body for accountants working in local government and other public bodies. The Institute provides financial and statistical information services for local government and advises central Government and other bodies on local government and public finance matters.

Collection Fund This is a statutory fund kept separate from the main accounts of the council. It records all income due from council Tax and National Non Domestic Rates and shows how that income was shared between central government, the County Council and the Police and Crime Commissioner.

Consistency One of the fundamental accounting concepts, it requires accountants to treat similar items of income and expenditure in the same way both within an accounting period and from one accounting period to the next.

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 a council 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 council has given a guarantee.

Council Tax A local tax levied on dwellings within the local authority area. The level of taxation is based on the capital value of the property, which is categorised into one of eight bands from A to H, and the number of people living in the dwelling.

Creditors Amounts owed by the council for work done, goods received or services rendered within the accounting period, but for which payment was not made at the balance sheet date.

Current Assets Assets which can be expected to be consumed or realised during the next accounting period.

Current Liabilities Amounts which will become due or could be called upon during the next accounting period.

Debtors An amount due to an organisation within the accounting period not received at the balance sheet date.

Depreciation A charge made to the revenue account each year that reflects the reduction in value of assets used to deliver services. This is the loss in value of an asset, owing to age, wear and tear, deterioration, or obsolescence.

Employee Costs These include salaries, wages and employers' national insurance and pension contributions, together with training expenses and charges relating to the index-linking of pensions of former employees.

Estimates Original estimate: the estimate for the new year approved before the start of the financial year, usually at the previous November's price levels.

Revised estimate: the original estimate for the year updated by price changes since it was prepared and by supplementary estimates and virements.

Supplementary estimate: an amount approved by the council to be spent in excess of the original estimate.

Final Accounts Accounts prepared for an accounting period, usually in a summarised form. They include a statement showing the net surplus (profit) or deficit (loss) on the provision of services and a balance sheet. They are produced as a record of steward-ship for interested parties. Local authorities are required by the Accounts and Audit Regulations 1993 (as amended) to publish a Statement of Accounts at the end of each financial year.

Finance Lease A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee (the person or organisation leasing the asset).

Financial Year The local authority financial year commences on 1st April and finishes on 31st March in the following year.

Government Grants Grants made by the Government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some Government grants have restrictions on how they may be used, whilst others are general purpose.

Impairment Impairment of an asset is caused by a consumption of economic benefits (e.g. physical damage such as an office fire) or a deterioration in the quality of service provided by the asset (e.g. an industrial unit closing and becoming a storage facility), or by a general fall in prices of that particular asset or class of assets.

Interest An amount received or paid for the use of a sum of money when it is invested or borrowed.

International Financial Reporting Standards (IFRS) Provide the required accounting treatment and disclosure of transactions so that an organisation's financial statements present fairly the financial position of the organisation.

Inventories Items of raw materials and stores a council has purchased to use on a continuing basis but which have not yet been used.

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

DRAFT ANNUAL GOVERNANCE STATEMENT 2016/2017

1. SCOPE OF RESPONSIBILITY

Cheltenham Borough Council is responsible for ensuring that:

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

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

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of national best practice as set out in the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government.* This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (Amendment) (England) Regulations 2011 and, from 1 April 2015, the Accounts and Audit Regulations 2015 in relation to the publication of a statement on annual governance.

In addition to this, CIPFA issued its *Statement on the Role of the Chief Finance Officer in Local Government (2015).* The Annual Governance Statement (AGS) reflects compliance of this statement for reporting purposes. The Council's Chief Finance Officer is the Statutory Section 151 Officer (S151 Officer).

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

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

3. THE GOVERNANCE FRAMEWORK

The key elements of the Council's governance arrangements are outlined in the Local Code of Corporate Governance, which is reviewed on an annual basis; the latest version was approved by the Audit Committee in March 2016. The governance framework includes arrangements for:

- Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users
- Reviewing the Council's vision and its implications for the Council's governance arrangements
- Measuring the quality of services for users, ensuing that they are delivered in accordance with the Council's objectives and ensuring that they represent the best use of resources
- Defining and documenting the roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the Council and partnership arrangements
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- Reviewing and updating Financial Rules, Contract Rules, Constitution, Scheme of Delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks
- Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained
- Ensuring effective management of change and transformation
- Ensuring the Council's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015)* and, where they do not, explain why and how they deliver the same impact
- Ensuring the Council's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Audit (2010)* and, where they do not, explain why and how they deliver the same impact
- Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function
- Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function
- Undertaking the core functions of an Audit Committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- Whistleblowing and for receiving and investigating complaints from the public
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by the appropriate training
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
- Incorporating good governance arrangements in respect of partnerships, including shared services and other joint working and reflecting these in the Council's overall governance arrangements.

The main areas of the Council's governance framework, and key evidence of delivery, are set out below, under the headings of the seven CIPFA/SOLACE principles of governance:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
The roles and responsibilities of elected members and all office holders are set out in the Council's Constitution. The Constitution also sets out how decisions are made and the procedures that are followed to ensure these are efficient, transparent and accountable to local people. The Constitution is supported and underpinned by defined Codes of Conduct for Members and Officers, in addition

to specific codes for example, dealing with planning and licensing matters. There is also a Protocol for Member/Officer Relations. The Constitution is reviewed regularly to reflect legislative changes, guidance and best practice.

The Council has key policies stipulating roles and responsibilities for both elected members and officers, which provide guidance on expected behaviours and practices. These policies are reviewed on a regular basis and are available on the Council's intranet.

The Council has a Standards Committee to maintain and promote high standards of conduct by observing and monitoring the operation of the Code of Conduct.

A comprehensive induction programme provides further assistance to Members and Officers as to their roles and responsibilities. Officers also undergo annual performance appraisals.

The Code of Conduct requires declarations to be made at meetings; these are recorded in meeting minutes. Declarations are made by both Members and Officers.

Registers of interest are completed annually by Members and Officers and a register of gifts and hospitality is maintained.

Statutory Officers' responsibilities are defined in the Council's Constitution and are employed in accordance with statutory guidance.

The S151 Officer leads the promotion and delivery of good financial management through the Senior Leadership Team, the Bridging the Gap programme, attendance at Cabinet and Committee meetings and specialist workshops / training for officers and Members.

The Asset Management Plan and the Capital Strategy aims to ensure that investment is linked to strategic objectives

Internal audit reviews are designed to ensure services are complying with internal and external policies and procedures / statutory legislation. Where non-compliance is identified, this is reported to Management and Members via the Audit Committee.

Whistleblowing and Counter Fraud & Anti-Corruption policies are in place which have been approved by Cabinet. A counter-fraud unit has been established to help prevent and detect fraud and corrupt practices, including the misuse of power.

A 3 stage complaints procedure is available to members of the public and explains the ways that a complaint can be made and the responsibility of the Council.

B. Ensuring openness and comprehensive stakeholder engagement

Annual accounts are published on a timely basis to help communicate the Council's financial position and performance. In addition, an Annual Report, which summarises financial and other performance is published on the Councils' website.

The Council has a Transparency Policy statement and publishes its data such as payments to suppliers, senior officers' salaries and structure, contracts and tenders, etc., in line with the local government transparency code which is available on the Council's website.

All committee meeting agendas and minutes are published in accordance with the Forward Plan. Publication of agendas is made in accordance with the Local Government Act 1972.

The Overview and Scrutiny committee promotes open and transparent decision making, democratic accountability and holds the Cabinet to account for its actions.

As part of the budget setting process, the Council consults with a public panel to gain an understanding of the communities' views. Final budgets are discussed by Cabinet and approved by Council at the appropriate budget setting meeting.

Consultation events are held with public and voluntary services, Cheltenham Business Partnership and The Cheltenham Partnership.

Consultation with the public is undertaken through public meetings, surveys and other mechanisms as required throughout the year.

The Council has published a Statement on Community Involvement which sets out the opportunities by which the public and organisations can engage with the planning system, including the procedures and methods used to consult on planning applications.

Consultation with staff is undertaken via employee workshops/engagement sessions.

The Cheltenham Partnership includes council officers working with a wide range of partners including Gloucestershire County Council, Gloucestershire Police and County NHS organisations to identify local needs and deliver priorities through an agreed action plan.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The Council's vision and four Priority Outcomes are set out in the Corporate Strategy which is reviewed and updated on an annual basis. The document sets out the context of the year ahead in terms of needs, challenges and opportunities, any proposed commissioning intentions, the actions to deliver the priority outcomes and the milestones, indicators and risks by which progress will be measured.

One of Council's Priority Outcomes is 'Cheltenham's environmental quality and heritage is protected, maintained and enhanced'. Proposed actions within the Corporate Strategy demonstrate the commitment to sustainable economic, social and environmental benefits.

Progress on the Council's performance is reported to the Overview and Scrutiny Committee and Cabinet on a quarterly basis for review and challenge.

The financial implications of delivering against the Council's Priorities are included within the Medium Term Financial Strategy, Revenue budgets and the Capital Programme. These key financial documents are updated annually in advance of the forthcoming financial year.

The Council is in the process of producing its Local Plan which sets out the detailed plans for delivering sustainable economic, social and environmental benefits across the Borough.

The Cheltenham Development Task Force is an advisory body bringing together the private, public and voluntary sectors in partnership, as a way to progress the challenges and opportunities to improve the town for its citizens and businesses. The Council's MD for Place and Economic Development is a member of the Task Force. The management of key strategic risks are monitored by the Risk and Accountability group which includes the Council's Director of Resources. This arrangement provides independent challenge to ensure outcomes can be achieved.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

The Council's Medium Term Financial Strategy highlights the requirements for the Council to make further savings and efficiencies in order to balance its revenue budget over the medium term.

In order to realise future savings the Council is developing a commercial focussed approach to delivering services within the Place and Economic Development division.

Further savings were identified through outsourcing the internal audit function to the South West Audit Partnership.

In addition to commissioning services, the Council continues to secure savings through its procurement processes and through making changes to service delivery.

The Council has processes in place to identify and respond to external changes, for example, changes to legislation and regulation, emerging risks and opportunities, etc. Corporate processes such as risk management, development and delivery of the Corporate Strategy, performance management processes, budget monitoring and other management processes are designed to capture and incorporate these external factors and to enable the Council to respond appropriately.

Outcome based measures and key service measures have been developed which are reported on a quarterly basis.

The Asset Management Plan and the Capital Strategy aims to ensure that investment is linked to strategic objectives.

Financial stewardship in respect of both capital and revenue proposals are reviewed and challenged by the Budget Scrutiny Working Group and considered regularly by the Senior Leadership Team.

All projects linked to corporate objectives are supported by their own governance arrangements that are documented within a Project Initiation Document.

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

All Members have an induction and training program, corporate training needs are identified through the Democratic Services Team.

The Member Development Program provides a structured approach to member development to ensure all members are supported in their role.

The Council supports staff development which is delivered primarily by GOSS Learning and Development Team, through programs such as the Institute of Leadership and Management.

Officers are appointed to positions with job descriptions which specify essential or desirable qualifications and experience. Human Resource processes also validate the applicants statements in their job applications and references are sought before employment commences.

Officers undertake regular performance reviews by way of an appraisal process. Review meetings are held to ensure key objectives are being met and a final review at year end to discuss officer performance. Officers are encouraged to complete Continuing Professional Development as relevant to their professional qualifications and training is undertaken to maintain skills and knowledge.

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

The Audit Committee reviews and approves the Risk Management Policy on an annual basis; the latest approval was undertaken on 22 March 2017. The Corporate Risk Register is reviewed and managed by the Senior Leadership Team on a monthly basis and then reported informally to Cabinet. Service area risk registers are also maintained, any high scoring risks are escalated to the Senior Leadership Team for review and potential inclusion within the Corporate Risk Register.

Risks identified whilst undertaking internal audit reviews are reported when necessary.

Cheltenham Borough Council is a commissioning authority and a high proportion of its services are delivered by either a shared service arrangement or a standalone organisation. Examples include, housing delivered by Cheltenham Borough Homes, Ubico deliver waste management, leisure and culture delivered by The Cheltenham Trust. Detailed contracts and agreements are in place with each of these organisations which include performance management and reporting arrangements. Client officers monitor contractual requirements and key performance measures and report findings to the Senior Leadership Team on a quarterly basis.

Performance is scrutinised by the Senior Leadership Team and by the O & S Committee and subsequently reported to Cabinet. Milestones, performance indicators and outcomes are reviewed against the corporate objectives within the Corporate Strategy. Minutes of meetings are published and highlight the challenge made by Members to Officers/Cabinet Members.

A calendar for all meetings is created annually in advance and published on the Council’s website.

During 2016/17 there was an in-house audit team who undertook internal audit reviews and offered advice and consultancy when necessary.

A risk based Audit Plan is drafted annually following consultation with Officers, Members and the S151 Officer. The Audit plan is approved by the Audit Committee prior to the beginning of the financial year.

Audit reports, once completed are discussed with the service manager. Executive summaries, including findings, and progress are reported to Audit Committee, including progress on the Audit Plan, on a quarterly basis.

Recommendations made in audit reports are followed up 6 months after the completion of the audit and findings reported to Audit Committee.

The Audit Committee’s Terms of Reference are contained within the Constitution, Members have experience of a scrutiny role and training is provided when appropriate

A Counter Fraud Unit has been established across the Gloucestershire local authorities, West Oxfordshire District and other third parties. The team will liaise with Internal Audit where investigations identify possible improvements to the internal control framework, ensuring that improvements are implemented by Management.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability
The Council publishes an Annual Report which reports on the Council's activities for the previous financial year. The report is published on the website. Data in respect of transparency is published on the Council's website. The Council's Statement of Accounts is produced and published annually in accordance with statutory legislation. Aligned with this is the production of the Annual Governance Statement which identifies how the Council has met its governance reporting obligations. External Audit recommendations are reported to Audit Committee, following the completion of their annual audit process, follow-ups of recommendations is also reported. Internal Audit processes ensure compliance with Public Sector Internal Auditing Standards. Internal Audit recommendations are followed-up and reported to Audit Committee, further follow-up is planned if recommendations haven't been actioned in full.

4. REVIEW OF EFFECTIVENESS

The 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, the annual opinion from the Head of Audit Cotswolds* and comments made by the external auditors and other review agencies and inspectorates.

The Council's process for maintaining and reviewing the effectiveness of the governance framework has included the following:
Senior managers complete Annual Assurance Certificates at the end of the financial year. These governance declarations provide appropriate management assurance that key elements of the system of internal control are in place and are working effectively and help to identify areas for improvement. The Senior Leadership Team (including the S151 Officer and the Monitoring Officer) review the Corporate Risk Register on a quarterly basis. The Acting Head of Internal Audit provides the Audit Committee, as the Committee charged with governance, with an Annual Opinion on the control environment of the Council, which includes its governance arrangements. Investigation of, and decisions on, allegations of failure to comply with Members Code of Conduct are considered and determined by an Independent Person(s) / Standards Committee. Induction processes are carried out for newly elected members. The S151 Officer ensures training and awareness sessions are carried out for the Audit Committee periodically.

The External Auditors (Grant Thornton) present progress reports to Audit Committee.

The External Auditor's Annual Audit Letter and follow-up of management responses to issues raised in the Letter or other reports are overseen by the Audit Committee.

Quarterly performance reports, including the Corporate Risk Register and budget position, are presented to Overview and Scrutiny Committee and Cabinet, demonstrating performance management against agreed milestones, performance indicators, outcomes and budgets.

The Council's Code of Corporate Governance is reviewed annually by the Audit Committee and is available on its website.

The Audit Committee review the Annual Governance Statement.

The Audit Committee review the Annual Statement of Accounts, the Treasury Management Strategy and reports from both Internal Audit (Audit Cotswolds) and External Audit (Grant Thornton), including quarterly progress reports.

Full Council approves the annual budget, reviews and approves the Treasury Management Strategy, following recommendations from the Audit Committee.

Internal Audit monitors the quality and effectiveness of systems of internal control. Audit reports include an opinion that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports including recommendations for improvement are detailed in an action plan agreed with the relevant Service Manager / Head of Service.

The Annual Internal Audit Opinion for 2016/17, in respect of the areas reviewed during the year, was 'Satisfactory'.

The Council's Financial Rules and Contract Rules are kept under review and revised periodically.

Other explicit review / assurance mechanisms, such as the Annual Report from the Local Government Ombudsman and reports from Internal Audit or Grant Thornton.

From 1st April 2017, Internal Audit was outsourced to SWAP (South West Audit Partnership)

5. SIGNIFICANT GOVERNANCE ISSUES DURING 2016/2017

In preparing this statement and reviewing the effectiveness of our governance arrangements we have identified areas where we need to focus attention and improvement work over the next financial year. These areas of work are planned to strengthen the control framework and are set out in the table below.

No.	Key Area of Focus	Planned Actions
1	Contract Management – compliance matters (2020 / Publica)	• Some internal audit reviews are highlighting that there is a degree of non-compliance with Council policies and procedures. As service delivery will transfer to the Publica companies during 2017/18, the Council needs to ensure that Publica takes steps to address compliance issues to minimise risk to the Council.

2	Records Maintenance – Safeguarding training	A number of recommendations were made to improve Safeguarding arrangements in place at the Council
3	Health & Safety processes – Personal Security	• – Due to the timing of the Health and Safety (Personal Security) audit, a follow-up review was conducted during 2016/17. The follow-up has identified that a number of recommendations are in progress and remain outstanding but good progress is being made by the services. Further follow-up will be planned for 2017/18.
4	Publica - governance	Plan for and implement any changes to governance arrangements that arise from Publica becoming the deliverer of some Council services
5	General Data Protection Regulation (GDPR)	• The Data Protection Regulatory framework is due to change in May 2018. The Council needs to take action to ensure it is compliant with the new requirements.

The Annual Internal Audit Opinion, as drafted by the Acting Head of Audit Cotswolds, lists sixty pieces of audit work being conducted during 2016/17, which includes consultancy and advisory services. Twenty Eight assurance reviews were completed with only three scoring “limited assurance”, therefore there is a sound system of internal control at the Council which will continue to help mitigate any risks to the organisation going forward.

Three “Limited assurance” audit reports were issued during the year which captured 1 to 3 above. Recommendations and actions have been agreed with Management, follow-up reviews have been planned for 2017/18 to ensure actions are being implemented for all audit reviews conducted during 2016/17.

Due to the timing of the original Contract Management and Health and Safety (Personal Security) audits, follow-up reviews have been conducted during 2016/17. Our follow-ups have identified that a number of recommendations remain outstanding but good progress is being made by the services. Further follow-up will be planned for 2017/18.

We conducted follow-up reviews during 2016/17 on areas where weaknesses were identified in the previous year. Some recommendations have not been actioned and therefore a further follow-up will be undertaken during 2017/18.

6. APPROVAL OF LEADER AND HEAD OF PAID SERVICE

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

Signed on behalf of Cheltenham Borough Council:

Steve Jordan **Leader of the Council**	**Pat Pratley** **Head of Paid Service**
Date:	**Date:**