CHELTENHAM BOROUGH COUNCIL

DRAFT Statement of Accounts 2018/19

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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 117,100 (2017 Office for National Statistics) 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 the 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, namely the Town Hall, Pittville Pump Room and The Wilson art gallery and museum. The council acquired several new investment properties in 2018/19. These buildings are held for investment purposes, currently fully occupied by local businesses and are in addition to Delta Place, acquired for the same purpose in 2015/16. 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 2018/19 municipal year

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

The council has 40 elected members representing twenty wards within the Cheltenham Borough. Elections are held every two years, when 50% of the seats are offered for re-election, with the most recent elections held in May 2018. There are also five 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 is:

Liberal Democrat Party	32 councillors
Conservative Party	6 councillors
People Against Bureaucracy Party	2 councillors

The Liberal Democrat group therefore has an overall majority of 24 on the Borough Council.

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 2018/19 was made up as follows:

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

Members of the council nominate a councillor each year to take on the roles of mayor and deputy mayor. The mayor is the first citizen of the borough. The mayor's role is to chair council meetings and to lead the council at civic events. Each mayor traditionally elects local charities which are then supported throughout the year by charity events.

The Mayor and Deputy Mayor for 2018/19 were:

Mayor	Councillor Bernard Fisher
Deputy Mayor	Councillor Roger Whyborn

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 Leadership team, led by the Chief Executive, Mrs Pat Pratley. During 2018/19 the Executive comprised of the Chief Executive and three Executive Directors, one of whom is also the statutory section 151 officer, Mr Paul Jones. The statutory role of monitoring officer / borough solicitor to the council is held by Ms Sara Freckleton.

Bankers

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

External Auditor

The appointed external auditor in 2017/18 was Grant Thornton UK LLP, 2 Glass Wharf, Temple Quay, Bristol, BS2 0EL

COUNCIL PLACE VISION

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

Cheltenham is entering a period of significant change once again. Harnessing the opportunity for growth that this brings is absolutely critical for our town's future success. But we also acknowledge that Cheltenham's success is also dependent on the success of our neighbouring towns, cities and rural areas. We will use our place strategy to foster strong relationships beyond our boundaries that will help deliver our vision.

The council's place 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 proposed vision for Cheltenham is simply: ***"We want Cheltenham to be a place where everybody thrives."*** We will do this by linking our heritage to an exciting future by being Creative, Pioneering, Nurturing, Connected and re-connected.

The council place strategy action plan will deliver the following four outcomes:

- Businesses thrive in Cheltenham
- Culture thrives in Cheltenham
- People thrive in Cheltenham
- Communities thrive in Cheltenham

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.

Cheltenham Borough Council has been shortlisted as a finalist for the 'Best Commercial Council' category in the 2019 MJ Achievement Awards. In February 2018 the council set out to become a more enterprising, commercially focussed council and a new Commercial Strategy developed to achieve this goal.

The council's commercial lens focusses closely on local market conditions to consider additional investments in commercial property and regeneration, through both direct and indirect investment, to help boost local economic activity. Our commercial activities help us to continue running our statutory services and getting this far in the award not only gives the council recognition for our service delivery over the last year, but also helps promote our achievements and recognises all the work that our staff and councillors contribute to those achievements.

The council agreed an action plan as part of its annual Corporate Strategy report at its meeting on 26th March 2018 that outlines how the expected outcomes, based on the corporate priorities, are to be delivered.

These are then monitored and progress reported to the Executive Leadership Team, Cabinet and Scrutiny committees on a quarterly basis.

Overall the council performed well during 2018/19. We continue to get recognition for our high standards, good performance, sound financial management and value for money. Successful achievements included:

- Trialling the temporary closure of Boots Corner that has significantly reduced through traffic though the heart of the town centre.
- Securing a John Lewis department store that opened in October 2018
- Investing in upgrading the public realm
- Putting plans in place to help deliver the cyber central project
- Successfully delivered a range of community-based events to mark the Centenary of the end of WW1
- Undertook an LGA Peer Challenge

Details of these reports for 2018/19 can be found on the council's website. The report shows the achievement against targets for 2018/19, using a red amber green system to indicate the status of each target.

Overall, the council identified 90 milestones to track our progress in 2018/19. Out of these:

- 51 (56%) have been complete successfully within the financial year
- 21 (23%) are green and are on track to be delivered on time within agreed revised timescales.
- 11 (12%) are amber, These are projects that were not delivered within the financial year but have been pushed back into the current financial year with commitments set out in the 2019/20 corporate strategy.
- 7 (8%) are red and were not completed by the end of the financial year.

The council's Annual Performance Review for 2018/19 should be read in conjunction with the Statement of Accounts 2018/19 to obtain a balanced view of the council's work and finances.

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.

Publica Group (Support) Limited

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 Publica Group (Support) Limited in 2017/18; providing the council's Information, Communications and Technology (ICT), Finance, Procurement and Human Resources support services shared with Cotswold District Council, West Oxfordshire District Council and Forest of Dean District Council, using a common platform (Business World Enterprise Resource Planning (ERP) system), enabling service resilience within the councils. Publica Group (Support) Limited is wholly owned by the four councils.

A key principle of the partnership is that each council has retained its own identity, with its own elected members and continues to make decisions taking account of the needs of its local community. Staff continue to work in each location. Some members of staff provide a service predominantly to one council; others provide a service for more than one council.

The Managing Director of Publica Group (Support) Limited is Mr David Neudegg.

Publica Group (Support) Limited has commenced a transformation programme which seeks to streamline practices and the organisation to ensure the delivery of efficient and value for money services for the partner councils.

South West Audit Partnership (SWAP)

The council entered into a contract with South West Audit Partnership (SWAP) on 1st April 2017 for the provision of the internal audit service. More details of SWAP are provided in the Related Parties note 14, page 49.

Ubico Limited

Ubico Limited 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. 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 2018/19 the Council, working in partnership with its ALMO (Arms Length Management Organisation), Cheltenham Borough Homes Limited (CBH), completed 10 new homes on two former garage sites. The schemes were funded by capital receipts and revenue contributions from the Housing Revenue Account.

Two further schemes were progressed during the year, currently anticipated to deliver 36 new dwellings in 2020/21. It is hoped that the abolition of the HRA Debt Cap will allow the Council to increase the scale of new supply subject to the availability of land. A number of sites are currently under review.

The Council also repurchased 7 dwellings that were previously sold through the Right to Buy scheme. Further acquisitions have taken place since 31st March 2019.

To augment new supply in the HRA, the Council has approved a credit facility of up to £100m for CBH to build and acquire both additional affordable housing and private rented stock.

With the aid of Government grant, a joint CBC/CBH project team completed a feasibility study to regenerate social housing stock in the Princess Elizabeth Way area of West Cheltenham. Thirteen sites were identified and a range of options considered. The final report was submitted to The Ministry of Housing, Communities & Local Government in September 2018. A potential scheme programme has been produced and funding options are under review.

The Cheltenham Trust

The council's Leisure and Culture services are provided by The Cheltenham Trust. 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.

The Trust and the council have worked in partnership in 2018/19 to create capital improvements to the leisure centre, including a new splashpad area, improved changing room facilities and extended gym space.

Cheltenham Development Task Force

The Task Force brings 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 Council and Gloucestershire County Council.

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A range of activities have been supported throughout 2018/19 including

- The opening of the new John Lewis & partners store on the High Street along with an array of new openings at the Brewery Quarter and elsewhere despite the challenges facing the High Streets nationally. This was supported by the much welcomed first phase of High Street public realm improvements between Rodney Road and Cambray Place. Further phases are planned to be delivered through a CBC/GCC partnership.

- The start of works at Cheltenham Spa station by Great Western Railways. These works include a remodelled forecourt, additional parking, and an extension of the Honeybourne Line to provide pedestrian and cycling access to Lansdown Bridge. In addition access for all improvements including lifts are to be delivered by Network Rail.

- Following the successful completion of three stages of the Cheltenham Transport Plan in partnership with GCC, as highways authority, phase 4, the trial of restrictions at Boots Corner began. This experimental traffic regulation order will run for up to 18 months with the aim of reducing the historic severance along the High Street and improve footfall and also encouraging individuals to use sustainable transport options.

- Preparations for the cyber park at West Cheltenham continued with GCC taking the lead from CBC to deliver the transport infrastructure changes secured via the successful GFirst Local Enterprise Partnership Growth Fund bid of £22m. In addition GCC and partners (Cheltenham and Tewkesbury) have submitted a major bid to upgrade J10 of the M5. CBC has also submitted a bid for Garden Communities status at West Cheltenham in support of the developments.

- Other projects have either come to fruition or are close including the renovation of Formal House for employment use, Honeybourne Place (the first town centre new build office for nearly two decades) and preparations for the refurbishment of the Quadrangle.

CHALLENGES

Local Government Finance

The Local Government Finance Settlement for 2013/14 marked the introduction of the new local government resource regime with a significant change in the way local authorities are financed. Under the new regime, more than 60% of the Council's Government funding comes directly from Business Rates and, as a consequence, has the potential to vary either upwards or downwards during the year. This is a key strand of the Government policy to localise financing of local authorities and brings the potential for increased risks or increased rewards.

The principles of the settlement allow authorities to spend locally what is raised locally, whilst recognising the savings already made by local government. Most noticeably, there has been a shift away from freezing council tax to using council tax to generate additional funding. Reserves are noted as being one element of an efficiency plan through a voluntary drawdown of reserves as the price for greater certainty for future settlements.

The Government's policy of phasing out revenue support grant and in due course potentially allowing councils to benefit from a higher share of business rates creates a need for this Council to develop a long-term strategy which is significantly different from that followed in past years. The Council has a direct financial interest in economic and business growth in the Borough, and will have a larger stake in it under the Government's proposals for reforming business rates.

On 1st September 2017 the Department for Communities and Local Government (now known as the Ministry of Housing, Communities and Local Government) published an invitation to local authorities to pilot 100% business rates retention in 2018/19 and to pioneer new pooling and tier-split models. Gloucestershire's bid to pilot this scheme in 2018/19 was successful.

Under the pilot arrangement, 100% of growth is shared locally, with 30% going to the District's, 50% to the County Council and 20% to the Strategic Economic Development Fund. The overall pilot gain to Gloucestershire in 2018/19 was circa £14m. After allowing for the creation of a £1.4m 'risk reserve', the benefit to Cheltenham Borough Council is circa £607k and Council approved that this has been ring-fenced to fund one-off economic growth initiatives specific to the Borough. This pilot scheme ended on 31st March 2019.

Budget Strategy

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 November 2018, the Executive Director Finance and Assets continued to recommend 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 2018/19 and the council's assets and liabilities at the year end.

The accounts for the year ending 31st March 2019 have been prepared and published in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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 supported by the Expenditure and Funding Analysis note	The Comprehensive Income and Expenditure Statement shows the cost in the year of providing services, in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis reconciles this to the amount chargeable to General Fund and Housing Revenue Account reserves in the year.
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 in the council's reserves during the year.
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 Limited, and the council's share of the net assets of Gloucestershire Airport Limited and Publica Group (Support) Limited.
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 2018/19 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 £40k. 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 2018/19	Note	Original Budget 18/19 £	Current Budget 18/19 £	Actual 18/19 £	(Under)/Overspd 18/19 £
DIRECTORATES:					
Chief Executive	(i)	1,062,009	1,231,935	1,227,891	(4,044)
Finance & Assets Directorate	(ii)	6,262,145	9,159,118	8,853,836	(305,282)
People & Change Directorate	(iii)	3,177,306	4,227,259	3,866,060	(361,199)
Place & Growth Directorate	(iv)	7,231,306	7,434,420	7,672,705	238,285
Net Expenditure on Services		**17,732,766**	**22,052,732**	**21,620,492**	**(432,240)**
Capital Charges		(1,474,800)	(3,749,546)	(3,170,224)	579,322
Interest payable and receivable		(1,650,500)	(1,534,550)	(1,611,380)	(76,830)
Use of balances and reserves		(178,862)	(2,215,768)	(1,917,411)	298,357
Total net expenditure		**14,428,604**	**14,552,868**	**14,921,477**	**368,609**
FINANCED BY:					
Council Tax income		(8,646,693)	(8,646,693)	(8,646,711)	(18)
Non-domestic rates income and expenditure		(2,557,763)	(2,557,763)	(2,671,717)	(113,954)
Parish council tax support grant		5,169	5,169	5,169	0
New homes bonus grant		(1,754,530)	(1,754,530)	(1,754,530)	0
S31 NDR compensation grant		(1,474,787)	(1,599,051)	(1,716,274)	(117,223)
Other specific government grants		0	0	(137,413)	(137,413)
Total Funding		**(14,428,604)**	**(14,552,868)**	**(14,921,476)**	**(368,609)**

(i) Includes Strategic Management, Democratic Services, Elections

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

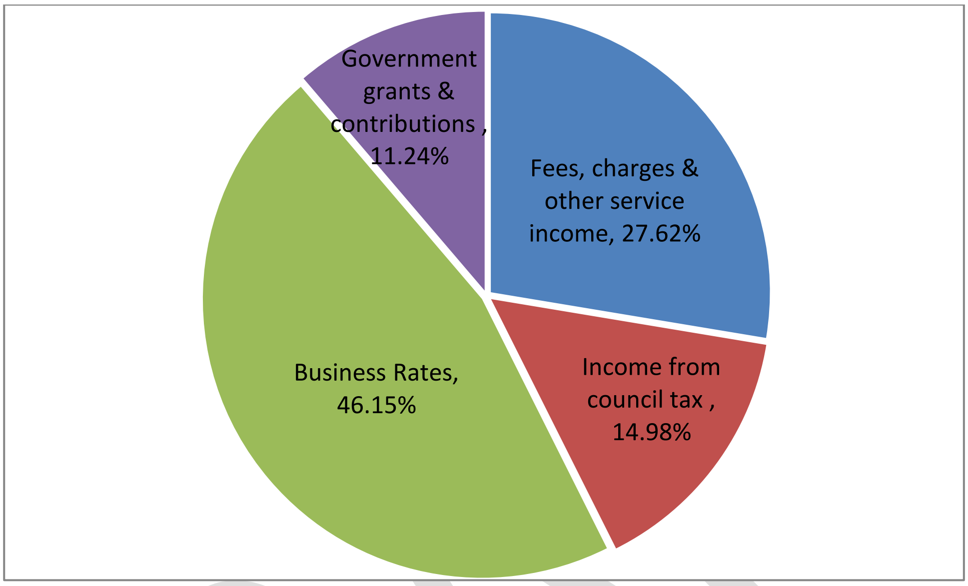
(iii) Includes Housing Benefits, Revenues (council tax and business rates collection), Community Engagement, Commissioning & Modernisation

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

The Expenditure and Funding Analysis on page 54 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. Since the new local government resource regime announced as part of the 2013/14 Local Government Finance settlement, more emphasis is now put on raising income from business rates and council tax locally, as the amount of central government revenue support grant received is phased out.



How the money was spent

The council provides a wide range of services, employing 214.4 full time equivalent staff at 31st March 2019. The activities vary widely and are summarised at service level as per the table below. Further details will be reported to Cabinet and Council as part of the Financial Outturn 2018/19 and budget monitoring to June 2019 report on 9th and 22nd July 2019 respectively and will be available to view on the council's website https://www.cheltenham.gov.uk .

Service	Net (Income) Expenditure £
Bereavement Services	(100,396)
Buiding Control & Planning	654,190
Business Improvement & Modernisation	663,584
Car Parking	(1,443,062)
Community & Engagement	693,939
Council Tax and National Non Domestic Rates	185,181
Customer Services	417,456
Democratic & Civic	497,451
Economic	456,999
Elections	359,750
Flood Defence	163,172
Highways & Transport	206,600
Homelessness & Housing	507,080
Support Services - commissioned services	1,979,818
Leisure & Culture - commissioned services	1,007,645
Operational Buildings & Assets	3,695,643
Parks & Gardens & Open Spaces	2,221,156
Public Protection	683,272
Strategy, Policy & Corporate Management	1,397,568
Street Cleaning	965,894
Treasury & Pensions	3,343,537
Waste & Recycling	3,064,015
Total Directorate Expenditure by service	**21,620,492**

Housing Revenue Account (HRA)

The HRA generated a surplus in the year of £4.109 million, which after statutory adjustments and transfers from earmarked reserves, resulted in an increase of £0.224 million in the HRA balance, compared to a revised budget of £0.184 million. Full details of the Housing Revenue Account activity for the year are provided on pages 103 to 107.

Capital Expenditure

In 2018/19 the council spent £63.042 million on capital projects, grants and loans, across the general fund and the Housing Revenue Account capital programmes. Key expenditure on capital schemes include:-

	£ million
- New Housing Build	1.361
- Major repairs & improvements to existing housing Stock	8.118
- Vehicles & recycling equipment	0.408
- New Crematorium chapels construction	5.461
- Disabled Facility Grants	0.434
- Development of Sports & Play areas within Leisure@	2.143
- High Street Improvements	0.877
- Investment Properties	43.126

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. The Bank of England has not increased the base rate of 0.75% from August 2018.

During the year the council's General Fund paid £3.139 million in borrowing costs (which was £20,000 more than budgeted for the year) and earned £639,590 investment income (which was £9,210 less than budgeted). The overall impact was an over spend to the General Fund of £29,210 compared to the revised budget.

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 2019 was £58,258,000, an increase of £7,566,000 over the figure for 31st March 2018 of £50,692,000. The financial assumptions at 31st March 2019 were less favourable than they were at 31st March 2018, with a negative impact on the pension liability.

Reserves, Balances and Provisions

At the year-end usable reserves stood at £28.712 million, a decrease of £3.4 million during the year.

The usable reserves at the year-end include non-earmarked General Reserves or 'Balances' of £1.321 million, general fund earmarked reserves of £6.3 million, £9.9 million capital receipts and £8.8 million HRA balances; see the Movement in Reserves Statement on page 19 and note 32, page 76 for a breakdown of the earmarked reserves.

At the year-end provisions (other than those held to cover possible bad or doubtful debts) were £1.6 million, an increase of £0.315 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 2018/19 Code of Practice in Local Authority Accounting. The policies are detailed in note 1 to the accounts (pages 21 to 40) and the changes in accounting policies are detailed in note 2 on page 40.

CHANGES IN STATUTORY FUNCTIONS AND IMPACT OF NEW LEGISLATION

Homelessness Reduction Act 2017

The Homelessness Reduction Act 2017 set out new duties on English local authorities with the aim of preventing homelessness. These include the duty to provide advisory services, the duty to assess all eligible applicants' cases and agree a plan, duties in cases of threatened homelessness, duties owed to those who are homeless and duties to help to secure accommodation.

Neighbourhood Planning Act 2017

The Neighbourhood Planning Act 2017 came into force on 27th April 2017 and ensures that planning decision-makers take account of well-advanced neighbourhood development plans and gives these plans full legal effect at an earlier stage. It introduces a process for modifying neighbourhood development orders and plans that the Government intends to be more proportionate.

The legislation makes changes to how pre-commencement conditions can be used and gives the Secretary of State power to make regulations prescribing their use in certain circumstances. Local authorities will be required to record specified prior approvals for permitted development rights on the planning register. The Act also makes further changes to the law on compulsory purchase, following reforms introduced by the Housing and Planning Act 2016. It clarifies the statutory framework for compensation, which does not affect the fundamental principles on which it is assessed. The Act also makes further technical changes, such as introducing a general power to obtain temporary possession of land and a requirement to bring compulsory purchase orders into operation within a set period of time.

General Data Protection Regulation (GDPR)

This Act came into force on 25th May 2018. To ensure they will be compliance, significant changes have been made to our procedures, policies and IT systems. A legal basis must be established for processing data. All notices must be reviewed to give information to data subjects about their data processing activities and to ensure that detailed requirements of the GDPR are reflected. A Data Protection Officer must be appointed to advise on GDPR and monitor compliance.

Homes (Fitness for Habitation) Act 2018

The Act amends Landlord and Tenant Act 1985 to require all landlords to ensure that their properties, including common parts, are fit for human habitation at the beginning of the tenancy and throughout. This will apply to any stock-holding authority in its capacity as landlord and therefore needs to be adhered to by Cheltenham Borough Homes acting for Cheltenham Borough Council.

FURTHER INFORMATION

Further information about the accounts is available from the Executive Director (Finance & Assets), Cheltenham Borough Council, Municipal Offices, Promenade, Cheltenham GL50 9SA. This is part of the council's policy of providing full information about the council's affairs. In addition, interested members of the public have a statutory right to inspect the accounts during a 'period for the exercise of public rights' before the audit is completed. The accounts are available for inspection by appointment between 3rd June 2019 and 14th July 2019 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 2019, in writing, during this period.

PAUL JONES FCPFA
EXECUTIVE DIRECTOR – FINANCE & ASSETS

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE COUNCIL'S RESPONSIBILITIES:

The council is required:

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

THE SECTION 151 OFFICER'S RESPONSIBILITIES:

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

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

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

The Section 151 Officer has also:

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

CERTIFICATE OF SECTION 151 OFFICER

I certify that the Statement of Accounts on pages 17 to 20 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 2019.

PAUL JONES FCPFA **31st May 2019**
EXECUTIVE DIRECTOR – FINANCE & ASSETS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2017/18 Restated*				2018/19		
Gross expenditure £'000	Gross income £'000	Net expenditure £'000		Gross expenditure £'000	Gross income £'000	Net expenditure £'000
1,620	(403)	1,217	Chief Executive	1,385	(83)	1,302
7,105	(885)	6,220	Finance and Assets Directorate	7,443	(1,670)	5,773
34,304	(30,219)	4,085	People and Change Directorate	30,476	(26,312)	4,164
19,442	(12,945)	6,497	Place and Growth Directorate	22,862	(12,683)	10,179
15,999	(20,521)	(4,522)	Housing Revenue Account (HRA)	16,492	(20,356)	(3,864)
78,470	**(64,973)**	**13,497**	**Cost of Services**	**78,658**	**(61,104)**	**17,554**
608	(1,218)	(610)	Other operating expenditure *(note 8)*	652	(1,545)	(893)
3,878	(2,424)	1,454	Financing and Investment (income) and expenditure *(note 9)*	6,887	(3,288)	3,599
18,690	(36,096)	(17,406)	Taxation and non-specific grant (income) and expenditure *(note 10)*	24,363	(40,541)	(16,178)
101,646	**(104,711)**	**(3,065)**	**(Surplus) or Deficit on the provision of services**	**110,560**	**(106,478)**	**4,082**
			Items that will not be reclassified to the (Surplus) or Deficit on the provision of services			
		(5,141)	(Surplus) or Deficit on revaluation of non-current assets (*note 33)*			(8,751)
		(4,163)	Remeasurement of the net defined benefit liability / (asset) *(note 34)*			4,887
		-	(Surplus) or deficit on revaluation of financial instruments carried at Fair Value though Other Comprehensive Income			(1,087)
			Items that may be reclassified to the (Surplus) or Deficit on the provision of services			
		166	(Surplus) or Deficit on revaluation of available-for-sale financial assets			-
		(9,138)	**Other Comprehensive (Income) and Expenditure**			**(4,951)**
		(12,203)	**Total Comprehensive (Income) and Expenditure**			**(869)**

*2017/18 has been restated to reflect a management restructure and a change in the policy for accounting for overheads from 2018/19 (see note 2).The changes have not affected the Cost of Services, the surplus on the provision of services or total comprehensive income and expenditure.

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 2018		Note	31 March 2019
£'000			£'000
349,339	Property, Plant & Equipment	19	363,465
39,878	Heritage Assets	20	40,700
35,320	Investment Property	22	75,993
521	Intangible Assets	24	510
4,287	Long Term Investments	26	9,701
10,293	Long Term Debtors	26	9,744
439,638	**Long Term Assets**		**500,113**
11,073	Short term Investments	26	8,123
155	Assets held for sale	25	-
65	Inventories		100
7,485	Short term Debtors	27	7,295
2,243	Cash and cash equivalents	28	2,753
21,021	**Current assets**		**18,271**
-	Bank overdraft	28	(598)
(8,630)	Short term borrowing	26	(9,006)
(14,254)	Short term creditors	29	(14,034)
(422)	Grants receipts in advance - capital	16	(476)
(55)	Grants receipts in advance - revenue	16	-
(754)	Provisions	30	(983)
(24,115)	**Current Liabilities**		**(25,097)**
(565)	Provisions	30	(651)
(63,742)	Long term borrowing	26	(111,965)
(513)	Grants receipts in advance - capital	16	(512)
(275)	Grants receipts in advance - revenue	16	(275)
(50,692)	Other long term liabilities	34	(58,258)
(115,787)	**Long term liabilities**		**(171,661)**
320,757	**Net Assets**		**321,626**
(32,118)	Usable Reserves	32	(28,712)
(288,639)	Unusable Reserves	33	(292,914)
(320,757)	**Total Reserves**		**(321,626)**

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

MOVEMENT IN RESERVES STATEMENT

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

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

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Total General Fund £'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 2017	**1,409**	**7,446**	**8,855**	**6,866**	**13,609**	**-**	**820**	**30,150**	**278,404**	**308,554**
<u>Movement in Reserves during 2017/18</u>										
Total Comprehensive Income and (Expenditure)	(908)	-	**(908)**	3,973	-	-	-	**3,065**	9,138	**12,203**
Adjustments between accounting basis and funding basis under regulations (Note 5)	1,583	-	**1,583**	(2,238)	(2,107)	-	1,665	**(1,097)**	1,097	**-**
Transfers to/from earmarked reserves (Note 32)	(675)	675	**-**	-	-	-	-	**-**	-	**-**
Increase / (decrease) in 2017/18	**-**	**675**	**675**	**1,735**	**(2,107)**	**-**	**1,665**	**1,968**	**10,235**	**12,203**
Balance at 31 March 2018	**1,409**	**8,121**	**9,530**	**8,601**	**11,502**	**-**	**2,485**	**32,118**	**288,639**	**320,757**
<u>Movement in Reserves during 2018/19</u>										
Total Comprehensive Income and (Expenditure)	(8,190)	-	**(8,190)**	4,108	-	-	-	**(4,082)**	4,951	**869**
Adjustments between accounting basis and funding basis under regulations (Note 5)	6,272	-	**6,272**	(3,884)	(1,610)	-	(102)	**676**	(676)	**-**
Transfers to/from earmarked reserves (Note 32)	1,830	(1,830)	**-**					**-**	-	**-**
Increase / (decrease) in 2018/19	**(88)**	**(1,830)**	**(1,918)**	**224**	**(1,610)**	**-**	**(102)**	**(3,406)**	**4,275**	**869**
Balance at 31 March 2019	**1,321**	**6,291**	**7,612**	**8,825**	**9,892**	**-**	**2,383**	**28,712**	**292,914**	**321,626**

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.

2017/18 £'000		2018/19 £'000
(3,065)	Net (surplus) or deficit on the provision of services	4,082
773	Adjust net surplus or deficit on the provision of services for non-cash movements (note 35)	(16,811)
2,799	Adjust for items in the net surplus or deficit on the provision of services that are investing or financing activities (note 35)	3,005
507	**Cash (inflows) / outflows generated from operating activities**	**(9,724)**
5,823	Investing activities (note 36)	59,455
(8,340)	Financing activities (note 37)	(49,643)
(2,010)	**Net (increase) / decrease in cash and cash equivalents**	**88**
233	Cash and cash equivalents at beginning of the year	2,243
2,243	Cash and cash equivalents at end of the year (note 28)	2,155
2,010	**Net increase / (decrease) in cash and cash equivalents**	**(88)**

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 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Government Accounting in the United Kingdom 2018/19 (The Code) supported by International Financial Reporting Standards (IFRS's), International Accounting Standards (IAS's) and statutory guidance.

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

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

1.2 ACCOUNTING CONCEPTS

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

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

- Relevance
- Reliability
- Comparability
- Materiality

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

Accruals of Income and Expenditure

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

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

- 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 can no longer withdraw the offer of any benefits.

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

Post-Employment Benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Discretionary Benefits

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

1.4 GRANTS AND CONTRIBUTIONS

Grants and contributions received from the government and other organisations are 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 authority operates and manages its corporate and support services separately and expenditure relating to these activities is reported to key decision makers as separate activities. These overheads are not therefore apportioned to services within the general fund. Overhead charges between the General fund and Housing Revenue services, however, continue to apply.

1.6 COUNCIL TAX RECOGNITION

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

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

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

1.7 NATIONAL NON-DOMESTIC RATES (NNDR) INCOME RECOGNITION

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

1.8 VAT

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

1.9 NON-CURRENT ASSETS - RECOGNITION OF CAPITAL EXPENDITURE

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

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

The initial cost of an asset is recognised to be:

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

Measurement

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

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

- Dwellings – Current value, using the basis of existing use value for social housing (EUV-SH)

- Other Land and Buildings – Current value, using the basis of existing use value (EUV) where an active market exists or Depreciated Replacement Cost (DRC), where there is no active market for the asset or it is specialised

- Infrastructure – depreciated historic cost

- Community assets – historic cost (where known). The cost of many of the council's parks, gardens and open spaces is not known and they are therefore shown at Nil value. The Code offers the option for authorities to measure community assets at valuation, which is the requirement for Heritage assets. The council has so far not adopted to change its accounting policy in this way as it does not currently have the management information to make reasonable valuation estimates of community assets.

- Assets under construction – historic cost

- Surplus Assets – Current value, using the Fair Value basis (see paragraph *1.19* Fair Value *Measurement*).

- In the case of assets that have short useful lives or low values (or both) i.e. Vehicles, Plant and Equipment, depreciated historic cost is used as a proxy for current value.

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

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

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

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

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

Impairment

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

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

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

Comprehensive Income and Expenditure Statement.

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

Depreciation

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

Depreciation is calculated on the following bases:

- Council dwellings – straight-line allocation over each significant component's estimated useful life

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

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

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

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

Componentisation

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

The council's current Componentisation Policy for non-dwelling assets defines a material item as an individual building exceeding a gross book value of £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.

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

1.11 NON-CURRENT ASSETS - HERITAGE ASSETS

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

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

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

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

Statues and Monuments

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

Archaeology

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

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

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

1.12 NON-CURRENT ASSETS - INVESTMENT PROPERTY

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

Investment properties are measured initially at cost and subsequently at fair value (see paragraph *1.19 Fair Value Measurement*). Properties are not depreciated but are revalued annually 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.

1.13 NON-CURRENT ASSETS - INTANGIBLE ASSETS

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

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

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

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

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

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

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

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

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

Capital Adjustment Account.

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

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

1.15 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

1.16 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

1.17 LEASES

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

Defining a Finance Lease

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

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. in the case of hire purchase)

- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised

- If the lease term is for the major part of the economic life of the asset, even if title is not transferred. The economic life of the asset is deemed to be consistent with the useful life of the asset in the depreciation policy. The council recognises the major part to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction

- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease. If this rate cannot be determined the incremental borrowing rate applicable for that year is used. The council recognises "substantially all" to mean 90% of the value of the asset. In some circumstances, a level of 75% is used if the council believes that using this level will give a result that better reflects the underlying transaction

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

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

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

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

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

Lessee Accounting for a finance lease

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

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

Lessor Accounting for a finance lease

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

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

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

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

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

Defining an Operating Lease

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

Lessor Accounting for an operating lease

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

Lessee Accounting for operating leases

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

1.18 FINANCIAL INSTRUMENTS

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

Financial Liabilities

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

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

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

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

Financial Assets

Under IFRS 9 applicable from 2018/19, the authority's financial assets are classified into three types:

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

Financial assets at amortised cost

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

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

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

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

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

Fair value through OCI

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

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

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

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

Fair value through P&L

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

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

1.19 FAIR VALUE MEASUREMENT

The authority measures certain non-financial assets (Surplus Assets, Investment Property and Assets Held for Sale) and its Fair value through OCI and Fair value through P&L financial assets at fair value at the balance sheet date.

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

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

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

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

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

1.20 INVENTORIES

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

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

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

1.22 PROVISIONS

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

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

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

1.23 CONTINGENT LIABILITIES

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

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

1.24 RESERVES

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

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

1.25 CONTINGENT ASSETS

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

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

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

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

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

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

1.27 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

1.28 ESTIMATION TECHNIQUES

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

1.29 JOINTLY CONTROLLED OPERATIONS

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

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

1.30 INTERESTS IN COMPANIES AND OTHER ENTITIES – GROUP ACCOUNTS

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

Basis of Consolidation

The group accounts bring together the council's own accounts with those of Gloucestershire

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

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

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

At 31st March 2019 the council also had a 14.29% shareholding in Ubico Limited, a local authority owned company which has seven members, providing environmental services to the shareholder councils. Since the council does not have control or significant influence over the company, its accounts are not consolidated into the group accounts, however full disclosure notes are provided.

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

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

Accounting Policies

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

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

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

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

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

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

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

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

From 1st April 2018 the council adopted IFRS 9 Financial Instruments, which has resulted in the reclassification of financial instruments as at that date and the earlier recognition of the impairment of financial assets. The reclassifications have not had an effect on the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement (CIES) since on 1st April 2018 the council irrevocably elected to present changes in the fair value of its CCLA Property Fund in other comprehensive income, as permitted by the standard. Subsequently the council has elected to present changes in the fair value of units purchased in two further 'pooled' funds in May 2018 (Schroders Income Maximising Fund and CCLA Diversified Income Fund) also in other comprehensive income.

From 1st April 2019 the council has also elected to show the value of its shares in Gloucestershire Airport Limited, previously shown at amortised cost, at fair value and irrevocably elected to present changes in the shares' value in other comprehensive income, as permitted, on the basis that the shares are not held for trading.

The impairment changes have not had any impact on the financial statements because the impairment charge for financial assets such as bank deposits and certificates of deposit has been deemed not to be material and provision for doubtful debts on service assets (e.g. trade receivables) had already been made.

From 2018/19 the council has operated and managed its corporate and support services separately, reporting expenditure relating to these activities to key decision makers as separate activities. Consequently these overheads are no longer apportioned to general fund services. Recharges between the General Fund services and Housing Revenue Account, however, continue to be applied. The Comprehensive Income and Expenditure Statement for 2017/18 has been restated to reflect this change, together with a management restructure from 1st April 2018.

The following standards and amendments are introduced in the 2019/20 Code:

- IFRS 16 Leases

IFRS 16 is not anticipated to have a material effect on the financial statements or balances of the council since the changes mainly affect the recognition of leases by lessees and the authority does not have any finance lease liabilities or material operating leases (see note 23 on the Council as Lessee).

3. CRITICAL JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out on pages 21-40, the council has had to make certain judgements about complex transactions or those which may be uncertain depending on future events.

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

The leases of vehicles and plant to Ubico have been classified as finance leases. Ubico pay a market-rate for the use of the vehicles and are responsible for insuring and maintaining the vehicles and determining their deployment (including use across other Ubico contracts where necessary). The company pays for new vehicles over a period of 7 years, which is deemed to be the useful economic life of the assets. The leases have been treated as finance leases since i) the sum of the lease payments is equal the cost of purchasing the assets; ii) the length of the term represents 'substantially all' of the useful life of the assets; and iii) the rights and responsibilities of ownership of the assets (maintenance, insurance, deployment) sit with the company.

Business Rate Appeals Provision
The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a proportion of the business rates generated in their area. The new arrangements for the retention of business rates came into effect on 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 at the year end, together with an estimated reduction in the rating list, based on historical experience.

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

The council jointly owns (with West Oxfordshire District Council, Cotswold District Council and Forest of Dean District council) Publica Group (Support) Limited, a company limited by guarantee, operating with Mutual Trading Status to deliver services on behalf of the council and services to other members councils under contract. Whilst the council has an interest in the company, its share of the company's profit for the year and net assets at the balance sheet date have not been consolidated into the council's Group Accounts on the basis of immateriality.

In addition the company is considered to be an employment vehicle, employing and paying staff and then recharging these costs back to the councils. It does not trade and does not make a profit, with any surpluses generated being redistributed back to the councils. Each council has retained its governance arrangements and member control over decisions. Publica are unable to make financial decisions that will have an impact on the Medium Term Financial Strategy of the councils, without proper approval having been given by each council in accordance with the council's constitution and financial and contract rules.

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 2019 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, Infrastructure and surplus assets would increase by £0.280 million 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 and Financial Instruments carried at fair value.
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% to 5%. 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 and other rateable value reductions. The provision is based on an expected success rate of appeals submitted at 31st March and on an estimated reduction in rateable value. Although based on past experience, both the actual success rate and actual reduction may differ from the estimate.	For appeals relating to charges up to 31st March 2017 a 1% increase in the assumed success rate, together with a 1% reduction in the rates payable, would result in an increase in the estimated provision required of £175,000, of which the council's share would be £87,500 (based on 2018/19 shares). This would reduce any collection fund surplus able to be distributed to the council in future years. In addition, for appeals and other

Item	Uncertainties	Effect if actual results differ from assumptions
		rateable value reductions relating to charges from 1st April 2017, a 1% increase in the estimated rateable value reduction would result in an increase in the estimated provision required of £1,283,100, of which the council's share would be £259,000 (based on 2018/19 shares).

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.

2017/18 Usable Reserves						2018/19 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)					
(5,261)	(4,666)	-	-	-	Charges for depreciation, amortisation and impairment of non-current assets	(5,148)	(4,747)	-	-	-
(41)	-	-	-	-	Revaluation losses on, and derecognitions of, Property, Plant and Equipment	(1,915)	-	-	-	-
-	-	-	-	-	Movements in the fair value of Investment properties	(2,346)	(28)	-	-	-
2,560	362	-	-	(2,559)	Capital grants and contributions	1,082	244	-	-	(1,082)
(797)	-	-	-	-	Revenue Expenditure Funded from Capital Under Statute	(453)	-	-	-	-
(300)	(1,289)	-	-	-	Amounts of non-current assets written off on sale as part of the gain/loss on disposal	(155)	(1,306)	-	-	-
6	-	-	-	-	Donated Assets	33	-	-	-	-
28	-	(28)	-	-	Capital grants and loans repaid	67	-	(67)	-	-
362	-	-	-	-	Pension costs transferred from the Pensions Reserve	743	-	-	-	-
145	-	-	-	-	Financial instruments transferred from the Financial Instruments Adjustment Account	146	-	-	-	-
10	-	-	-	-	Council tax and NNDR net deficit transferred to the Collection Fund Adjustment Account	71	-	-	-	-
(2)					Holiday Pay transferred to the Accumulated Absences Account	(2)	-	-	-	-
(3,290)	(5,593)	(28)	-	(2,559)	**Total adjustments to Revenue Resources**	(7,877)	(5,837)	(67)	-	(1,082)
					Adjustments between Revenue and Capital resources					
794	2,025	(2,819)	-	-	Transfer of non-current asset sale proceeds from revenue to capital receipts	170	2,849	(3,019)	-	-
-	(20)	20	-	-	Administrative costs of non-current asset disposals funded by capital receipts	-	(14)	14	-	-
(399)	-	399	-	-	Payments to the government housing receipts pool funded by a transfer from capital receipts	(397)	-	397	-	-
-	4,666	-	(4,666)	-	Transfer of HRA resources from revenue to the Major Repairs Reserve	-	4,747	-	(4,747)	-
1,106	-	236	-	-	Statutory and voluntary provision for the repayment of debt transferred to the Capital Adjustment Account	1,222	-	243	-	-
206	1,160	-	-	-	Capital expenditure financed from revenue balances transferred to the Capital Adjustment Account	610	2,139	-	-	-
1,707	**7,831**	**(2,164)**	**(4,666)**	**-**	**Total adjustments between Revenue and Capital Resources**	**1,605**	**9,721**	**(2,365)**	**(4,747)**	**-**
					Adjustments to Capital resources					
-	-	4,892	-	-	Use of capital receipts to finance capital expenditure	-	-	4,831	-	-
-	-	-	4,666	-	Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	4,747	-
-	-	-	-	894	Application of capital grants and contributions to fund capital expenditure	-	-	-	-	1,184
-	-	(355)	-	-	Transfer from Deferred Capital Receipts upon receipt of cash	-	-	(543)	-	-
-	-	(238)	-	-	Capital loans repaid	-	-	(246)	-	-
-	**-**	**4,299**	**4,666**	**894**	**Total adjustments to Capital Resources**	**-**	**-**	**4,042**	**4,747**	**1,184**
(1,583)	**2,238**	**2,107**	**-**	**(1,665)**	**Total adjustments between Accounting and Funding basis under the regulations**	**(6,272)**	**3,884**	**1,610**	**-**	**102**

6. EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Section 151 Officer on 31st May 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no post balance sheet events after the reporting period to report.

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:

	2018/19			2017/18		
	Income £'000	Expenditure £'000	(Surplus) / deficit £'000	Income £'000	Expenditure £'000	(Surplus) / deficit £'000
Included within Net cost of Services						
Cemetery and Crematorium	(1,296)	1,195	(101)	(1,954)	1,429	(525)
Car Parks	(4,327)	2,928	(1,399)	(3,853)	2,970	(883)
Green Waste	(717)	432	(285)	(657)	406	(251)
Total	**(6,340)**	**4,555**	**(1,785)**	**(6,464)**	**4,805**	**(1,659)**

The Cemetery and Crematorium, Car Parking and Green Waste trading operations are included within the cost of services in the Comprehensive Income and Expenditure Statement.

8. OTHER OPERATING EXPENDITURE

	2018/19 £000	2017/18 £000
Parish Precepts and council tax support grant	255	209
Payments to the Government Housing Capital Receipts Pool	397	399
(Gains) / losses on disposal of non-current assets	(1,545)	(1,218)
Total Other Operating Expenditure	**(893)**	**(610)**

9. FINANCING AND INVESTMENT (INCOME) AND EXPENDITURE

	2018/19 £000	2017/18 £000
Interest payable and similar charges	3,134	2,434
Net interest on the net defined benefit liability/(asset)	1,334	1,446
Interest and investment income	(807)	(493)
Income and expenditure on investment properties and changes in their fair value	(62)	(1,933)
Net Financing and Investment (Income) and Expenditure	**3,599**	**1,454**

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

	2018/19 £000	2017/18 £000
Council Tax	(8,824)	(8,420)
Non -Domestic Rates (income) and expenditure		
- Billing authority share	(27,179)	(21,470)
- Collection Fund deficit	602	437
- Tariff payable to central government	23,721	17,972
- Levy payable to central government less Pool surplus	40	281
	(2,816)	(2,780)
General government grants	(3,608)	(3,592)
Net gains from donated assets	(33)	(6)
Capital grants and contributions	(897)	(2,608)
Net Taxation and Non Specific Grant Income	**(16,178)**	**(17,406)**

11. MEMBERS' ALLOWANCES

In 2018/19 the council paid £338,595 (2017/18 £330,774) in allowances to its 40 members. The expenditure reflects members' allowances approved by council for 2018/19. Full details of the Members' Allowances scheme for the year 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:

2018/19

Post Title	Salary £	Expenses/ Allowances £	Compensation for loss of office £	Other payments £	Total remuneration excluding pension contributions £	Pension contributions £	Total Remuneration including pension contributions £
Chief Executive Officer (note i)	111,180	397	-	5,400	116,977	21,334	138,311
Cheltenham Development Task Force Managing Director	95,700	1,110	-	-	96,810	17,513	114,323
Director, Corporate Resources	66,731	29	-	-	66,760	12,212	78,972
Executive Director, People & Change (note ii)	36,870	544	-	-	37,414	6,747	44,161
Managing Director, Place & Growth	87,092	1,040	-	-	88,132	15,938	104,070
Director , Environment	65,536	32	-	-	65,568	11,993	77,561
Director, Planning	65,536	191	-	-	65,727	11,993	77,720
Executive Director, Finance and Assets	93,448	3,107	-	-	96,555	16,508	113,063
TOTAL	**622,093**	**6,450**	-	**5,400**	**633,943**	**114,238**	**748,181**

2017/18

Post Title	Salary £	Expenses/ Allowances £	Compensation for loss of office £	Other payments £	Total remuneration excluding pension contributions £	Pension contributions £	Total Remuneration including pension contributions £
Chief Executive Officer (note i)	103,658	1,004	-	8,328	112,990	20,493	133,483
Cheltenham Development Task Force Managing Director	93,824	863	-	-	94,687	17,170	111,857
Director, Corporate Resources	82,663	159	-	-	82,822	15,127	97,949
Managing Director, Place & Growth	85,384	434	-	-	85,818	15,625	101,443
Director , Environment	64,251	-	-	-	64,251	11,758	76,009
Executive Director, Finance and Assets (note iii)	78,163	2,116	-	-	80,279	14,028	94,307
Director, Planning	61,604	422	-	-	62,026	11,274	73,300
TOTAL	**569,547**	**4,998**	**-**	**8,328**	**582,873**	**105,475**	**688,348**

Notes:

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

ii) Executive Director, People & Change started in post October 2018.

iii) The Executive Director Finance & Assets is also the Chief Finance Officer. In 2017/18 and 2018/19 he was seconded part time to Forest of Dean District Council, who contributed £35k per annum towards the costs incurred by this council.

For the purposes of this disclosure 'senior employee' means Chief Executive, 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 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 £41,536 in 2018/19 (£39,632 in 2017/18).

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 2018/19	No of Employees 2017/18
£50,000 - £54,999	4	4
Total	**4**	**4**

13. TERMINATION BENEFITS

The council terminated the contract of four employees in 2018/19 (six in 2017/18). Total costs incurred were £69,900 (£70,403 in 2017/18), of which £3,556 (£22,987 in 2017/18) related to compulsory redundancy costs and £66,344 (£47,416 in 2017/18) 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:

2018/19			2017/18	
No. of staff	£	Bands	No. of staff	£
2	10,056	£0 - £20,000	5	47,416
2	59,844	£20,001 - £40,000	1	22,987
		£40,000 - £60,000	-	-
		£60,001 - £80,000	-	-
		£80,001 - £100,000	-	-
		£100,001 - £150,000	-	-
		£150,001 - £200,000	-	-
4	**69,900**		**6**	**70,403**

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 on page 53.

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 2018/19 is shown in note 11 on page 46. 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.

Assisted organisations

The council provided financial assistance to 70 local bodies and voluntary organisations (65 in 2017/18) totalling £475,789 (£439,556 in 2017/18). 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 2018/19 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 With a declared interest
Everyman Theatre	195,050	(63,250)	131,800	1
County Community Projects (CCP)	127,500	(20,400)	107,100	-
Playhouse Theatre	65,700	(56,601)	9,099	1
	388,250	**(140,251)**	**247,999**	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 £0.517 million was outstanding at 31st March 2019.

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. Four 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 £1,209k in respect of 2018/19 (£4,305k in 2017/18).

Companies

Gloucestershire Airport Limited

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

The airport purchased goods and services from the council totalling £35,117 during 2018/19 (£30,423 in 2017/18). At 31st March 2019 £8,000 was owed by the Airport to the council (£6,891 at 31st March 2018) in respect of these goods and services. During 2011/12 the council loaned £1.190 million to the airport towards the cost of the runway safety project, of which £0.506 million was outstanding at 31st March 2019. In addition the council provided the company with a temporary overdraft facility during 2018/19 of £0.325 million, which remains at 31st March 2019.

Cheltenham Borough Homes (CBH) Limited

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 £11,848,000 from CBH during 2018/19 (£10,677,000 in 2017/18), £1,882,000 (£1,870,000 in 2017/18) 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 £585,000 during 2018/19 (£659,000 in 2017/18), £188,000 (£24,369 in 2017/18) 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 £6.521 million at 31st March 2019, of which £0.106 million is included in short term debtors.

Ubico Limited

Ubico Limited was set up on 1st April 2012 to deliver environmental services and was initially jointly owned by Cheltenham Borough Council and Cotswold District Council. During 2015 and 2016 Forest of Dean District Council, Tewkesbury Borough Council, West Oxfordshire District Council, Stroud District Council and Gloucestershire County Council joined the company as shareholders. This council holds an equal 1/7th shareholding in the company.

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

Whilst one director of the council serves on Ubico's Board of Directors, the council is not deemed to have significant influence over the company. The separate operating practices, management structure and majority-voting on the Ubico board do not constitute any means of joint-control over the company. The council's interest is therefore classed as an investment, and the company is not included in the Group Accounts.

The council procured supplies and services totalling £8,763,784 from Ubico Limited during 2018/19 (£8,110,563 in 2017/18), £451,024 (£210,825 in 2017/18) 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 £531,988 during 2018/19 (£384,524 in 2017/18), £137,373 (£170,745 in 2017/18) 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 2019 the amount owing to the council under these leases totalled £2.9 million (£3.2 million at 31st March 2018).

Publica Group (Support) Limited

Publica Group (Support) Limited is a not-for-profit company limited by guarantee, with no share capital.

The council, along with West Oxfordshire, Forest of Dean and Cotswold District Councils jointly set up the company during 2017/18, with operations commencing on 1st November 2017. The company has Mutual Trading Status to deliver services on behalf of the council and services to other member councils under contract.

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

Whilst Publica Group (Support) Limited works closely with the council, the company has its own board of Directors, its own management team, and operates independently from the council.

During 2018/19 the council purchased services from Publica Group (Support) Limited to the value of £1,940k (£536k in 2017/18) and the company generated a surplus in the year of £58,012 (£13,354 in 2017/18). Whilst the council is a significant partner in the company, its share of Publica's net assets of £71,546 have not been consolidated in the council's Group Accounts as they are not deemed material.

South West Audit Partnership (SWAP)

The council is a member of SWAP which is a company limited by guarantee, wholly owned and controlled as an in-house company by its members. It is a local authority controlled company for the purposes of Part V of the Local Government and Housing Act 1989. The liability of each member is limited to £1, being the amount that each member undertakes to contribute to the assets of the company in the event of it being wound up whilst a member or within one year after ceasing to be a member. As the council does not have any controlling or significant influence in the company it is not included in the Group Accounts.

<u>Officers</u>

Chief Finance Officer (CFO)
Cheltenham Borough Council seconded the Executive Director Finance and Assets to Forest of Dean District Council in the capacity of Chief Finance Officer, under a secondment agreement. The CFO is an employee of, and paid by, this council. Whilst the officer was shared and has influence in both councils, he was required to act separately for each council. Decisions on overall policy and the strategic direction are set by Cabinet and Council in each authority, with the CFO enacting council members' will.

This arrangement has ceased in 2019/20, with both councils now employing their own full time Chief Finance Officer direct.

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

15. EXTERNAL AUDIT COSTS

The total audit fees charged to the comprehensive income & expenditure account in 2018/19, payable to the council's external auditor and the Audit Commission were £58,233 (£60,556 in 2017/18), made up as follows:

	2018/19 £	2017/18 £
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor	38,043	49,406
Fees paid to the External Auditor for the certification of grant claims and returns	12,240	8,361
Public Sector Audit Appointments – external audit fees refund	-	(7,340)
Other work provided by the appointed auditor:-		
Audit of Pooled Capital Housing receipts *	4,200	2,100
IIP Accreditation professional review	-	4,279
CFO Insights Licence **	3,750	3,750
	58,233	**60,556**

** 2017/18 charge relates to 2016/17 financial year*

** 2018/19 charge relates to 2017/18 and 2018/19 financial years*

*** CFO Insight licence - council share of costs of service provided to Publica clients*

16. GRANT INCOME

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

	2018/19 £'000	2017/18 £'000
Credited to Taxation and Non Specific grant income		
Revenue Support Grant	-	(544)
New Homes Bonus	(1,755)	(1,778)
Section 31 Business Rates compensation grants	(1,716)	(1,181)
Transitional Grant	-	(74)
Capital Grants and Contributions	(1,087)	(2,275)
Total	**(4,558)**	**(5,852)**
Credited to Services		
Election grants	(30)	(49)
Housing Benefit subsidy & administration grants	(25,171)	(28,851)
Council Tax Benefit administration grant	(162)	(117)
Transformational Change Award	-	(32)
Partnership funding and other contributions	(1,257)	(2,027)
Other Grants	(121)	(85)
Total	**(26,741)**	**(31,161)**

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:

	2018/19 Current £'000	2018/19 Long Term £'000	2017/18 Current £000	2017/18 Long Term £000
Receipts in Advance – Revenue				
Commuted Grounds Maintenance contributions	-	(95)	-	(95)
Other grants and contributions	-	(180)	(55)	(180)
	-	**(275)**	**(55)**	**(275)**
Receipts in Advance – Capital				
Affordable housing contributions	(253)	(512)	(253)	(513)
Other grants and contributions	(223)	-	(169)	-
	(476)	**(512)**	**(422)**	**(513)**

17. SEGMENTAL REPORTING

EXPENDITURE & FUNDING ANALYSIS

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

2017/18 Restated*				2018/19		
Net expenditure chargeable to the General Fund and HRA balances £'000	Adjustments between the funding and accounting basis (note below) £'000	Net expenditure in the Comprehensive Income and Expenditure statement £'000		Net expenditure chargeable to the General Fund and HRA balances £'000	Adjustments between the funding and accounting basis (note below) £'000	Net expenditure in the Comprehensive Income and Expenditure statement £'000
1,245	(28)	1,217	Chief Executive	1,229	73	1,302
7,566	(1,346)	6,220	Finance and Assets Directorate	8,853	(3,080)	5,773
4,250	(165)	4,085	People and Change Directorate	3,866	298	4,164
6,268	229	6,497	Place and Growth Directorate	7,674	2,505	10,179
(4,522)	-	(4,522)	Local Authority housing (HRA)	(3,892)	28	(3,864)
14,807	**(1,310)**	**13,497**	**Net Cost of Services**	**17,730**	**(176)**	**17,554**
(17,217)	655	(16,562)	Other income and expenditure	(16,036)	2,564	(13,472)
(2,410)	**(655)**	**(3,065)**	**(Surplus) or Deficit**	**1,694**	**2,388**	**4,082**
(15,721)			Opening General Fund and HRA balance including earmarked reserves at 1 April	(18,131)		
(2,410)			Add (Surplus) / deficit in year	1,694		
(18,131)			**Closing General Fund and HRA balance including earmarked reserves at 31 March****	**(16,437)**		

* 2017/18 has been restated to reflect a management restructure and a change in the policy for accounting for overheads from 2018/19

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

NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2017/18 Restated*					2018/19			
Adjustments for capital purposes (note 1 below) £'000	Net changes for the Pension Adjustments (note 2 below) £'000	Other Differences (note 3 below) £'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 below) £'000	Other Differences (note 3 below) £'000	Total Adjustments £'000
-	(30)	2	(28)	Chief Executive		71	2	73
-	(1,346)	-	(1,346)	Finance and Assets Directorate	-	(3,080)	-	(3,080)
-	(165)	-	(165)	People and Change Directorate	-	298	-	298
496	(267)	-	229	Place and Growth Directorate	1,871	634	-	2,505
-	-	-	-	Housing Revenue Account (HRA)	28	-	-	28
496	**(1,808)**	**2**	**(1,310)**	**Net Cost of Services**	**1,899**	**(2,077)**	**2**	**(176)**
(636)	1,446	(155)	655	Other Income and Expenditure from the Funding Analysis	1,446	1,334	(216)	2,564
(140)	**(362)**	**(153)**	**(655)**	**Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit**	**3,345**	**(743)**	**(214)**	**2,388**

*2017/18 has been restated to reflect a new management structure from 2018/19.

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 2019.

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:-

	2018/19		2017/18 Restated*	
	Depreciation, amortisation and impairment £'000	Revenues from external customers £'000	Depreciation, amortisation and impairment £'000	Revenues from external customers** £'000
Chief Executive	-	(48)	-	(37)
Finance and Assets Directorate	2,137	(1,345)	2,237	(614)
People and Change Directorate	655	(886)	672	(900)
Place and Growth Directorate	2,356	(11,488)	2,352	(11,475)
Housing Revenue Account (HRA)	4,749	(20,160)	4,666	(20,464)
Total analysed on a segmental basis	**9,897**	**(33,927)**	**9,927**	**(33,490)**

* 2017/18 restated to reflect a management restructure from 2018/19
**Revenues from external customers are included in "Fees, charges & other service income" in note 18 below.

18. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2018/19 £'000	2017/18 £'000
Expenditure		
Employee benefit expenses	10,434	10,028
Other service expenses	56,306	58,488
Depreciation, amortisation, impairment	9,897	9,927
Losses on revaluation of Property, Plant & Equipment and Investment property	4,445	35
Interest payments	4,468	3,880
Precepts and levies	24,613	18,889
Payments to Housing Capital Receipts Pool	397	399
Total Expenditure	**110,560**	**101,646**
Income		
Fees, charges and other service income	(36,742)	(35,812)
Interest and investment income	(911)	(464)
Income from council tax and non-domestic rates	(36,002)	(29,890)
Government grants and contributions	(31,278)	(37,335)
Net gains on disposal of non-current assets	(1,545)	(1,210)
Total Income	**(106,478)**	**(104,711)**
(Surplus) or Deficit on the Provision of Services	**4,082**	**(3,065)**

19. PROPERTY, PLANT & EQUIPMENT

2017/18									2018/19							
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		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								
206,464	133,082	5,099	12,250	143	2,992	1,496	361,526	At 1 April	214,111	131,105	5,464	12,438	146	2,992	4,538	370,794
7,391	200	3,611	188	3	-	4,593	15,986	Additions	7,618	7,811	998	1,419	2	-	1,460	19,308
(390)	(1,614)	-	-	-	-	-	(2,004)	Revaluation increases / (decreases) recognised in the Revaluation Reserve	7,876	(2,818)	-	-	-	1,651	-	6,709
-	(60)	-	-	-	-	-	(60)	Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	-	(1,841)	(966)	-	-	-	-	(2,807)
(1,260)	-	(3,244)	-	-	-	-	(4,504)	Derecognition - disposals	(1,305)	-	(273)	-	-	-	-	(1,578)
-	-	(2)	-	-	-	-	(2)	Derecognition - other	-	-	-	-	-	-	-	-
-	(148)	-	-	-	-	-	(148)	Assets reclassified (to)/from held for resale	-	-	-	-	-	-	-	-
1,906	(355)	-	-	-	-	(1,551)	-	Other Reclassifications	1,116	2,895	-	147	-	669	(4,747)	80
214,111	**131,105**	**5,464**	**12,438**	**146**	**2,992**	**4,538**	**370,794**	**At 31 March**	**229,416**	**137,152**	**5,223**	**14,004**	**148**	**5,312**	**1,251**	**392,506**
								Accumulated Depreciation and Impairment								
(10,710)	(3,237)	(1,694)	(2,446)	-	(30)	(33)	(18,150)	At 1 April	(15,078)	(1,141)	(2,265)	(2,852)	-	(86)	(33)	(21,455)
(4,368)	(4,346)	(573)	(406)	-	(56)	-	(9,749)	Depreciation charge	(4,467)	(4,190)	(612)	(404)	-	(57)	-	(9,730)
-	6,423	-	-	-	-	-	6,423	Depreciation written out to the Revaluation Reserve	-	1,172	-	-	-	80	-	1,252
-	19	-	-	-	-	-	19	Depreciation written out to the surplus / deficit on the provision of services	-	86	806	-	-	-	-	892
-	-	2	-	-	-	-	2	Derecognition - other	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	Other Reclassifications	-	80	-	-	-	(80)	-	-
(15,078)	**(1,141)**	**(2,265)**	**(2,852)**	**-**	**(86)**	**(33)**	**(21,455)**	**At 31 March**	**(19,545)**	**(3,993)**	**(2,071)**	**(3,256)**	**-**	**(143)**	**(33)**	**(29,041)**
199,033	**129,964**	**3,199**	**9,586**	**146**	**2,906**	**4,505**	**349,339**	**Net Book Value at 31 March**	**209,871**	**133,159**	**3,152**	**10,748**	**148**	**5,169**	**1,218**	**363,465**

Depreciation

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

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

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

Revaluations

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

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

	Council Dwellings £'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	-	-	3,152	10,748	148	-	1,218	**15,266**
Valued at current value as at 31st March:								
2015	209,644		-	-	-	-	-	**209,644**
2016	-	9,012	-	-	-	1,584	-	**10,596**
2017	-	8,383	-	-	-	1,265	-	**9,648**
2018	227	104,841	-	-	-	-	-	**105,068**
2019	-	10,923	-	-	-	2,320	-	**13,243**
Total cost or valuation	**209,871**	**133,159**	**3,152**	**10,748**	**148**	**5,169**	**1,218**	**363,465**

The 31st March 2015 value of council dwellings has been uplifted annually by the increase in the local Land Registry house price index - further details are given in the notes to the Housing Revenue account on pages 103 to 107.

Componentisation

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

Fair value measurement of Surplus assets

The fair values of surplus assets valued at 31st March 2019 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 2017	2,319	25,825	4,275	209	5,029	1,500	39,157
Additions	-	2	-	-	4	-	6
Revaluations*	50	446	85	4	77	53	715
31 March 2018	**2,369**	**26,273**	**4,360**	**213**	**5,110**	**1,553**	**39,878**
Additions	-	1	-	-	32	-	33
Revaluations*	34	525	87	4	92	47	789
31 March 2019	**2,403**	**26,799**	**4,447**	**217**	**5,234**	**1,600**	**40,700**

* includes updates for inflation.

Except for two items professionally revalued during 2016/17 in preparation for their forthcoming loan, all the major works of art were last revalued at 1st April 2010. 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.

	2018/19 £'000	2017/18 £000
Opening Capital Financing Requirement	**87,401**	**84,060**
Capital Investment		
Property, Plant and Equipment (see Additions in note 19 for breakdown)	19,308	15,986
Investment Property	43,126	-
Intangible assets	155	31
Long Term Loans	-	50
Revenue Expenditure Funded from Capital under Statute	453	797
	63,042	**16,864**
Sources of Finance		
Capital Receipts	(5,073)	(5,129)
Government Grants	(497)	(358)
Capital Contributions	(275)	(880)
Partnership Funding	(655)	(18)
Revenue Financing:		
Minimum Revenue Provision (MRP)	(1,066)	(958)
Voluntary Revenue Provision (VRP)	(156)	(148)
Major Repairs Reserve	(4,747)	(4,666)
Revenue	(2,749)	(1,366)
	(15,218)	**(13,523)**
Closing Capital Financing Requirement	**135,225**	**87,401**
Explanation of movement in year		
Increase in underlying need to borrowing (unsupported by Government financial assistance)	49,289	4,683
Minimum and Voluntary Revenue Provision (MRP/VRP)	(1,222)	(1,106)
Capital receipts applied in lieu of MRP	(243)	(236)
Increase (Decrease) in Capital Financing Requirement	**47,824**	**3,341**

Commitments under capital contracts

At 31st March 2019 the council was committed to completing the schemes within its capital programme for 2018/19. A total of nil had not been spent but was contractually committed at 31st March 2019 (£9.383 million at 31st March 2018).

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:

	2018/19 £'000	2017/18 £'000
Rental income from Investment Property	(2,486)	(1,938)
Direct operating expenses	78	5

In addition in 2018/19 £0.239 million (£0.257 million in 2017/18) of rental income is included in the Housing Revenue Account (HRA) line.

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

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

	2018/19 £'000	2017/18 £'000
Balance at 1st April	**35,320**	**35,320**
Additions – purchases	43,126	-
Reclassifications (to) / from Property, Plant and Equipment	(80)	-
Net gains / (losses) for the period included in the surplus or deficit on the provision of services resulting from changes in fair value	(2,373)	-
Balance at 31st March	**75,993**	**35,320**

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 £60.2 million of the value of the properties at 31st March 2019 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.

23. ASSETS HELD UNDER LEASES

The council as Lessor

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 £3.917 million (including £0.273 million in 2018/19) 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 2019 £'000	31st March 2018 £'000
Not later than 1 year	553	540
2 – 5 years	2,044	1,938
More than 5 years	348	734
	2,945	**3,212**

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

Operating Leases

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

Where the council wishes to support a tenant financially it needs to be satisfied that the use of the property supports the authority's Corporate Plan objectives and is not otherwise commercially viable. The council uses a system where the tenant pays a rent equivalent to best consideration and enters into a service 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 £4,063,136 in rental income in 2018/19 from its granted leases (£3,139,567 in 2017/18).

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

	31st March 2019 £'000	31st March 2018 £'000
Not later than 1 year	4,477	2,557
2 – 5 years	17,604	9,386
More than 5 years	102,849	99,002
	124,930	**110,945**

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:

	2018/19 Software £'000	2017/18 Software £'000
Balance at 1st April		
- Gross carrying amounts	1,127	1,203
- Accumulated amortisation	(606)	(536)
Net carrying amount at start of year	**521**	**667**
Additions - purchases	155	31
Amortisation in Year	(166)	(177)
Balance at 31st March	**510**	**521**
Comprising:		
- Gross carrying amounts	1,282	1,127
- Accumulated amortisation	(772)	(606)
	510	**521**

25. ASSETS HELD FOR SALE

	Current	
	31st March 2019 £'000	31st March 2018 £'000
Balance outstanding at start of year	**155**	**330**
Assets newly classified as held for sale from		
- Property, Plant and Equipment	-	148
Revaluation gains	-	7
Fair value of assets sold	(155)	(330)
Balance outstanding at year end	**-**	**155**

26. FINANCIAL INSTRUMENTS

Categories of financial instrument

The following categories are carried on the Balance Sheet:

	Current		Long term	
	31st March 2019 £'000	31st March 2018 £'000	31st March 2019 £'000	31st March 2018 £'000
Investments				
Financial assets at amortised cost (note i below)	8,048	11,026	1,345	1,018
Unquoted equity investments at cost (note ii)	-	-	-	435
Fair value through other comprehensive income				
- Shares in unlisted companies (note ii)	-	-	1,700	-
- Pooled funds (note iii)	75	51	6,656	2,834
Total Investments	**8,123**	**11,077**	**9,701**	**4,287**
Debtors				
Financial assets at amortised cost	2,892	3,008	9,744	10,293
Total included in debtors (note iv)	**2,892**	**3,008**	**9,744**	**10,293**
Cash and Cash equivalents				
Financial assets at amortised cost	751	1,243		
Fair value through P&L (note v)	2,000	1,000		
Financial liabilities at amortised cost	(596)	-		
Total cash and cash equivalents	**2,155**	**2,243**		
TOTAL FINANCIAL ASSETS	**13,170**	**16,328**	**19,445**	**14,580**
Borrowings				
Financial liabilities at amortised cost				
- Public Works Loan Board (PWLB) loans	730	555	96,065	47,842
- Bank and other loans	8,276	8,075	15,900	15,900
Total borrowings	**9,006**	**8,630**	**111,965**	**63,742**
Creditors				
Financial liabilities at amortised cost	6,425	6,539	-	-
Total included in creditors (Note vi)	**6,425**	**6,539**	**-**	**-**
TOTAL FINANCIAL LIABILITIES	**15,431**	**15,169**	**111,965**	**63,742**

Notes

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

(ii) These comprise shares held in Gloucestershire Airport Limited. The shares, shown at cost at 31st March 2018, have been restated to fair value at 31st March 2019 and re-categorised in accordance with IFRS9 (which applies from 2018/19). The fair value has been assessed by the council's treasury management advisors, based on projected company cash flows using the airport's business plans (Level 3 inputs in the fair value hierarchy). The valuation is therefore sensitive to small changes in rental, interest and operating income and cost inflation, including aviation fuel and pension costs.

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

In addition the council holds shares costing £1 in Ubico Limited. The fair value of the council's interests in the company at 31st March 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 was an in house department and the shareholder councils are able to enter into service contracts with the company without undertaking an EU compliant procurement process.

(iii) These comprise units in the CCLA pooled property fund, the Schroders Income Maximising Fund and CCLA Diversified Income Fund, the carrying (fair) value of which has been assessed using Level 1 inputs in the fair value hierarchy (quoted prices for identical units) at 31st March 2019.

(iv) Further details of current debtors are given in note 27, page 73. 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 2019 mainly comprise:

- an outstanding loan of £0.496 million (£0.516 million at 31st March 2018) to the Cheltenham Everyman Theatre (made in 2011/12 for 25 years towards the redevelopment of the theatre)

- loans totalling £6.415 million (£6.521 million at 31st March 2018) made to Cheltenham Borough Homes for between 30 and 50 years for housing redevelopment

- finance lease repayments of £2.392 million (£2.672 million at 31st March 2018) due from Ubico Limited (relating to leases of vehicles and plant)

- a loan of £0.383 million (£0.506 million at 31st March 2018) to Gloucestershire Airport Limited towards the cost of the runway safety project. In addition investments include a loan of £325,000 made to the Airport in 2018/19.

The remainder comprises mortgages for house purchase and other loans.

(v) These comprise money market funds that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

(vi) Further details of current creditors are given in note 29, page 74. The figures shown above exclude receipts in advance, which are not classified as financial instruments.

Income, Expense, gains and losses

	2018/19				2017/18			
	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	3,139	-	-	3,139	2,434	-	-	2,434
Fee expense	30	-	1	31	1	-	2	3
Losses on disposal	-	-	-	-	-	-	-	-
Impairment losses		(5)	-	(5)		(6)		(6)
Total expenses in Surplus or Deficit on the Provision of Services	**3,169**	**(5)**	**1**	**3,165**	**2,435**	**(6)**	**2**	**2,431**
Interest Income	-	(226)	(413)	**(639)**	-	(339)	(90)	**(429)**
Interest Income accrued on impaired financial assets	-	(1)	**-**	**(1)**	-	(2)	**-**	**(2)**
Total income in Surplus or Deficit on the Provision of Services	-	**(227)**	**(413)**	**(640)**	-	**(341)**	**(90)**	**(431)**
(Net gain)/loss for the year	**3,169**	**(232)**	**(412)**	**2,525**	**2,435**	**(347)**	**(88)**	**2,000**

Fair Value of financial assets and liabilities

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

	2018/19		2017/18	
	Carrying amount £'000	**Fair Value £'000**	**Carrying amount £'000**	**Fair Value £'000**
Financial Assets				
Investments at amortised cost	1,345	1,365	1,014	1,007
Long term debtors - loans and receivables	9,744	11,636	10,293	11,945

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

	2018/19		2017/18	
	Carrying amount £'000	**Fair Value £'000**	**Carrying amount £'000**	**Fair Value £'000**
Financial Liabilities				
Borrowing – PWLB loans*	96,795	111,144	48,397	58,227
- long term bank loans	15,900	23,602	15,900	26,489
Total borrowing	**112,695**	**134,746**	**64,297**	**84,716**

*includes current borrowing

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

In the case of long term bank loans subject to 'Lenders Option, Borrowers Option' (LOBO loans) the borrower's options to accept the increased rate or repay the loan have been valued at nil, on the assumption that lenders will only exercise their options when market rates have risen above the contractual rate. In 2017 one of the LOBO loans (£8.9m) was changed to a fixed loan for the same rate and remaining duration.

Nature and extent of risks arising from financial instruments

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

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

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

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 16th February 2018. The two key controls were:

- The Authorised Limit for 2018/19 was set at £121 million but was revised to £185 million to enable further borrowing in year. This is the maximum limit of external borrowings or other long term liabilities
- The Operational Boundary for 2018/19 was expected to be £111 million but was increased to £175 million to cover additional borrowing during the financial year. This is the expected level of debt and other long term liabilities during the year.

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

Credit Risk

Credit risk arises from investments mainly with banks and other financial institutions, as well as credit exposure to the council's customers. This risk is minimised through the Annual Investment Strategy, which requires that investments are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings

Services. The Annual Investment Strategy also sets the maximum amounts and time limits in respect of each counterparty. Investments are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria.

The council used the creditworthiness services of Arlingclose Limited during 2018/19. The maximum investment that could be made with an approved UK counterparty was £7 million in 2018/19. No breaches of the council's counterparty criteria occurred during the reporting period and the council does not expect any losses from non-performance by any of its counter-parties.

The council's maximum exposure to credit risk in relation to its investments cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to that individual organisation. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of default applies to all of the council's investments, but there was no evidence at 31st March 2019 that this is likely to materialise. The following analysis summarises the council's potential maximum exposure to credit risk for investments outstanding at 31st March 2019 (excluding Group equities), based on experience of default assessed by the ratings agencies and adjusted to reflect current market conditions.

	Amount at 31 March 2019 £000 (a)	Historical experience of default % (b)	Adjustment for market conditions at 31 March 2019 % (c)	Estimated maximum exposure to Default £000 (a*c)
Investments with banks and other financial institutions				
AA+ rated counterparties	3,000	-	-	-
AA- rated counterparties	1,000	0.06	1.22	2
A+ rated counterparties	5,000	0.04	1.22	3
BBB+ rated counterparties	-	-	-	-
Unrated pooled funds	7,000	-	-	-
	16,000			**5**

The historical experience of default has been taken from average one year default rates published by the three main rating agencies at May 2019, relating to 2018 figures. Whilst current economic conditions have raised the overall possibility of default, the council maintains strict credit criteria for investment counterparties.

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

The council does not generally allow credit for its trade debtors as payment is due immediately. This means that all of the £1,786,676 trade debtor balance is technically past its due date for payment. The past due amount can be analysed by age as follows:

	2018/19 £000	2017/18 £000
Less than 3 months	1,522	1,259
3 to 6 months	50	103
6 months to 1 year	64	227
Over 1 year	151	152
	1,787	**1,741**

A loss provision of £325,800 at 31st March 2019 (£335,900 at 31s March 2018) has been provided to cover the expected lifetime credit losses on these debts under IFRS 9.

Liquidity risk

The council has ready access to borrowings from the money markets to cover any day to day cash flow needs, and the Public Works 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 borrowings (excluding interest payable) is as follows:

	31st March 2019 £'000	31st March 2018 £'000
Less than 1 year	644	548
2-5 years	6,356	2,388
6-10 years	6,185	4,179
Uncertain date maturing in more than 10 years*	99,410	57,175
Total	**112,595**	**64,290**

*The council has £7 million (£7 million at 31st March 2018) of 'Lender's option, Borrower's option' (LOBO) loans where the lenders have the option to propose an increase in the rates payable; if this occurs the council will have the option to accept the new rate or repay the loans without penalty. Due to current low interest rates, in the unlikely event the lenders exercise their options; the council is likely to repay the loan(s). The repayment dates of these loans are therefore uncertain, although they are due to mature in 48 years.

Market risk

The council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. By way of illustration, if interest rates were 1% higher in 2018/19, this would have had the following effect on the interest charged or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement:

	Amount outstanding (weighted average) in year £'000	Average actual interest rate %	Actual Interest payable / (receivable) £'000	Projected interest rate %	Projected interest payable / (receivable) £'000	Variation £'000
Borrowing						
Variable rate	13,473	0.62	83	1.62	218	135
Lending						
Fixed rate (up to1 year)	13.730	0.97	133	1.97	270	(137)
Variable rate	12,143	2.96	359	3.96	481	(122)
Net loss / (gain) on surplus / deficit for year						**(124)**

Due to the large proportion of borrowing held at fixed rates the impact on interest payable is limited. Conversely, the proportion of lending at variable rates and fixed rate allows the council to benefit from any increase in interest rates in the future. A large proportion of fixed rates is short term so any rate increases will benefit future investment returns.

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

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

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

The council's investment in a pooled property fund is subject to the risk of falling commercial property prices. For example a 5% fall would result in a £142k charge to Other Comprehensive Income and Expenditure, although it would not affect the surplus or deficit on the provision of services unless the fund units were sold. The risk is limited by the council setting a maximum exposure to financial assets invested in property of £3 million and its intention to hold the units in the fund for a minimum period of 5 years.

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

27. SHORT TERM DEBTORS

	31st March 2019 £'000	31st March 2018 £'000
Central Government Bodies	2,046	2,503
Other Local Authorities	889	276
Other entities and individuals-		
- Council Taxpayers	355	339
- Business Ratepayers	306	326
- Cheltenham Borough Homes	294	129
- Ubico Limited	689	687
- Housing Rents	239	228
- Sundry Debtors	2,477	2,997
Total	**7,295**	**7,485**

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 2019 £'000	31st March 2018 £'000
Cash held by the Authority	6	5
Bank current accounts	2	293
Short term deposits and money market funds	2,745	1,945
Cash and cash equivalent assets	**2,753**	**2,243**
Cash and cash equivalent liabilities - bank overdraft	(598)	-
Net Cash and cash equivalents per Cash flow Statement	**2,155**	**2,243**

29. SHORT TERM CREDITORS

	31st March 2019 £'000	31st March 2018 £'000
Central Government Bodies	512	3,635
Other Local Authorities	3,857	2,001
Public corporations and trading funds	-	21
Other entities and individuals-		
- Council Taxpayers	99	104
- Business Ratepayers	2,442	2,038
- Cheltenham Borough Homes	1,882	1,870
- Ubico Limited	451	368
- Housing Rents	336	268
- Sundry Creditors	4,455	3,949
Total	**14,034**	**14,254**

30. PROVISIONS

	Balance at 1st April £'000	Additional provisions made in Year £'000	Amounts used in Year £'000	Balance at 31st March £'000
Short term				
Insurance	11	3	(8)	6
Business rates retention – appeals	565	1,300	(888)	977
Housing Benefits Subsidy	178	-	(178)	-
	754	**1,303**	**(1,074)**	**983**
Long term				
Business rates retention – appeals	565	86	-	651
Total 2018/19	**1,319**	**1,389**	**(1,074)**	**1,634**
Total 2017/18	**1,046**	**832**	**(559)**	**1,319**

Insurance

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

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

Business Rates Retention - 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 2019 relating to appeals raised against charges up to 31st 2017 and, for 2017/18 and 2018/19 charges, on an estimated reduction on the rating list based on historical experience, together with other known likely reductions. It has been split into short and long term elements to reflect the estimated time until settlement.

31. CONTINGENT LIABILITIES

Municipal Mutual Insurance Limited:

The council's former insurers, Municipal Mutual Insurance Limited, ceased trading in 1992; the council became a party to the scheme of administration for liabilities outstanding at that time. Whilst there is a very low risk that the assets of the company will not meet the liabilities from insurance claims, the scheme guarantees that the council will reimburse the total of payments made in respect of claims less £50,000. At 31st March 2019 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 2019	**318,014**

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

32. USABLE RESERVES AND TRANSFERS TO / FROM EARMARKED RESERVES

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

	Balance at 1 April 2017 £'000	Transfers out 2017/18 Restated* £'000	Transfers in 2017/18 Restated* £'000	Balance at 31 March 2018 Restated* £'000	Transfers out 2018/19 £'000	Transfers in 2018/19 £'000	Balance at 31 March 2019 £'000
Earmarked Reserves							
Capital Reserve	**270**	(277)	273	**266**	(133)	200	**333**
Equalisation Reserves	**1,248**	-	1,214	**2,462**	(973)	675	**2,164**
Repairs & Renewals Reserve	**1,590**	(581)	888	**1,897**	(1,387)	753	**1,263**
Reserves for Commitments	**377**	(377)	308	**308**	(308)	624	**624**
Other earmarked reserves	**3,961**	(1,509)	736	**3,188**	(1,461)	180	**1,907**
Total	**7,446**	**(2,744)**	**3,419**	**8,121**	**(4,262)**	**2,432**	**6,291**

*Restated to reflect reclassifications between reserves

Purpose of reserves

- **Capital Reserve** – to help finance the general fund capital programme.
- **Equalisation Reserves** – to smooth out fluctuations in expenditure or income resulting from cyclical events, for example bi-annual local elections, and to cushion the impact of fluctuating activity levels (for example in housing benefit payments or business rates).
- **Repairs and Renewals Reserve** – to meet the cost of planned and reactive repairs to buildings and infrastructure.
- **Reserves for Commitments** – to cover the cost of budget commitments where spending did not take place in the year approved, but is planned to take place in the following year.
- **Other earmarked reserves** – sums built up to cover future planned expenditure, for example support for the revenue budget, risk management, and Public Realm improvements.

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 2019 £'000	31st March 2018 £'000	Purpose of Reserve
Revaluation Reserve	161,755	156,481	Store of gains on revaluation of non-current assets not yet realised through sales
Financial Instruments Revaluation Reserve	921	(166)	Store of gains and losses arising from changes in the value of financial instruments carried at fair value through other comprehensive income not yet realised through sales
Capital Adjustment Account	191,494	189,381	Store of capital resources set aside to meet past expenditure
Financial Instruments Adjustment Account	(1,747)	(1,893)	Balancing account to allow for differences in statutory requirements and proper accounting practices relating to borrowing and investments
Collection Fund Adjustment Account	(419)	(490)	Balancing account to allow for differences in statutory requirements and proper accounting practices for council tax and NNDR (business rates) surpluses/deficits
Pensions Reserve	(61,920)	(57,776)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet. The net liability arising from defined benefit obligation is £58,258k, as shown in note 34. The difference between the liability of and the reserve balance of £61,920 at 31st March 2019 relates to the prepayment of pension contributions made in 2017/18, in respect of the financial year 2018/19. See note 34, page 82.
Deferred Capital Receipts Reserve	2,952	3,221	Capital receipts to be received in future years e.g. from finance lease or mortgage repayments
Accumulating Compensated Absences Adjustment Account	(122)	(119)	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	**292,914**	**288,639**	

Revaluation Reserve

	2018/19 £'000	2017/18 £'000
Balance at 1st April	**156,481**	**154,863**
Revaluation gains on non-current assets	11,022	9,063
Downward revaluation of assets and impairments	(2,271)	(3,922)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**165,232**	**160,004**
Accumulated gains on assets sold, derecognised or reclassified	(49)	(125)
Difference between fair value and historic cost depreciation	(3,428)	(3,398)
Amount written off to the Capital Adjustment Account	**(3,477)**	**(3,523)**
Balance at 31st March	**161,755**	**156,481**

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.

Financial Instruments Revaluation Reserve

This reserve (formerly the Available-for-Sale Financial Instruments Reserve) contains gains arising from increases in the value of investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards and the gains are lost, or when the investments are disposed of and the gains realised.

	2018/19 £'000	2017/18 £'000
Balance at 1st April	**(166)**	**-**
Revaluation of investments not charged to the surplus or deficit on the provision of services:		
Upward revaluations	1,313	-
Downward revaluations	(226)	(166)
Balance at 31st March	**921**	**(166)**

Capital Adjustment Account

	2018/19 £'000	2017/18 £'000
Balance at 1st April	**189,381**	**188,164**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
• Charges for depreciation and impairment of non-current assets	(9,730)	(9,752)
• Revaluation gains/(losses) on Property, Plant and Equipment	(1,915)	(41)
• Amortisation of intangible assets	(165)	(175)
• Donated Assets	33	6
• Revenue expenditure funded from capital under statute	(454)	(797)
• 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	(1,733)	(4,833)
	175,417	172,572
Capital receipts received on repayment of long term loans	(246)	(238)
Adjusting amounts written out of the Revaluation Reserve	3,477	3,523
Net amount written out for the cost of non-current assets consumed in the year	**178,648**	**175,857**
Capital Financing applied in the year:		
• Use of Capital Receipts Reserve to finance new capital expenditure	4,831	4,892
• Use of the Major Repairs Reserve to finance new capital expenditure	4,747	4,666
• 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	1,428	1,258
• Statutory and voluntary provision for the financing of capital investment charged against the General Fund Balance	1,222	1,106
• Statutory provision for the financing of capital investment charged against usable capital receipts	243	236
• Capital expenditure charged against the general fund and HRA balances	2,749	1,366
	193,868	189,381
Movements in the market value of Investment properties (charged) or credited to the Comprehensive Income and Expenditure Statement	(2,374)	-
Balance at 31st March	**191,494**	**189,381**

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

	2018/19 £'000	2017/18 £'000
Balance at 1st April	**(1,893)**	**(2,038)**
Net Premiums incurred in previous years charged against the General Fund and HRA Balance	146	145
Balance at 31st March	**(1,747)**	**(1,893)**

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.

	2018/19 £'000	2017/18 £'000
Balance at 1st April	**(490)**	**(500)**
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	71	10
Balance at 31st March	**(419)**	**(490)**

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.

	2018/19 £'000	2017/18 £'000
Balance at 1st April	**(57,776)**	**(62,301)**
Remeasurement of the net defined benefit liability	(4,887)	4,163
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	(3,994)	(4,043)
Employers' pension contributions and direct payments to pensioners payable in the year	4,737	4,405
Balance at 31st March	**(61,920)**	**(57,776)**

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 2019 includes £2.945 million (£3.212 million at 31st March 2018) for vehicles and plant leased to Ubico Limited under finance leases.

	2018/19 £'000	2017/18 £'000
Balance at 1st April	**3,221**	**333**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	274	3,243
Transfer to the Capital Receipts Reserve upon receipt of cash	(543)	(355)
Balance at 31st March	**2,952**	**3,221**

34. DEFINED BENEFIT PENSION SCHEME

Participation in the pension scheme

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

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

The principal risks to the authority of the pension scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute, as described in the accounting policies note 1.3 on page 22.

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:

	2018/19 £000	2017/18 £000
Comprehensive Income and Expenditure Statement (CIES):		
Service cost comprising:		
Current service cost	(2,566)	(2,522)
Past service cost	(94)	(75)
Financing and Investment Income and Expenditure:		
Net Interest Expense	(1,334)	(1,446)
Total post-employment benefits charged to Surplus or Deficit on Provision of Services	(3,994)	(4,043)
Other post-employment benefits charged to the CIES:		
Remeasurement of the net defined benefit liability comprising:		
Return on assets (excluding the amount included in the net interest expense)	2,916	1,726
Changes in financial assumptions	(7,735)	2,440
Other experience	(68)	(3)
Total post-employment benefit charged to CIES	**(8,881)**	**120**
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	3,994	4,043
Actual amount charged against General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	1,315	4,405

2018/19 and 2019/20 Up-Front Payment of Pension Scheme Deficit Contributions

In 2017/18 the Council made an up-front payment of the LGPS deficit contributions for the two years 2018/19 and 2019/20 totalling £7.084 million. The up-front payment took advantage of the independent actuary's calculation of the return these contributions could achieve once invested by the Pension Fund.

The discount calculated by the actuary for making the up-front payment rather than the normal method of monthly payments in arrears over the two year period was £0.389 million, reducing total payments from £7.473 million to £7.084 million.

The return was judged to be far greater than could have been achieved by investing the amounts as part of the council's treasury management strategy, so the decision represented good value for money for the council.

The actual payment made in 2017/18 was £7.084 million, and the actuary calculated the Equivalent Discounted annual Lump Sums Certified across the 2 years as follows:

- £3.442 million relating to 2018/19, and
- £3.662 million relating to 2019/20.

The Pension Liability at 31st March 2018 was reduced by the £7.084 million payment, and the full amount was reflected in the actuarial valuation as at 31st March 2018. The £3.442 million relating to 2018/19 has been charged to the General Fund in the 2018/19 Statement of Accounts and the £3.662 million will be charged in 2019/20, with the amounts credited to the Pension Reserve and charged to the General Fund via the Movement In Reserves Statement.

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:

	2018/19 £'000	2017/18 £'000
Present value of the defined benefit obligation	(158,253)	(148,678)
Fair value of plan assets	99,995	97,986
Net liability arising from defined benefit obligation	**(58,258)**	**(50,692)**

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

	Funded Liabilities Local Government Pension Scheme	
	2018/19 £'000	**2017/18 £'000**
Opening Balance at 1st April	(148,678)	(149,669)
Current service cost	(2,566)	(2,522)
Past service cost (including curtailments)	(94)	(75)
Interest cost	(3,836)	(3,711)
Contributions from scheme participants	(423)	(410)
Remeasurement gain/(loss):		
Arising from changes in demographic assumptions		-
Arising from changes in financial assumptions	(7,735)	2,440
Other experience	(68)	(3)
Benefits paid	5,041	5,172
Unfunded benefits paid	106	100
Closing balance at 31st March	**(158,253)**	**(148,678)**

Present value of Funded liabilities	**(156,556)**	**(147,007)**
Present value of Unfunded liabilities	**(1,697)**	**(1,671)**
Closing balance 31st March	**(158,253)**	**(148,678)**

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

	Fair Value of Scheme Assets 2018/19			Fair Value of Scheme Assets 2017/18		
Asset Category	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000
Equity Securities:						
Consumer	-	-	-	4,753.2	-	4,753.2
Manufactoring	-	-	-	2,548.1	-	2,548.1
Energy & Utilities	-	-	-	1,864.3	-	1,864.3
Financial institutions	-	-	-	3,937.9	-	3,937.9
Health & Care	-	-	-	1,575.5	-	1,575.5
Information Technology	-	-	-	243.3	-	243.3
Other	-	-	-	2,970.2	-	2,970.2
Debt Securities:						
Corporate Bonds - investment grade	10,215.3	-	10,215.3	4,596.9	-	4,596.9
Corporate Bonds - non investment grade	425.6	-	425.6	353.5	-	353.5
UK Government	3,147.9	-	3,147.9	7,097.0	-	7,097.0
Other	-	-	-	1,077.3	-	1,077.3
Private equity:						
All	-	220.7	220.7	-	249.0	249.0
Real Estate:						
UK Property	6,341.1	2,128.0	8,469.1	4,774.9	1,531.7	6,306.6
Overseas property	-	617.9	617.9	-	531.7	531.7
Investment Funds and Unit Trusts:						
Equities	6,030.6	56,181.9	62,212.5	3,891.7	44,234.0	48,125.7
Bonds	7,992.3	-	7,992.3	5,925.2	549.9	6,475.1
Other	-	4,866.8	4,866.8	-	3,790.1	3,790.1
Derivatives:						
Foreign Exchange	(23.6)	-	(23.6)	55.0	-	55.0
Other	10.1	-	10.1	20.3	-	20.3
Cash & Cash equivalents:						
All	1,840.4	-	1,840.4	1,415.3	-	1,415.3
Totals	**35,979.7**	**64,015.3**	**99,995.0**	**47,099.6**	**50,886.4**	**97,986.0**

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

	2018/19 %	2017/18 %
Equity investments	68	80
Bonds	21	12
Property	9	7
Cash	2	1
Total	**100**	**100**

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

	Funded Assets Local Government Pension Scheme	
	2018/19 £000	2017/18 £000
Opening fair value of scheme assets 1st April	97,986	87,368
Interest income	2,502	2,265
Remeasurement gain/(loss):		
Return on plan assets (excluding the amount included in the net interest expense)	2,916	1,726
Contributions from employees into the scheme	423	410
Contributions from employer	1,209	11,389
Contributions from employer in respect of unfunded benefits	106	100
Unfunded benefits paid	(106)	(100)
Benefits paid	(5,041)	(5,172)
Closing fair value of scheme assets 31st March	**99,995**	**97,986**

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	
	2018/19	2017/18
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	22.4 years	22.4 years
Women	24.6 years	24.6 years
Longevity at 65 for future pensioners *		
Men	24 years	24 years
Women	26.4 years	26.4 years
Rate of pension increase / inflation (CPI)	2.5%	2.4%
Rate of increase in salaries	2.8%	2.7%
Rate for discounting scheme liabilities	2.4%	2.6%

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

Commutation

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

Impact of McCloud judgement

In December 2018, a court judgement was made which could result in public service schemes having to unravel (age-related) transitional protections built into the pension fund valuations following recent changes in public sector pension schemes.

Given the uncertainty around this judgement with the government awaiting news of its right to an appeal, it is too early to know what the likely impact may be on LGPS members' benefits. As a default approach, the actuarial figures do not make any allowance within the 31 March 2019 IAS19/FRS102 reports for potential outcomes of this judgement.

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 2019 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 2019	Approximate % increase to Employer	Approximate cost to Employer £000
0.5% decrease in Real Discount Rate	9%	13,969
0.5% increase in the Salary Increase Rate	1%	1,414
0.5% increase in the Pension Increase Rate	8%	12,367

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 £1.134 million for the period 1st April 2019 to 31st March 2020. The weighted average duration of the defined benefit obligation for scheme members is 15.7 years as at 31st March 2019 (15.7 years as at 31st March 2018).

35. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2018/19 £'000	2017/18 £'000
Interest received	(749)	(591)
Interest paid	3,049	2,431

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

	2018/19 £'000	2017/18 £'000
Depreciation	(9,730)	(9,750)
Impairment and downward valuations	(1,915)	(41)
Amortisation	(166)	(176)
Increase (-) / decrease in creditors	2,247	3,107
Increase / decrease (-) in debtors	(492)	2,006
Increase / decrease (-) in inventories	35	31
Movement in pension liability	(2,679)	7,446
Carrying amount of non-current assets sold or derecognised	(1,461)	(1,589)
Other non cash items charged to the net surplus or deficit on the provision of services	(2,650)	(261)
	(16,811)	**773**

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

	2018/19 £'000	2017/18 £'000
Proceeds from the sale of PPE, investment property and intangible assets	3,005	2,799

36. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2018/19 £'000	2017/18 £'000
Purchase of property, plant and equipment, investment property and intangible assets	61,931	15,318
Purchase of Investments	17,325	27,200
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,529)	(3,154)
Proceeds from the sale of short and long term investments	(16,007)	(33,303)
Other receipts from investing activites	(265)	(238)
Net cash (inflows) / outflows from investing activites	**59,455**	**5,823**

37. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2018/19 £'000	2017/18 £'000
Cash receipts of short and long term borrowing	(189,867)	(26,801)
Other receipts for financing activities	(1,134)	(1,083)
Repayments of short and long term borrowing	141,358	19,544
Net cash flows from financing activites	**(49,643)**	**(8,340)**

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.

2017/18 £'000		Note	2018/19 £'000
	INCOME		
66,612	**Council Tax**	(i)	70,481
56,891	**Non-Domestic Rates**	(iii)	56,917
	Contribution towards previous year's deficit		
1,111	Non-domestic rates		1,864
124,614	**Total Income**		**129,262**
	EXPENDITURE		
65,490	**Precepts & Demands from major preceptors and the Authority - Council Tax**	(ii)	69,618
	Non-Domestic Rates	(iii)	
26,838	Shares paid to county council and the billing authority		54,357
26,838	Payment of central share to government		-
2,288	Transitional protection payments		1,196
174	Charge payable to General Fund for Costs of Collection		170
	Impairment of debts for Council Tax		
90	Allowance for Impairment		70
	Impairment of debts/appeals for non-domestic rates		
1,846	Allowance for Impairment		2,397
	Contribution towards previous year's surplus		
1,002	Council Tax		1,359
124,566	**Total Expenditure**		**129,167**
48	**Surplus / (Deficit) for the Year**		**95**
(289)	Balance of fund at 1st April		**(241)**
(241)	**Balance of fund at 31st March**	(iv)	**(146)**

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	4.0	5/9	2.2
A	7,954.5	6/9	5,302.9
B	11,306.0	7/9	8,793.5
C	12,329.8	8/9	10,959.8
D	8,225.0	1	8,225.0
E	4,587.5	11/9	5,606.9
F	2,468.3	13/9	3,565.3
G	1,900.5	15/9	3,167.5
H	92.3	2	184.5
	48,867.9		45,807.6
Less Council Tax support (Band D equivalents)			(3,640.8)
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% of the tax base)			(421.6)
Council Tax Base for 2018/19			**41,745.2**

(ii). PRECEPTS & DEMANDS

	2018/19 £'000	2017/18 £'000
Gloucestershire County Council	51,439	48,398
Cheltenham Borough Council	8,475	8,090
Gloucestershire Police & Crime Commissioner	9,455	8,803
Charlton Kings Parish Council	84	69
Leckhampton with Warden Hill Parish Council	63	34
Prestbury Parish Council	66	64
Swindon Village Parish Council	11	11
Up Hatherley Parish Council	25	21
	69,618	**65,490**

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.

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

The council is, however, a member of the Gloucestershire Business Rates Pool, in which any levy payment or safety receipt is 'pooled' across several authorities. This enables each pool member to benefit from a lower levy rate payable should the growth in its business rates exceed its levy threshold, whilst receiving from the pool a safety net payment should its rates fall below its safety net threshold, contributed by the pool members. In 2018/19 the Pool operated as a 100% Pilot, whereby the districts received 50% and the County Council 50% of business rates collectable with a Nil levy payable to the government on growth.

The total non-domestic rateable value at 31st March 2019 was £135.442 million (£134.155 million at 31st March 2018) and the national non-domestic multipliers for 2018/19 were 49.3p (47.9p in 2017/18) (standard rate) and 48.0p (46.6p in 2017/18) (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 2018	182	1,065	194	-	1,441
Increase/decrease (-) in the year	(72)	(419)	(75)	-	(566)
Balance at 31st March 2019	**110**	**646**	**119**	**-**	**875**
Business Rates					
Balance at 1st April 2018	(673)	(168)	-	(841)	(1,682)
Increase/decrease (-) in the year	145	(416)	-	932	661
Balance at 31st March 2019	**(528)**	**(584)**	**-**	**91**	**(1,021)**
Fund Balance at 31st March 2019	**(418)**	**62**	**119**	**91**	**(146)**

GROUP ACCOUNTS

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

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

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

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

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

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

STATEMENT OF ACCOUNTING POLICIES FOR THE GROUP ACCOUNTS

These are set out in note 1.30 on page 38.

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.

2017/18 Restated*				2018/19		
Gross expenditure £'000	Gross income £'000	Net expenditure £'000		Gross expenditure £'000	Gross income £'000	Net expenditure £'000
			Continuing Operations			
1,620	(403)	1,217	Chief Executive	1,385	(83)	1,302
7,105	(885)	6,220	Finance and Assets Directorate	7,443	(1,670)	5,773
34,304	(30,219)	4,085	People and Change Directorate	30,476	(26,312)	4,164
19,442	(12,945)	6,497	Place and Growth Directorate	22,862	(12,683)	10,179
17,507	(21,261)	(3,754)	Local Authority housing	17,589	(20,907)	(3,318)
79,978	**(65,713)**	**14,265**	**Cost of Services**	**79,755**	**(61,655)**	**18,100**
608	(1,277)	(669)	Other operating expenditure	652	(1,545)	(893)
4,058	(2,167)	1,891	Financing and Investment (income) and expenditure	7,071	(3,036)	4,035
18,730	(36,096)	(17,366)	Taxation and non-specific grant (income) and expenditure	24,373	(40,646)	(16,273)
103,374	**(105,253)**	**(1,879)**	**(Surplus) or Deficit on the provision of services**	**111,851**	**(106,882)**	**4,969**
		(283)	Share of (Surplus) or deficit of Joint Ventures			(70)
		190	Share of Tax expenses of Joint Ventures			49
		(1,972)	**Group (Surplus) or Deficit**			**4,948**
			Items that will not be reclassified to the (Surplus) or Deficit on the provision of services			
		(5,141)	(Surplus) or Deficit on revaluation of non-current assets (*note 33)*			(8,751)
		(5,523)	Remeasurement of the net defined benefit liability /(asset)			7,935
		(127)	Share of other comprehensive income and expenditure of Joint Ventures			112
		-	(Surplus) or deficit on revaluation of financial instruments carried at Fair Value though Other Comprehensive Income			178
			Items that may be reclassified to the (Surplus) or Deficit on the provision of services			
		166	(Surplus) or Deficit on revaluation of available-for-sale financial assets			-
		(10,625)	**Other Comprehensive (Income) and Expenditure**			**(526)**
		(12,597)	**Total Comprehensive (Income) and Expenditure**			**4,422**

*2017/18 has been restated to reflect a management restructure and a change in the policy for accounting for overheads from 2018/19 (see note 2).The changes have not affected the Cost of Services, the surplus on the provision of services or total comprehensive income and expenditure.

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 2018		Note	31 March 2019
£'000			£'000
356,916	Property, Plant & Equipment	44	371,932
39,878	Heritage Assets	20	40,700
35,320	Investment Property	22	75,993
521	Intangible Assets	24	510
3,852	Long Term Investments	46	8,001
12,350	Investments in Joint Ventures	39	12,259
3,772	Long Term Debtors	46	3,329
452,609	**Long Term Assets**		**512,724**
11,073	Short term Investments	26	8,123
155	Assets held for sale	25	-
65	Inventories		100
7,637	Short term Debtors	41	7,178
2,244	Cash and cash equivalents	42	2,915
21,174	**Current assets**		**18,316**
-	Bank overdraft	42	(598)
(8,630)	Short term borrowing	26	(9,006)
(13,444)	Short term creditors	43	(13,621)
(422)	Grants receipts in advance - capital	16	(476)
(55)	Grants receipts in advance - revenue	16	-
(754)	Provisions	30	(983)
(23,305)	**Current Liabilities**		**(24,684)**
(565)	Provisions	30	(651)
(63,742)	Long term borrowing	26	(111,965)
(513)	Grants receipts in advance - capital	16	(512)
(275)	Grants receipts in advance - revenue	16	(275)
(56,924)	Other long term liabilities	45	(68,916)
(122,019)	**Long term liabilities**		**(182,319)**
328,459	**Net Assets**		**324,037**
(30,897)	Usable Reserves	48	(27,319)
(297,562)	Unusable Reserves	49	(296,718)
(328,459)	**Total Reserves**		**(324,037)**

GROUP STATEMENT OF MOVEMENT IN RESERVES

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

	Total Authority 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 2017	**30,150**	**(1,451)**	**28,699**	**278,404**	**8,759**	**287,163**	**315,862**
Movement in Reserves during 2017/18							
Total comprehensive Income & (Expenditure)	3,065	(1,093)	1,972	9,138	1,487	10,625	12,597
Adjustments between company reserves (Note 48)	-	1,323	1,323	-	(1,323)	(1,323)	-
Adjustments between accounting basis and funding basis under regulations (Note 5)	(1,097)	-	(1,097)	1,097	-	1,097	-
Increase / (decrease) in 2017/18	**1,968**	**230**	**2,198**	**10,235**	**164**	**10,399**	**12,597**
Balance at 31 March 2018	**32,118**	**(1,221)**	**30,897**	**288,639**	**8,923**	**297,562**	**328,459**
Movement in Reserves during 2018/19							
Total comprehensive Income & (Expenditure)	(4,082)	(866)	(4,948)	4,951	(4,425)	526	(4,422)
Adjustments between company reserves (Note 48)	-	694	694	-	(694)	(694)	-
Adjustments between accounting basis and funding basis under regulations (Note 5)	676	-	676	(676)	-	(676)	-
Increase / (decrease) in 2018/19	**(3,406)**	**(172)**	**(3,578)**	**4,275**	**(5,119)**	**(844)**	**(4,422)**
Balance at 31 March 2019	**28,712**	**(1,393)**	**27,319**	**292,914**	**3,804**	**296,718**	**324,037**

GROUP CASH FLOW STATEMENT

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

2017/18 £'000		2018/19 £'000
(1,879)	Net (surplus) or deficit on the provision of services	4,874
(430)	Adjust net surplus or deficit on the provision of services for non-cash movements (note 50)	(18,510)
2,890	Adjust for items in the net surplus or deficit on the provision provision of services that are investing or financing activities	3,005
581	**Cash (inflows) / outflows generated from operating activities**	(10,631)
6,250	Investing activities (note 51)	60,201
(8,340)	Financing activities (note 52)	(49,643)
(1,509)	**Net (increase) / decrease in cash and cash equivalents**	**(73)**
735	Cash and cash equivalents at beginning of the year	2,244
2,244	Cash and cash equivalents at end of the year (note 42)	2,317
1,509	**Net increase / (decrease) in cash and cash equivalents**	**73**

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

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

The draft group accounts for CBH Limited (including CBHS Limited) show net liabilities at 31st March 2019 of £8.158 million (£3.716 million at 31st March 2018) and an after tax deficit of £1.394 million in the year to 31st March 2019 (£1.143 million deficit in the year to 31st March 2018).

The net liabilities of the company are valued at cost (in accordance with company accounting rules) and may not therefore reflect their market value. The accounts of the company show a contingent liability of £38,039 at 31st March 2019 (£38,039 at 31st March 2018).

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), at 31st March 2016 (for dwellings completed in 2015/16), at 31st March 2018 (for acquisitions in 2017/18) and at 31st March 2019 at Current value, with the values uplifted by the increase in the local Land Registry housing price index up to 31st March 2017, 31st March 2018 and 31st March 2019, 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 £90,000 less.

The full accounts of Cheltenham Borough Homes Limited and Cheltenham Borough Homes Services Limited for the year ending 31st March 2019 can be obtained from the Company Secretary at the company's registered office – Cheltenham House, Clarence Street, Cheltenham, Gloucestershire, GL50 3JR.

39. Gloucestershire Airport Limited

Gloucestershire Airport Limited is a wholly owned local authority airport company which was voluntarily established during 1992/93 by Cheltenham Borough Council and Gloucester City Council, using powers available to them under the Airports Act 1986. This replaced the previous joint committee arrangements. The shares allotted were divided equally between the two councils. The market value of the shares is unknown as they are not listed, however their current fair value has been estimated and is included in the council's single entity accounts under long term investments: financial assets at fair value through other comprehensive income.

The registered name of the airport company is Gloucestershire Airport Limited (Registration No. 02774189). The draft accounts of the company show net assets at 31st March 2019 of £24.517 million (£24.699 million at 31st March 2018), and an after tax profit of £0.043 million for the year to 31st March 2019 (£0.186 million to 31st March 2018). The council's commitment to meet losses is limited to the shares that it holds.

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

	Gloucester-shire Airport Limited 2018/19 £'000	Council's share 2018/19 £'000	Gloucester-shire Airport Limited 2017/18 £'000	Council's share 2017/18 £'000
Turnover	4,896	2,448	4,582	2,291
Profit/(loss) on ordinary activities before taxation	140	70	566	283
Less tax on profit on ordinary activities	97	49	380	190
Profit/(loss) for the financial year after taxation	43	21	186	93

	31 March 2019 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2018 £'000
Non-current Assets	33,756	16,878	33,876	16,938
Current Assets	865	433	751	376
Liabilities due within one year	(1,882)	(941)	(1,781)	(891)
Liabilities due after one year (excluding pensions)	(6,611)	(3,306)	(6,532)	(3,266)
Net Pension Liability	(1,611)	(806)	(1,614)	(807)

The airport did not pay any dividends in the year to 31st March 2019 (nil to 31st March 2018).

During 2011/12 the council loaned £1.190 million to the airport towards the cost of the runway safety project, of which £0.506 million was outstanding at 31st March 2019. In addition the council provided the company with a temporary overdraft facility during 2018/19 of £0.325 million, which remains at 31st March 2019.

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 by an external valuer.

The Airport's accounts for the year ended 31st March 2019 can be obtained from the Managing Director at the company's registered office - The Terminal Building, Staverton, Cheltenham, Gloucestershire, GL51 6SR.

40. Publica Group (Support) Limited

The council has a significant interest in this company, the results for which are not included in the Group Accounts on the basis of immateriality. During 2018/19, in its first full year of trading, the company generated a surplus of £58,012 (£13,534 in 2017/18 for five months trading) and had net assets at 31st March 2019 of £71,546 (£13,354 at 31st March 2018), of which the council's share is £17,886 and £3,338 respectively.

41. Short term debtors

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

42. Cash and Cash Equivalents

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

	31st March 2019 £'000	31st March 2018 £'000
Cash held by the council and subsidiaries	6	5
Bank current accounts of the council and subsidiaries	164	294
Short term deposits and money market funds	2,745	1,945
Cash and cash equivalent assets	**2,915**	**2,244**
Cash and cash equivalent liabilities - bank overdraft	(598)	**-**
Net Cash and cash equivalents per Cash flow Statement	**2,317**	**2,244**

43. Short term Creditors

	31st March 2019 £'000	31st March 2018 £'000
Central Government Bodies	998	4,091
Other Local Authorities	3,962	2,001
Public corporations and trading funds	-	21
Other entities and individuals-		
- Council Taxpayers	99	104
- Business Ratepayers	2,442	2,038
- Ubico Limited	451	368
- Housing Rents	344	276
- Sundry Creditors	5,325	4,545
	13,621	**13,444**

44. Group Property, Plant & Equipment

2017/18									2018/19							
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		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								
213,706	133,738	5,845	12,250	143	2,992	1,496	370,170	At 1 April	221,784	131,761	6,287	12,438	146	2,992	4,538	379,946
7,856	200	3,691	188	3	-	4,593	16,531	Additions	7,708	7,813	1,644	1,419	2	-	1,460	20,046
(390)	(1,614)	-	-	-	-	-	(2,004)	Revaluation increases / (decreases) recognised in the Revaluation Reserve	7,876	(2,818)	-	-	-	1,651	-	6,709
146	(60)	-	-	-	-	-	86	Revaluation increases / (decreases) recognised in the surplus / deficit on the provision of services	382	(1,841)	(966)	-	-	-	-	(2,425)
(1,440)	-	(3,247)	-	-	-	-	(4,687)	Derecognition - disposals	(1,307)	-	(273)	-	-	-	-	(1,580)
-	-	(2)	-	-	-	-	(2)	Derecognition - other	-	-	-	-	-	-	-	-
-	(148)	-	-	-	-	-	(148)	Assets reclassified to/from held for resale	-	-	-	-	-	-	-	-
1,906	(355)	-	-	-	-	(1,551)	-	Other Reclassifications	1,116	2,895	-	147	-	669	(4,747)	80
221,784	**131,761**	**6,287**	**12,438**	**146**	**2,992**	**4,538**	**379,946**	**At 31 March**	**237,559**	**137,810**	**6,692**	**14,004**	**148**	**5,312**	**1,251**	**402,776**
								Accumulated Depreciation and Impairment								
(10,902)	(3,591)	(2,355)	(2,446)	-	(30)	(33)	(19,357)	At 1 April	(15,513)	(1,556)	(2,990)	(2,852)	-	(86)	(33)	(23,030)
(4,626)	(4,407)	(640)	(406)	-	(56)	-	(10,135)	Depreciation charge	(4,579)	(4,252)	(666)	(404)	-	(57)	-	(9,958)
-	6,423	-	-	-	-	-	6,423	Depreciation written out to the Revaluation Reserve	-	1,172	-	-	-	80	-	1,252
-	19	-	-	-	-	-	19	Depreciation written out to the surplus/ deficit on the provision of services	-	86	806	-	-	-	-	892
15	-	3	-	-	-	-	18	Derecognition - disposals	-	-	-	-	-	-	-	-
-	-	2	-	-	-	-	2	Derecognition - other	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	Other Reclassifications	-	80	-	-	-	(80)	-	-
(15,513)	**(1,556)**	**(2,990)**	**(2,852)**	**-**	**(86)**	**(33)**	**(23,030)**	**At 31 March**	**(20,092)**	**(4,470)**	**(2,850)**	**(3,256)**	**-**	**(143)**	**(33)**	**(30,844)**
206,271	**130,205**	**3,297**	**9,586**	**146**	**2,906**	**4,505**	**356,916**	**Net Book Value at 31 March**	**217,467**	**133,340**	**3,842**	**10,748**	**148**	**5,169**	**1,218**	**371,932**

45. Other Long term liabilities

These comprise the group pension fund liabilities of Cheltenham Borough Council and Cheltenham Borough Homes Limited. Further details of the council's liabilities are included in note 34 on pages 82 - 87 and for CBH in their accounts. These show a pension liability at 31st March 2019 of £10.658 million (£6.232 million at 31st March 2018).

46. Long term investments and Long term debtors

Long term investments differ from note 26 in the single entity accounts by the estimated value at 31st March 2019 (cost at 31st March 2018) of the shares in Gloucestershire Airport, which is replaced in the group accounts by a long term investment in the Airport equivalent to a 50% share of the company's net assets, shown immediately below long term investments.

Long term debtors differ from note 26 in the single entity accounts by the elimination on consolidation of the loans to CBH Limited of £6.415 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 2019 £'000	**31st March 2018 £'000**
Revaluation Reserve	169,416	164,142
Capital Adjustment Account	199,560	196,875
Financial Instruments Adjustment Account	(1,747)	(1,893)
Financial Instruments Revaluation Reserve	(344)	(166)
Collection Fund Adjustment Account	(419)	(490)
Pensions Reserve	(72,578)	(64,008)
Deferred Capital Receipts Reserve	2,952	3,221
Accumulating Compensated Absences Adjustment Account	(122)	(119)
Total Unusable Reserves	**296,718**	**297,562**

50. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2018/19 £'000	2017/18 £'000
Interest received	(499)	(334)
Interest paid	3,049	2,431

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

	2018/19 £'000	2017/18 £'000
Depreciation	(10,044)	(10,067)
Impairment and downward valuations	(1,418)	105
Amortisations	(166)	(176)
Increase (-) / decrease in creditors	1,827	3,098
Increase / decrease (-) in debtors	(760)	1,948
Increase / decrease (-) in inventories (stock)	35	31
Movement in pensions	(3,873)	6,390
Carrying amount of non-current assets sold or derecognised	(1,461)	(1,589)
Other non cash items charged to the net surplus or deficit on the provision of services	(2,650)	(170)
	(18,510)	**(430)**

51. Cash Flow Statement – Investing Activities

	2018/19 £'000	2017/18 £'000
Purchase of property, plant and equipment, investment property and intangible assets	62,665	15,857
Purchase of Investments	17,325	27,200
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,529)	(3,365)
Proceeds form the sale of short and long term investments	(16,007)	(33,303)
Other receipts from investing activites	(253)	(139)
Net cashflows from investing activites	**60,201**	**6,250**

52. Cash Flow Statement – Financing activities

	2018/19 £'000	2017/18 £'000
Cash receipts of short and long term borrowing	(189,867)	(26,801)
Other receipts for financing activities	(1,134)	(1,083)
Repayments of short and long term borrowing	141,358	19,544
Net cash flows from financing activites	**(49,643)**	**(8,340)**

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

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

	2018/19	2017/18
	£'000	£'000
Expenditure		
Repairs and Maintenance	3,864	3,733
Supervision and Management	7,233	7,097
Rents, Rates, Taxes and Other Charges	63	47
Depreciation and Impairment of Non-current Assets	4,777	4,666
Debt Management Costs	82	80
Movement in Bad Debts	129	140
Total Expenditure	**16,148**	**15,763**
Income		
Dwelling Rents	(18,555)	(18,812)
Non-dwelling Rents	(487)	(469)
Charges for services and facilities	(554)	(565)
Contributions towards expenditure	(533)	(531)
Other Income	(35)	(57)
Total Income	**(20,164)**	**(20,434)**
Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement	**(4,016)**	**(4,671)**
HRA share of Corporate and Democratic core	152	149
Net cost of HRA Services	**(3,864)**	**(4,522)**
HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
Gain on sale of HRA Non-current Assets	(1,530)	(716)
Interest Payable and Similar Charges	1,698	1,685
Interest and Investment Income	(169)	(56)
Capital Grants and Contributions Receivable	(244)	(363)
Surplus for the Year on HRA Services	**(4,109)**	**(3,972)**

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.

	2018/19 £'000	2017/18 £'000
Balance on the HRA at the end of the previous year	**8,601**	**6,868**
Surplus for the year on the HRA Income and Expenditure Statement	4,109	3,972
Adjustments between accounting basis and funding basis under statute (note 1)	(3,885)	(2,239)
Increase / (decrease) on the HRA	**224**	**1,733**
Balance on the HRA at the end of the current year	**8,825**	**8,601**

NOTES TO THE HRA STATEMENTS

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

	2018/19 £'000	2017/18 £'000
Items included in the HRA Income and Expenditure Account but excluded from the Movement in the HRA Balance		
Capital contributions applied	(244)	(363)
(Gain)/loss on sale of HRA non-current assets	(1,530)	(716)
Movements in the fair value of Investment properties	28	-
	(1,746)	**(1,079)**
Items not included in the HRA Income and Expenditure Account but included in the Movement in the HRA Balance		
Capital expenditure funded by the HRA	(2,139)	(1,160)
Net adjustments between accounting basis and funding basis under the regulations	**(3,885)**	**(2,239)**

2. Housing Stock

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

Type	Total at 1st April 2018	Additions	Sales	Total at 31st March 2019
Houses and Bungalows	2,110	7	17	2,100
Flats	2,354	13	5	2,362
Shared Ownership (flats)*	16	-	-	16
Total Stock	**4,480**	**20**	**22**	**4,478**

*Council share of shared ownership properties.

3. HRA Non-Current Assets

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

	1st April 2018 Restated* £'000	Revaluations/ Impairments £'000	Additions £'000	Reclass-ifications £'000	Disposals £'000	Approp-riations £'000	Depreci-ation £'000	31st March 2019 £'000
Dwellings	198,800	7,877	7,618	1,116	(1,306)	-	(4,461)	209,644
Assets under construction	1,037	-	1,385	(1,267)	-	-	-	1,155
Garages**	2,100	103	-	-	-	-	(53)	2,150
Other land and buildings	1,679	75	-	-	-	-	(23)	1,731
Infrastructure	5,206	-	477	-	-		(208)	5,475
Surplus assets	1,230	460	-	230	-	120	-	2,040
Investment property	2,004		-	(79)	-	-	(29)	1,896
Equipment	25	-	-	-	-	-	(3)	22
Intangible Assets	14	-	-	-	-	-	(1)	13
Total non-current assets	**212,095**	**8,515**	**9,480**	**-**	**(1,306)**	**120**	**(4,778)**	**224,126**

*Restated to include appropriations from the General Fund in 2017/18
**Garages are included in Other Land & Buildings on the Balance Sheet.

4. Impairment and Revaluation of Non-Current Assets

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

5. Dwellings Valuation

The vacant possession value of dwellings within the HRA at 1st April 2019 was £598,983,711.

The 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 2018	-
Transfer to reserve	4,747
Financing of HRA capital expenditure	(4,747)
Balance 31st March 2019	**-**

7. HRA Capital Expenditure

A summary of HRA capital expenditure and sources of finance for 2018/19 is shown below:

Category	Total Expenditure	Sources of Finance			
		Major Repairs Reserve	Capital Receipts	Capital Contributions	Revenue Contributions
	£'000	£'000	£'000	£'000	£'000
New Build	1,384	-	427	-	957
Acquisitions	813	-	244	-	569
Major repairs & improvements	6,806	4,747	1,540	229	290
Garages	-	-	-	-	-
Infrastructure	477	-	139	15	323
Total	**9,480**	**4,747**	**2,350**	**244**	**2,139**

8. HRA Capital Receipts

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

	2018/19 £000	2017/18 £000
Sales of Dwellings	2,557	1,782
Sales of Land	-	137
Sales of Investment Property	222	-
Mortgage Principal	3	5
Sale of Shared Ownership Flats	70	107
Total	**2,852**	**2,031**

9. Rent Arrears

Rent arrears at 31st March 2019 amounted to £659,815 (£653,331 as at 31st March 2018) and the Balance Sheet includes a bad debt provision of £421,000 relating to those arrears (£425,000 as at 31st March 2018).

10. Interest and Investment Income

This includes £167,590 interest from notional cash balances and mortgage interest of £232 (£55,700 and £361 respectively in 2017/18).

GLOSSARY OF FINANCIAL 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.

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 Provide the required accounting treatment and disclosure of transactions so that an organisation's financial statements present fairly the financial position of the

Standards (IFRS)	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 2018/19

Contents

1. Scope of Responsibility

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

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

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

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

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

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

2. Purpose of Governance Framework

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

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

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

The governance framework has been in place at the authority for the year ended 31 March 2019 and up to the date of approval of the Annual Statement of Accounts.

3. Governance Environment

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

- Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users;
- Reviewing the authority's vision and its implications for the authority's governance arrangements;
- Measuring the quality of services for users, ensuing that they are delivered in accordance with the authority's objectives and ensuring that they represent the best use of resources;
- Defining and documenting the roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication;
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff;
- Reviewing and updating Financial Rules, Contract Rules, Constitution, Scheme of Delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls required to manage risks;
- Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained;
- Ensuring the authority's financial management arrangements conform with the governance requirements of the *CIPFA* Statement on the Role of the Chief Financial Officer in Local Government (2015);
- Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities;
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful;
- Whistleblowing referrals and for receiving and investigating complaints from the public;
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by the appropriate training;
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation; and
- Incorporating good governance arrangements in respect of partnerships, including shared services and other joint working and reflecting these in the authority's overall governance arrangements.

4. Principles

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

Principle A

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

Behaving with Integrity
Demonstrating strong commitment to ethical values
Respecting the rule of the law

- The roles and responsibilities of Members and all office holders are set out in the authority's Constitution. The Constitution also sets out how decisions are made and the procedures that are followed to ensure these are efficient, transparent and accountable to local people. The Constitution is supported and underpinned by a Code of Conduct for Members', Code of Conduct for Employees and a Protocol for Member/Officer Relations.
- The Code of Conduct for Members' requires declarations at meetings to be made by Members where necessary and these declarations are recorded in the minutes of the meeting. .
- The authority has a Standards Committee to maintain and promote high standards of conduct by observing and monitoring the operation of the Code of Conduct for Members'.
- Statutory Officers' responsibilities are defined in the Constitution and are employed in accordance with statutory guidance.
- The s151 officer leads the promotion and delivery of good financial management through the Executive Leadership Team, attendance at Council, Cabinet and Committee meetings and organises specialist workshops/training for officers and Members as appropriate and as part of the member induction programme following borough elections every 2 years. Induction is open to all members.
- Registers of interest are completed annually by Members and officers and a register of gifts and hospitality is maintained. Declarations of interest are declared and recorded at meetings.
- The Monitoring Officer and s151 meet regularly with the Chief Executive to discuss any matters relevant to their statutory functions. Both the s151 officer and the Monitoring Officer are members of the authority's Executive Leadership Team (ELT).
- Internal audit reviews are designed to ensure services are complying with internal and external policies and procedures / statutory legislation. Where non-compliance is identified, this is reported to management and to Members via the Audit Committee.
- Whistleblowing Policies have been updated and have been ratified by the Audit Committee.
- A Gloucestershire wide Counter Fraud Unit has been established to help prevent and detect fraud and corrupt practices, including abuse of position. The service reports to Audit Committee twice a year.

Principle B

Ensuring openness and comprehensive stakeholder engagement

Openness
Engaging comprehensively with institutional stakeholders
Engaging with individual citizens and service users effectively

- The annual accounts are published in a timely manner and in accordance with specified timescales so that the financial position and performance of the authority is open to public scrutiny in a timely manner.
- A Transparency Policy Statement is in place and the authority publishes 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 authority's website.
  Committee meetings, agendas and minutes are published in accordance with the Forward Plan and publication of agendas is done in accordance with the Local Government Act 1972. Where statutory timescales are not met then the appropriate consultation takes place with the Chair of the Overview and Scrutiny Committee with regard to call-in. Council, Cabinet and Committee reports clearly outline their purpose, so the public can understand what the decision is aiming to achieve. Reports also address financial legal, equalities, risk and sustainability implications to aid Members in their decisions making.
- Members and the public are able to ask questions at Council, Cabinet and the Overview and Scrutiny Committee. Public questions can be asked at other committee meetings, e.g. Licensing, Planning. All meetings are held in public unless exempt business is under discussion.
- Overview and Scrutiny committee promotes open and transparent decision making, democratic accountability and holds the Cabinet to account for its decisions.
- As part of the budget setting process consultation takes place through the authority's website and by attendance at meetings of the parish councils and business community by the Executive Director Finance and Assets and Cabinet Member Finance / Leader of the Council.
- Engagement with staff happens in a number of ways; whole authority staff sessions held a minimum of once a year, directorate team meetings, divisional team meetings, one-to-one meetings, monthly #wearecbc newsletter with a foreword from a member of the Executive Leadership Team, etc.
- Outside the budget process, engagement and consultation with the public is undertaken through public meetings, surveys and other mechanisms as required throughout the year or around specific topics, e.g. Cheltenham Plan.
- A Statement on Community Involvement is approved which sets out the opportunities by which the public and organisations can engage with the planning system, including the procedures and methods used to consult on planning applications. This is due to be refreshed in 2019.

- Performance against the corporate plan is monitored via Overview and Scrutiny and reported on an annual basis, reports are published on the authority's website.
- Transparency data is published on the website and includes, supplier payments, senior management structure charts, annual pay policy statement, and from 2018 gender pay gap as at 31 March for the previous financial year. Where data is not available in the published data sets, instructions are available on how to make a Freedom of Information Request and the procedure that will be followed to answer the request.

Principle C

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

Defining outcomes
Sustainable economic, social and environmental benefits

- The vision for Cheltenham is articulated in the Cheltenham Vision document approved by Council on 26 March 2018. The vision sets out the ambitions, aspirations and actions that the authority, together with its key partners, will take to bring about a thriving town in terms of businesses and their workforces, culture and creativity, people and communities.
- The values contained within the vision for Cheltenham reflect the fact that sustainability is of central importance to how the ambitions for the town will be achieved.
- The authority's objectives and actions to deliver the place vision provide the framework for the corporate plan. The corporate plan 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, the actions to deliver the priority outcomes and the milestones, indicators and risk by which progress will be measured. Economic, social and environmental impacts are factors taken into account in delivery of the corporate plan actions.
- Having adopted the Joint Core Strategy the authority continues to develop and adopt its local plan which sets out the detailed plans for delivering sustainable, social and environment benefits across the Borough.
- All Cabinet and Council reports include an environmental impact assessment.

Principle D

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

Determining interventions
Planning interventions
Optimising achievement of intended outcomes

- A mixed economy approach to service delivery is in place. In order to continue to deliver the priority outcomes of Members, and to operate within a more constrained financial cost base, the authority has over a number of years created a number of new organisations to deliver once in-house provided services at reduced cost.

- Each commissioned service is assigned a client officer who undertakes frequent and direct liaison with the service provider and monitors the contract performance and delivery. Each member of the Executive Leadership Team holds accountability for a commissioned service and provides the strategic guidance and support to the client officers. Executive Leadership Team and client officers keep relevant Cabinet members apprised of commissioned service performance as well as Cabinet Members being engaged directly in performance meetings with commissioned service providers.

- Council approved in February 2018 a new Executive Board structure with a focus on place and growth, finance and assets and people and change, this new structure has now been fully implemented. The Medium Term Financial Strategy (MTFS) has been reshaped in line with these areas with a member of the Executive Board having individual and collective accountability, working with Members, to achieve financial sustainability.

- As part of the 2018-18 budget process Council approved the authority's first commercial strategy which sets out the authority's ambition to be an enterprising and commercially focused authority with the objective of working towards becoming financially sustainable by 2021/22. The purpose of this strategy is to drive down the Council's net costs via a commercial mind-set with the aim to hold down council tax as far as possible, now and in the longer term, while also protecting frontline services from cuts – an immensely challenging task in the present climate.

- The strategy was adopted by Full Council with the vision "to become an enterprising and commercially focused Council which people are proud to work for and which others want to work with. We will use our assets, skills and infrastructure to shape and improve public services and enable economic growth in the Borough. We shall generate significant levels of new income for the Council working towards the objective of enabling it to become financially sustainable by financial year 2021/22".

- The drive towards financial sustainability includes identifying new opportunities to generate income and investment in projects which provide good financial returns. Our commercial strategy aligns closely with other key strategies including place-making, economic growth, digital transformation, workforce and skills development, investment and asset management which have a combined message that Cheltenham Borough Council has entered a new era of business enterprise, growth and innovation.

- Our budgets are prepared annually in accordance with objectives, strategies and the MTFS is finalised following consultation with Members, customers, stakeholders and officers.

- Financial stewardship in respect of both capital and revenue proposals is reviewed and challenged by the Budget Scrutiny Working Group and considered regularly by the Executive Leadership Team

- The MTFS is a live document and is updated as necessary, to respond to the changing environment and in such circumstances would be discussed by the Executive Leadership Team to determine any necessary mitigating actions which would then be discussed with the Cabinet.

- Processes are in place to identify and respond to external changes, for example: changes to legislation and regulation, emerging risks and opportunities, for example, risk management, development and delivery of the corporate strategy, performance management, medium term financial planning, budget monitoring are designed to capture and incorporate external factors and to enable the authority to respond appropriately.

- Corporate risks are considered by Corporate Management Team (CMT) on a monthly basis and service risks are monitored and managed at directorate team level. Any risks scoring 16 or more are escalated to the corporate risk register.

- Corporate performance is reported as explained in section C above.

- CMT meets on a monthly basis to consider progress with corporate projects which are supported by their own governance arrangements. Any significant variances against expected time, cost, and quality would be discussed with the relevant cabinet member and appropriate action taken, within the approved budget and policy framework. Any matters requiring ELT overview/oversight/decision are escalated by the Executive Director People and Change who is a member of the Corporate Management Team and who acts as a conduit between the two strategic groups.

Principle E

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

Developing the entity's capacity
Developing the capability of the entity's leadership and other individuals

- The authority was re-accredited with the Investors in People (IIP) award in February 2017 which demonstrates a commitment to the development of staff to achieve the authority's corporate and strategic objectives. Work has and continues to take place on the improvement actions raised following the IIP assessment.

- Going forward, and as set out within the corporate plan approved by Council, an organisational change programme is focusing on the modernisation of the authority, with staff having the necessary skills, behaviours and competencies to achieve the authority's future ambitions.

- During the year the Council has developed a HR strategy and action plan. This has been combined with the organisational development required for modernisation and the IIP action plan to provide a comprehensive picture of what is needed to develop/ support our people over the next few years to ensure the Council achieves our corporate objectives.

- To support the day to day delivery of services and the modernisation programme collaboration continues with Publica support services in the areas of Human Resources, Finance and ICT. The Executive Director of People and Change is lead commissioner for HR and ICT and the Executive Director of Finance and Assets is lead commissioner for Finance.

- All new employees take part in an induction programme and ongoing staff development needs are identified through the appraisal process and 1:1's. Appraisals were undertaken online for the first time in 2018/19 and a new Learning Management System will be introduced over the next year. The Chief Executive is appraised by the Group Leaders.

- All new Members undertake a comprehensive Members induction programme which is delivered after each borough election (i.e. every 2 years). New Members are matched with a senior officer under a buddy stem to provide practical support as they develop their casework. Training is provided for Members on an ongoing basis as appropriate and necessary. Members on certain committees (e.g. Planning and Licensing) are required to undertake training before attending those committee meetings together with on-going training. The authority is a member of the Local Government Association who provide individual mentoring and support to Members and officers as necessary or requested.

Principle F

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

Managing risk
Managing performance
Robust internal control
Managing data
Strong public financial management

- A corporate governance group meets on a quarterly basis, is chaired by the Chief Executive, and its attendees are the other statutory officers, Executive Director for People and Change plus internal audit, counter fraud, risk manager and HR.
- Officers are required to maintain Service / Operational Risk Registers and the CMT reviews the corporate risk register on a monthly basis which is then provided to informal cabinet.
- Any service level risks which score 16 or above are incorporated in the corporate risk register.
- The MTFS is reviewed and updated on regular basis to ensure the s151 Officer, ELT, CMT and Members are aware of the financial standing of the authority in terms of delivering against cost reduction or revenue raising targets. Performance against budget is reported to Cabinet and any significant variances explained.
- The Statement of Accounts is produced and published annually in accordance with statutory legislation. Aligned with this is the production of this Annual Governance Statement which identifies how the Authority has met its governance reporting obligations.
- External Audit recommendations are reported to Audit Committee following the completion of their annual audit process with follow-ups of recommendations also reported.
- Internal Audit is delivered through the South West Audit Partnership (SWAP) and processes ensure compliance with Public Sector Internal Auditing Standards. Internal Audit recommendations are followed up and reported to Audit Committee with further follow up is reported where recommendations have not been actioned in full.
- Copies of all Internal Audit reports are provided to the S151 officer who ensures that other relevant Executive Directors are made aware of any significant issues or recommendations.
- The Audit Committee reviews and approves the Risk Management Policy on an annual basis. Risks are identified when undertaking Internal Audit reviews and reported when necessary.
- A risk-based Audit Plan is drafted annually following consultation with Officers, Members and the S151 Officer. The Audit Plan is approved at Audit Committee prior to the financial year.

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

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

- The authority's services are delivered through a mix of direct service delivery and delivery through other standalone organisations, e.g., Cheltenham Borough Homes, Ubico deliver environmental services including waste management, street cleansing and grounds maintenance; The Cheltenham Trust is responsible for the authority's town hall, Pittville Pump Room, Leisure@ and Prince of Wales Stadium. Contracts and agreements are in place with each of these organisations which include performance management and reporting arrangements. Client officers monitor contractual requirements and performance measures.

- In November the Cabinet agreed to the establishment of an in-house team to undertake the functions currently delegated to the JWC.

- Organisational performance against the authority's corporate plan objectives is reviewed by the Corporate Management Team and by the Overview and Scrutiny Committee on a quarterly basis and reported to Cabinet.

- A Counter Fraud Unit has been established and supports all the Gloucestershire Local Authorities, West Oxfordshire District Authority and other third parties. Where investigations identify possible improvements to the internal control framework, the Counter Fraud Unit will liaise with the Internal Audit Team to ensure the improvements are followed up and implemented by Management.

- The Government adopted the EU General Data Protection Regulations and introduced the Data Protection Act 2018. This required the Council to undertake a wide range of compliance activity that was managed by a project team, these activities included the appointment of a Data Protection Officer, the Councils Borough Solicitor, reviewing all of the information that holds, preparing document retention schedules and training every elected Member and employee.

- A new Data Protection Policy was approved by Cabinet on the 18 April 2018, this document provides a framework for all other Information security and Information Management Polices all of which are available to all data users on the Councils intranet. It also provides the terms for the roles and responsibilities for the Data Protection Officer, Senior Information Risk Officer (SIRO) and the Single Point of Contact (SPoC).

- A range of training document was produced to support the training on Data Protection these are regularly reviewed and are used to deliver an agreed annual training programme which includes induction for elected Members and employees.

- The GDPR Project Board has been renamed the Data Protection Project Board and will continue through 2018/19. The project sponsor and chair for this board is the Executive Director for People and Change whose role includes the responsibilities of the (SIRO) as defined in the Data Protection Policy.

- The authority is part of the Gloucestershire Information Sharing Partnership. This will enable data to be shared when necessary.
- Audit reviews ensure data is held securely whether electronic or hard-copy.

Principle G

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

Implementing good practice in transparency
Implementing good practices in reporting
Assurance and effective accountability

- The authority publishes its performance in achieving delivery of its corporate plan objectives on an annual basis. Performance monitoring reports considered by Overview and Scrutiny are published on the authority's website in accordance with publication standards and guidelines.
- Data in respect of transparency is published on the Authority's website.
- The Statement of Accounts is produced and published annually in accordance with statutory legislation. Aligned with this is the production of the Annual Governance Statement which identifies how the authority has met it's governance reporting obligations
- External Audit recommendations are reported to Audit Committee, following the completion of their annual audit process, follow-ups of recommendations are also reported
- Internal Audit processes ensure compliance with Public Sector Internal Auditing Standards. Internal Audit recommendations are followed-up and reported to Audit Committee, further follow-up is planned if recommendations haven't been actioned in full.

5. Review of Effectiveness

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

- Directors complete an Annual Assurance Statement at the end of each financial year. These governance declarations provide appropriate management assurance that key elements of the system of internal control are in place and are working effectively and help to identify areas for improvement.

- Annual Assurance Statements are also completed by Client Officers in respect of external service providers, The Cheltenham Trust, One Legal, Publica, Ubico and CBH**.**

- Where the assurance review highlights elements that do not fully or partially meet the systems of internal control then the Directors and Client officers explain what action needs to be taken within an agreed timeframe.

- CMT review the Corporate Risk Register on a monthly basis and service risk registers are managed by each manager.

- The SWAP Assistant Director (Head of Internal Audit) provides the Audit Committee, as the Committee charged with governance, with an Annual Opinion on the control environment of the authority, which includes its governance arrangements.

- Investigation of, and decisions on, allegations of failure to comply with Members Code of Conduct are considered and determined through processes involving the Monitoring Officer/Independent Person(s)/Standards Committee/Sub-Committee as set out in the Constitution.

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

- The S151 Officer ensures training and awareness sessions are carried out for the Audit Committee periodically.

- The External Auditors (Grant Thornton) present progress reports to the 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.

- Performance with regard to achievement of corporate priorities, budgets and risk are reported and monitored as outlined in this statement.

- The Audit Committee review the Annual Governance Statement.

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

- Council approves the annual budget, reviews and approves the Treasury Management Strategy.

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

Director/Service Manager.

- The Annual Internal Audit Opinion for 2018/19, in respect of the areas reviewed during the year, will be provided in the final annual governance statement.

- The Authority's Financial Rules and Contract Rules are kept under review and revised periodically if necessary.

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

6. Significant Governance Issues During 2018/2019 - Action plan review

In preparing 2017/18 AGS and reviewing the effectiveness of the governance arrangements a number of areas were identified where the Council needed to focus attention and improve arrangements over the next financial year. These areas of work were planned to strengthen the control framework and are set out in the table below. These have been reviewed by the Lead officers, two of the three issues have been fully addressed. The third to do with Ubico Recyclates / Data Monitoring is being managed by the Client Team, SWAP will be undertaking a review of their audit 2018 audit and will report progress to the Managing Director for Place and Economic Development and to Audit Committee.

No	Key Area of Focus	Planned Actions	Lead officer/ client officer	Progress as at December 2019 (Lucy to update April 19)
1	Publica Group Ltd	Given that Publica only became operational in November 2017, during 2018/19 the Council needs to embed the governance arrangements relating to Publica. This includes implementing new Service Delivery Plans which will enable improved performance reporting using a new set of Key Performance Indicators and new arrangements for engagement between Publica and Council Members.	Darren Knight	A set of draft client metrics have been developed covering ICT, HR, Health & Safety and Procurement. These are being sent to Publica to review in December for their feedback and response. We plan that from April 2019 there will be a revised set of performance metrics in place that will give the Council the assurance it is understands the level of performance it is receiving. This need was also identified by the Publica Board in October Publica have appointed a Client Manager who is now meeting on a regular basis with the CBC client office. The Executive Director meets with the Publica Group Manager on a quarterly basis. Greater collaboration is also forming between CBC Modernisation Team and Publica's Transformation Team with monthly meetings to share learning and looking at opportunities

				for collaboration
2	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.	Bryan Parsons	The council completed stage one of the GDPR project to appoint a Data Protection Officer, access the level of compliance, train all staff and elected Members and to prepare an action plan to address any outstanding RISKS. Stage 2 of the project is now underway to monitor the risks on the action plan and to put in place processes that will ensure that the council remains compliant. Internal Audit are currently undertaking a follow up review of their audit carried out prior to the May 2018 implantation date The Data Protection Officer provided assurance to the Executive Board in May 2018 that the Council I would consider that this issue has now been fully addressed and the DPO will report further on this in report to Exec Board May 2019
3	Ubico Recyclates / Data Monitoring	Robust controls were not operating for the management of the recyclate. Value for money was not discussed or explored. Reporting of Ubico performance was inadequate to give CBC assurance that the contract is performing as expected.	Karen Watson	This function has been subject to an audit review and management actions agreed. These actions have recently been reviewed by the new in house client management team and changes in the process are being implemented. From 31 March 2019 this function will not be managed by the JWT. More robust budget and performance monitoring is now taking place by the new in house client management team and the new finance resource and performance reporting now in place by Ubico is slowly improving accuracy of reporting. This is now enabling value for money discussions to start taking place. A VFM review is planned in the next 18 months before contract renewal in 2022. This issue has not been fully addressed and will be carried forward to 2018/19 Significant Issues Action Plan and will be Managed by the

				Client Team. There will also be a follow up review by the Internal Audit Team

7. Significant Governance Issues During 2018/2019

In preparing this 2018/2019 statement and reviewing the effectiveness of the governance arrangements a number of areas have been identified where the Council needs to focus attention and improve arrangements 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	Lead officer
1	Ubico Recyclates / Data Monitoring	Robust controls were not operating for the management of the recyclate. Value for money was not discussed or explored. Reporting of Ubico performance was inadequate to give CBC assurance that the contract is performing as expected. Carried forward from 2017/18	Karen Watson - Client Team Manager
2	Learning & development	Implementation of Learning and Development system to enable us to strengthen our compliance with regards to statutory training.	Ann Wolstencroft – Programme & Governance Manager

The Annual Internal Audit Opinion, as drafted by the SWAP Assistant Director (Head of Internal Audit), lists audit work being conducted during 2018/19, which includes consultancy and advisory services. There is a sound system of internal control at the Council which will continue to help mitigate any risks to the organisation going forward.

The ‘partial’ and ‘no’ assurance audits that were issued during the year are captured in X above. Recommendations and actions have been agreed with Management, follow-up reviews have been planned for 2018/19 to ensure actions are being implemented.

Internal Audit follow-up reviews were conducted during 2018/19 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 2019/20.

8. Approval of Leader and Chief Executive

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit 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	**Pat Pratley**
Leader of the Authority	**Chief Executive**
Date:	**Date:**