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NARRATIVE REPORT

AN 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 115,600 (2011 mid-year census based population estimate) and with its architectural heritage, educational facilities and quality environment, Cheltenham is an attractive place to live, work and play.

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

Cheltenham Borough Council has an extensive property portfolio including a number of listed buildings that are operated by The Cheltenham Trust including the Town Hall, Pittville Pump Room and Art Gallery and Museum (renamed "The Wilson" in 2014). The council acquired a new property, Delta Place, in 2015/16. This building is held for investment purposes, currently fully occupied by local businesses. The council has secured a long term revenue stream from tenancy arrangements.

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

Political Structure in the 2015/16 Municipal year

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

The political make-up of the council in the 2015/16 municipal year was:

Liberal Democrat Party	24 councillors
Conservative Party	11 councillors
People Against Bureaucracy Party	4 councillors
Independent	1 councillors

The result of the local election in May 2016 increased the overall control of the Liberal Democrat Party, with a majority of 29 seats now held.

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 council, chaired by the Mayor, is responsible for setting the budget and policy framework within which decisions are made. 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.

STATEMENT OF ACCOUNTS 2015/16

The Cabinet for 2015/16 was made up as follows:

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

The Mayor and Deputy Mayor for 2015/16 were:

Mayor	Councillor Duncan Smith
Deputy Mayor	Councillor Chris Ryder

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

Management Structure

Supporting the work of councillors is the organisational structure of the council, headed by the Executive Board team, led by the Chief Executive, Mr Andrew North. During 2015/16 the Executive Board was comprised of the Chief Executive, three Executive Directors and the statutory section 151 officer, Mr Paul Jones. The statutory role of monitoring officer / borough solicitor to the council is held by Ms Sara Freckleton.

The management structure of the council has changed with effect from 1st April 2016, to align with the new joint committee and partnership arrangements detailed in 'Service Delivery' on page 5. The role of Chief Executive has been deleted from the establishment and a new role of Head of Paid Services for Cheltenham Borough Council has been created, held by Mrs Pat Pratley.

Bankers

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

External Auditor

The appointed external auditor in 2015/16 was Grant Thornton UK LLP, Hartwell House, 55 – 61 Victoria Street, Bristol, BS1 6FT.

COUNCIL VISION

The council's vision is for Cheltenham to deliver a sustainable quality of life, where people, families, their communities and businesses thrive; and in a way which cherishes our cultural and natural heritage, reduces our impact on climate change and does not compromise the quality of life of present and future generations. The Sustainable Community Strategy has adopted a twenty year vision for Cheltenham.

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

Our overarching message is simply: ***"Working together to create a great future for Cheltenham"***

The council's Corporate Strategy and its associated action plan for 2015/16 was agreed in April 2015. This strategy focuses efforts on four high level outcomes covering the issues that matter most to our

residents, businesses and visitors. There is also an internal “transformation” outcome covering commissioning, asset management, business improvement and financial management.

The outcomes are:

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

PERFORMANCE MANAGEMENT

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

Overall the council performed well during 2015/16. We continue to get recognition for our high standards, good performance, sound financial management and value for money. The council’s Annual Report for 2015/16 should be read in conjunction with the Statement of Accounts 2015/16 to give you a balanced view of the council’s work and finances.

The corporate strategy set out our commitment to deliver 28 projects across the 4 corporate outcomes and the proposed milestones and indicators by which the council’s performance is measured. In the 2015-16 action plan, the council identified 78 milestones to track our progress against the corporate strategy, 85% of which were completed in 2015/16.

SERVICE DELIVERY

The council is a multifunctional organisation that has adopted a strategic commissioning approach, which 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. By using a strategic commissioning approach we will improve the outcomes for people who rely on the council and the wider public sector, whilst at the same time creating opportunities for financial savings.

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

2020 Vision

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

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

In October 2015 the councils also agreed to receive a report and business case during 2016 on the potential establishment of a local authority company for the delivery of the functions of the 2020 Partnership. Work is currently underway on that business case.

A key principle of the partnership is that each council will retain its own identity, have its own elected members and continue to make decisions taking account of the needs of its local community. There will still be staff working in each location, as at present. Some members of staff will provide a service predominantly to one council; others will provide a service to more than one council.

The Partnership Services Managing Director is Mr David Neudegg and he is accountable to the Joint Committee. Each partner council has a Head of Paid Service who is responsible for the partner council services which are not delegated to the Joint Committee.

Ubico Ltd

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

Social housing scheme developments

During 2015/16 the council's Arms-Length Management Organisation or ALMO, Cheltenham Borough Homes Ltd (CBH), completed the second phase of the regeneration of St Paul's by providing an additional 15 affordable rent dwellings at the 'Festival Way' development. This scheme was part funded by social housing grant from the Homes and Communities Agency (HCA), capital grant from the council and borrowing through the council.

In 2015/16, a number of schemes redeveloping Housing Revenue Account (HRA) sites were approved by the council with construction activities commencing on 5 sites that will provide a total of 20 new homes by February 2017. These developments are being part funded by Right to Buy (RTB) receipts with the balance expected to be funded by a combination of reserves and borrowing. The council, working in partnership with CBH, continues to evaluate a number of other opportunities to redevelop HRA sites across Cheltenham.

The Cheltenham Trust

The council's Leisure and Culture services were transferred to The Cheltenham Trust on 1st October 2014. This is a new independent charitable trust, contracted to supply leisure and cultural related services to Cheltenham Borough Council. 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. Leisure and Culture Staff were TUPE transferred into The Cheltenham Trust on 1st October 2014.

Cheltenham Development Task Force

The purpose of the Task Force is to bring together the private, public and voluntary sectors to regenerate Cheltenham town centre for the people of Cheltenham, and its many visitors. The Task Force's strategy is

to promote council owned sites for inward investment by supporting our economy and communities for the benefit of Cheltenham.

The Task Force has brought together volunteer specialists from the private, public and voluntary sectors who work in partnership, with a shared passion for Cheltenham. Their remit is to consider specific issues or sites and recommend action to Cheltenham Borough and Gloucestershire County Council.

The Honeybourne Gate scheme is now completed, whilst progress on the Brewery II and Regency Place schemes have completely changed the local landscape, and have encouraged new commercial activities within the town. North Place has re-opened on an interim basis as a car park pending the development of a new scheme, since the Morrisons superstore will not now be built and Portland Street is under the ownership of a local developer.

In addition to these schemes, a range of other initiatives have been progressing during the year. On a site basis the largest town centre scheme will be the redevelopment of the Beechwood shopping centre to a John Lewis store, whilst elsewhere attention has focussed upon the need for new employment land.

The Cheltenham Transport Plan has now started its implementation phase, with works on site at Albion Street. Gloucestershire County Council, as the highways authority, plan to carry out a trial at Boots Corner in 2017. Other projects completed include the refurbishment of the iconic phone boxes on the Promenade as cultural hubs and various elements of High Street public realm, plus progress on projects such as the alleyways at St Marys Minster and Lower High Street.

The scheme to upgrade Cheltenham Spa station continues to make progress and has secured funding from 5 different sources. First Great Western plan to start consulting on a scheme during 2016/17.

The major focus of the Cheltenham Development Task Force for 2016/17 will be working with partners to upgrade the remaining parts of the High Street.

CHALLENGES

Local Government Finance

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

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

The Welfare Reform Act - introduced in 2012 with the aim of reducing the national welfare bill by £5.5 billion by 2016, including the withdrawal of Local Welfare Provision monies from 2015/16. The Chancellor announced in his July 2015 Summer Budget that there would be a further £12 billion reduction in spending on welfare, although there have been some changes to the proposals initially announced.

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

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

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

The council's 'Bridging the Gap' programme and the commissioning process have helped the council to move towards a robust five-year strategy for closing the funding gap. The work done on leisure and culture services, shared services with our 2020 partner councils, management restructuring and the accommodation strategy, as well as a number of smaller pieces of work, have given the council the opportunity to plan ahead over a period of several years.

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

DRAFT

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 2015/16 and the council's assets and liabilities at the year end.

The accounts for the year ending 31st March 2016 have been prepared and published in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (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 statements 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	This explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. This includes changes in policy, the basis of charges to revenue and the calculation of items in the Balance Sheet.
Comprehensive Income and Expenditure Statement	This reports the net cost in the year of all the functions for which the council is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers.
Balance Sheet	This summarises the overall financial position of the council at 31 st March 2016, showing its assets, liabilities and reserves.
Movement in Reserves Statement	This details the movement during the year in the council's reserves.
Cash Flow Statement	This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
Group Accounts	These bring together the accounts of Cheltenham Borough Council, Cheltenham Borough Homes and the council's share of the net assets of Gloucestershire Airport Ltd.
Housing Revenue Account	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 2015/16 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 revised budget, with an overall saving compared to budget of £239k. This budget saving has been transferred to the Budget Strategy (Support) reserve and is included in the "use of balances and reserves" line in the Financial Outturn table below.

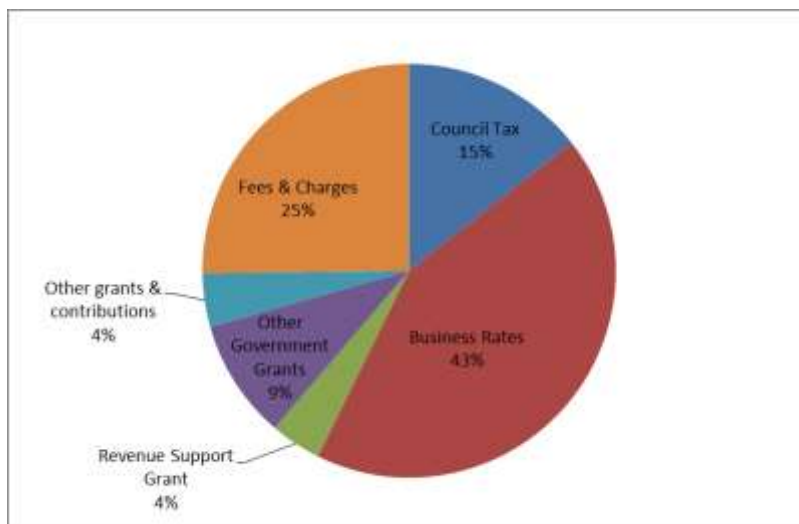
REVENUE OUTTURN 2015/16	Original Budget 15/16 £	Current Budget 15/16 £	Actual 15/16 £	Variance 15/16 £
DIRECTORATES:				
Head of Paid Service	7,231,920	7,294,570	7,354,309	59,739
Regulatory & Environmental Services	2,810,920	3,552,745	3,033,355	(519,390)
Resources Directorate	6,576,845	6,226,850	5,493,449	(733,401)
Net Expenditure on Services	16,619,685	17,074,165	15,881,113	(1,193,052)
Capital Charges	(1,736,900)	(3,005,830)	(3,044,560)	(38,730)
Interest payable and receivable	322,300	378,700	293,129	(85,571)
Use of balances and reserves	(91,200)	1,252,858	2,727,521	1,474,663
Total net expenditure	15,113,885	15,699,893	15,857,203	157,310
FINANCED BY:				
Council Tax income	(7,434,693)	(7,444,962)	(7,444,962)	0
Share of Collection Fund surplus (-) / deficit	(111,100)	(111,100)	(111,118)	(18)
Non-domestic rates income and expenditure	(3,017,084)	(3,562,227)	(3,682,769)	(120,542)
Revenue Support Grant (net of parish council tax support grant)	(2,110,549)	(2,100,280)	(2,100,281)	(1)
New homes bonus grant	(1,605,500)	(1,605,500)	(1,614,070)	(8,570)
Council tax freeze grant	(81,700)	(81,700)	(82,075)	(375)
S31 NDR compensation grant	(753,259)	(794,124)	(813,825)	(19,701)
Other specific government grants	0	0	(8,103)	(8,103)
Total Funding	(15,113,885)	(15,699,893)	(15,857,203)	(157,310)

The table shows the council's expenditure grouped according to council's management structure, which is used to present budgets and monitoring statements to cabinet and the council. However in the Statement of Accounts the council is required to analyse its expenditure and income in a standard format, allowing direct comparisons to be made with other local authorities. This is shown by the Comprehensive Income and Expenditure Statement on page 16.

Note 18 to the accounts on pages 53-54 gives a breakdown of the net expenditure on services shown above between employees, support service and other expenses, fees and other income and specific government grant income. The note then reconciles this to the surplus or deficit on the provision of services shown in the Comprehensive Income and Expenditure Statement on page 16.

Where the money came from

The following chart provides an analysis of our main sources of income this year for the General Fund (i.e. it excludes income in respect of the Housing Revenue Account). The Government provides income in the form of general and specific grants, and determines the amount of business rates we receive through pooling arrangements.



How the money was spent

The council provides a wide range of services, employing 275 people at 31st March 2016. The activities vary widely and include the provision and upkeep of council housing, provision for the collection of refuse and recycling, provision for culture and leisure services, car parking, cemeteries and crematoria, environmental health and many other services.

Housing Revenue Account (HRA)

The HRA generated a surplus in the year of £3.311 million, which after statutory adjustments and transfers from earmarked reserves, resulted in an increase of £2.4 million in the HRA balance, compared to a revised budget of £2.2 million.

During the year the council sold 24 dwellings under the 'right to buy' scheme.

Capital Expenditure

In 2015/16 the council spent £24.639 million on capital projects, grants and loans, compared with a revised budget of £30.340 million. Included in the expenditure for the year was £14.3 million for the purchase of town centre offices (Delta Place), £5.2 million on major repairs and modernisation of existing council dwellings, £0.954 million on new council dwellings, £0.475 million on disabled facilities and adaptations to the dwellings, £1.505 million on affordable housing, £0.520 million on the ICT 5 year infrastructure strategy and £0.265 million on the new Pittville play area (which will be completed in 2016/17).

STATEMENT OF ACCOUNTS 2015/16

In common with most local authorities, the council has been paying for a proportion of its capital expenditure from the proceeds of the sale of its assets, and £4.490 million of capital receipts were used for this purpose. Prudential borrowing of £11.250 million was used to part fund the acquisition of Delta Place. The remaining sources of finance were: government grants £0.393 million, capital contributions and partnership funding £0.233 million, Major Repairs Reserve £4.992 million and £1.781 million revenue financing.

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

Treasury Management (Investments and borrowing)

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

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

The challenging economic climate continues to have an impact on the council's finances. The historically low Bank of England base rate continues to dampen the level of interest earned by the council's cash investments. Interest rates have remained constant throughout the year at 0.5%, with no Bank of England interest rate changes during the period 1st April 2015 to 31st March 2016.

During the year the council's General Fund paid £2.464 million in borrowing costs (which was £8,756 less than budgeted for the year); and earned £455,838 on investments (which was £46,271 more than budgeted). This excluded interest on the written down value of Icelandic investments, details of which are shown in note 26. The overall impact was a saving to the General Fund of £55,027 compared to the revised budget.

Additional long term borrowing of £7 million was procured from the Public Works Loan Board (PWLb) during the year to part fund the Delta Place offices and long term capital loans to Cheltenham Borough Homes for affordable housing.

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 2016 was £53,619,000, a reduction of £6,499,000 over the figure for 31st March 2015 of £60,118,000. This is principally due to the fact that the financial assumptions at 31st March 2016 were more favourable than they were at 31st March 2015 as a result of increasing real bond yields and improved asset returns. All else being equal, these factors serve to reduce the value of the liabilities and thus had a positive impact on the IAS19 pension position.

Reserves, Balances and Provisions

At the year-end usable reserves stood at £30.8 million, an increase of £3.5 million during the year. Of this increase, £2 million related to the General Fund and £1.5 million to the Housing Revenue Account (HRA). The General Fund increase mainly comprised £0.973 million set aside in the Budget Strategy (Support) Reserve and £1.1 million set aside in the Business Rates Retention Equalisation Reserve, both of which will be required in 2016/17 and future years to cover known budget shortfalls.

Of the usable reserves at the year-end, General Reserves or 'Balances' stood at £1.4 million for the General Fund and £6 million for the HRA.

At the year-end provisions stood at £1.4 million, an increase of £0.4 million during the year, all 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 2015/16 Code of Practice in Local Authority Accounting. The policies are detailed in note 1 to the accounts (pages 20 to 39) and the changes in accounting policies are detailed in note 2 on page 39.

The bad debt provision included in the accounts for the non-recovery of overpayment of housing benefit has been increased in 2015/16. This provision represents 70% of outstanding overpayment balances at 31st March 2016, in comparison to the corresponding rate of 60% applied at 31st March 2015. This change of estimate reflects the potential impact of changes to the recovery processes in 2017.

CHANGES IN STATUTORY FUNCTIONS AND IMPACT OF NEW LEGISLATION

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

Local government audit

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

On 12th February 2015 the Accounts and Audit Regulations 2015 were made. The Regulations, which came into force on 1st April 2015, revoke and replace the Accounts and Audit Regulations 2011 (although the 2011 continue to have effect in relation to financial years ending on or before 31st March 2015) and contain provisions on the internal control and annual accounts and audit procedures that apply to relevant authorities (apart from health bodies), as defined in Schedule 2 to the Local Audit and Accountability Act 2014.

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

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

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

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

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

Cap on exit payments for public sector employees

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

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

EVENTS AFTER THE REPORTING PERIOD

On 16th June 2016 the council entered into the Central Icelandic Bank's auction and sold its 'Escrow' investment (valued at £0.795 million at 31st March 2016) in the Icelandic bank Glitnir. From this date the council no longer holds any investments in Icelandic-administered banks.

FURTHER INFORMATION

Further information about the accounts is available from GO Shared Services (Finance), Cheltenham Borough Council, Municipal Offices, Promenade, Cheltenham GL50 9SA. This is part of the council's policy of providing full information about the council's affairs. In addition, interested members of the public have a statutory right to inspect the accounts during a 'period for the exercise of public rights' before the audit is completed. The accounts are available for inspection by appointment between 1st July 2016 and 11th August 2016 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 2016, in writing, during this period.

Paul Jones
Section 151 Officer

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE COUNCIL'S RESPONSIBILITIES:

The council is required:

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

THE SECTION 151 OFFICER'S RESPONSIBILITIES:

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

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

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

The Section 151 Officer has also:

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

CERTIFICATE OF SECTION 151 OFFICER

I certify that the Statement of Accounts on pages 16 to 19 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 2016.

PAUL JONES
Section 151 Officer

30th June 2016

STATEMENT OF ACCOUNTS 2015/16

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2014/15			2015/16			
Gross expenditure £'000	Gross income £'000	Net expenditure £'000		Gross expenditure £'000	Gross income £'000	Net expenditure £'000
<i>Continuing Operations</i>						
2,128	(651)	1,477	Central Services to the public	1,773	(537)	1,236
9,339	(2,614)	6,725	Cultural and related services	8,753	(940)	7,813
10,028	(4,487)	5,541	Environment & Regulatory services	8,637	(4,750)	3,887
3,219	(1,865)	1,354	Planning services	3,782	(2,064)	1,718
3,359	(4,105)	(746)	Highways and Transport services	3,407	(4,154)	(747)
15,997	(20,403)	(4,406)	Local Authority housing (HRA)	16,724	(20,888)	(4,164)
33,865	(33,112)	753	Other housing services	33,372	(32,821)	551
3,601	(1,496)	2,105	Corporate & Democratic core	4,817	(3,220)	1,597
707	(242)	465	Non Distributed costs	1,053	-	1,053
82,243	(68,975)	13,268	Cost of Services	82,318	(69,374)	12,944
157	(22)	135	Other operating expenditure (<i>note 9</i>)	655	(1,488)	(833)
4,702	(957)	3,745	Financing and Investment (income) and expenditure (<i>note 10</i>)	4,582	(4,503)	79
19,623	(34,461)	(14,838)	Taxation and non-specific grant (income) and expenditure (<i>note 11</i>)	19,063	(34,168)	(15,105)
106,725	(104,415)	2,310	(Surplus) or Deficit on the provision of services	106,618	(109,533)	(2,915)
		(15,977)	(Surplus) or Deficit on revaluation of non-current assets (<i>note 33</i>)			(13,909)
		3,035	Remeasurement of the net defined benefit liability/(asset) (<i>note 35</i>)			(6,210)
		(12,942)	Other Comprehensive (Income) and Expenditure			(20,119)
		(10,632)	Total Comprehensive (Income) and Expenditure			(23,034)

STATEMENT OF ACCOUNTS 2015/16

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 2015	Note	31 March 2016
£'000		£'000
285,696 Property, Plant & Equipment	19	294,426
33,615 Heritage Assets	20	34,677
24,216 Investment Property	22	39,824
534 Intangible Assets	24	736
496 Long Term Investments	26	462
7,572 Long Term Debtors	26	8,397
352,129 Long Term Assets		378,522
12,950 Short term Investments	26	15,300
1,427 Assets held for sale	25	396
7 Inventories		12
5,125 Short term Debtors	27	5,521
8,602 Cash and cash equivalents	28	5,668
28,111 Current assets		26,897
(742) Bank overdraft	28	(112)
(460) Short term borrow ing	26	(808)
(13,194) Short term creditors	29	(14,075)
- Grants receipts in advance - revenue	17	(1,257)
(595) Provisions	30	(906)
(14,991) Current Liabilities		(17,158)
(387) Provisions	30	(498)
(58,745) Long term borrow ing	26	(64,830)
(83) Grants receipts in advance - capital		(83)
(1,443) Grants receipts in advance - revenue	17	(1,724)
(60,118) Other long term liabilities	35	(53,619)
(120,776) Long term liabilities		(120,754)
244,473 Net Assets		267,507
(27,283) Usable Reserves	32	(30,815)
(217,190) Unusable Reserves	33	(236,692)
(244,473) Total Reserves		(267,507)

I certify this Balance Sheet Paul Jones, Section 151 Officer

STATEMENT OF ACCOUNTS 2015/16

MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2014	1,752	6,439	4,204	12,802	-	1,043	26,240	207,601	233,841
<u>Movement in Reserves during 2014/15</u>									
Surplus or (deficit) on the provision of services	(5,444)		3,134				(2,310)		(2,310)
Other comprehensive income and (expenditure)								12,942	12,942
Total Comprehensive Income and (Expenditure)	(5,444)	-	3,134	-	-	-	(2,310)	12,942	10,632
Adjustments between accounting basis and funding basis under regulations (Note 5)	4,164	-	(1,780)	1,037	-	(68)	3,353	(3,353)	-
Net increase/(decrease) before transfers to reserves	(1,280)	-	1,354	1,037	-	(68)	1,043	9,589	10,632
Transfers to/from earmarked reserves (Note 32)	1,128	(1,128)					-		-
Increase / (decrease) in 2014/15	(152)	(1,128)	1,354	1,037	-	(68)	1,043	9,589	10,632
Balance at 31 March 2015	1,600	5,311	5,558	13,839	-	975	27,283	217,190	244,473
<u>Movement in Reserves during 2015/16</u>									
Surplus or (deficit) on the provision of services	(396)		3,311				2,915		2,915
Other comprehensive income and (expenditure)								20,119	20,119
Total Comprehensive Income and (Expenditure)	(396)	-	3,311	-	-	-	2,915	20,119	23,034
Adjustments between accounting basis and funding basis under regulations (Note 5)	2,373	-	(1,819)	(441)	508	(4)	617	(617)	-
Net increase/(decrease) before transfers to reserves	1,977	-	1,492	(441)	508	(4)	3,532	19,502	23,034
Transfers to/from earmarked reserves (Note 32)	(2,168)	2,168					-		-
Increase / (decrease) in 2015/16	(191)	2,168	1,492	(441)	508	(4)	3,532	19,502	23,034
Balance at 31 March 2016	1,409	7,479	7,050	13,398	508	971	30,815	236,692	267,507

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.

2014/15		2015/16	
£'000		£'000	£'000
2,310	Net (surplus) or deficit on the provision of services	(2,915)	
(14,603)	Adjust net surplus or deficit on the provision of services for non-cash movements (note 36)	(13,821)	
2,045	Adjust for items in the net surplus or deficit on the provision of services that are investing or financing activities (note 36)	4,374	
(10,248)	Cash (inflows) generated from operating activities	—————	(12,362)
19,168	Investing activities (note 37)		21,101
(1,217)	Financing activities (note 38)		(6,435)
7,703	Net (increase) / decrease in cash and cash equivalents		————— 2,304
15,563	Cash and cash equivalents at beginning of the year		7,860
7,860	Cash and cash equivalents at end of the year (note 28)		5,556
(7,703)	Net increase / (decrease) in cash and cash equivalents		————— (2,304)

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

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

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

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

1.2 ACCOUNTING CONCEPTS

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

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

- Relevance
- Reliability
- Comparability
- Materiality

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

Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as Inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- All income and expenditure is credited and charged to the Comprehensive Income and Expenditure Statement, unless it comprises capital receipts or capital expenditure.

Going Concern

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

Primacy of legislative requirements

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

1.3 EMPLOYEE BENEFITS

Benefits Payable during Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

- The liabilities of the Gloucestershire pension scheme attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on the adoption of the AA-rated corporate bond basis.
- The assets of the Gloucestershire pension fund attributable to the council are included in the balance sheet at their fair value on the following basis:
 - quoted securities – current bid value
 - unquoted securities – professional estimate of fair value
 - unitised securities – current bid price
 - property – market value.
- The change in the net pension liability is analysed into seven components:
 - Current service cost: the increase in liabilities as a result of the additional year of service earned - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost: the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - charged to the Surplus or Deficit in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - Interest cost on defined obligation: the expected increase in the present value of liabilities during the year as they move one year closer to being paid - charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - Return 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 cost of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of SeRCOP. The total absorption costing principle is used – the full cost of overheads and support services are shared between services in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation
- Non Distributed Costs – past service costs and gains/losses on settlements relating to pensions, the cost of any unused IT facilities, and the cost of holding any surplus assets.

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

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

1.6 COUNCIL TAX RECOGNITION

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

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

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

1.7 NATIONAL NON-DOMESTIC RATES (NNDR) INCOME RECOGNITION

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

1.8 ACQUISITIONS AND DISCONTINUED OPERATIONS

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

1.9 VAT

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

1.10 FOREIGN CURRENCY TRANSLATION

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

1.11 NON-CURRENT ASSETS - RECOGNITION OF CAPITAL EXPENDITURE

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

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

The initial cost of an asset is recognised to be:

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

Measurement

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

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

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

- Other Land and Buildings – Current value, using the basis of existing use value (EUV) where an active market exists or Depreciated Replacement Cost (DRC), where there is no active market for the asset or it is specialised
- Infrastructure – depreciated historic cost
- Community assets – historic cost (where known). The cost of many of the council's parks, gardens and open spaces is not known and they are therefore shown at Nil value. The Code offers the option for authorities to measure community assets at valuation, which is the requirement for Heritage assets. The council has so far not adopted to change its accounting policy in this way as it does not currently have the management information to make reasonable valuation estimates of community assets.
- Assets under construction – historic cost
- Surplus Assets – Current value, using the Fair value basis defined by IFRS13 i.e. the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.
- In the case of assets that have short useful lives or low values (or both) i.e. Vehicles, Plant and Equipment, depreciated historic cost is used as a proxy for current value.

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Council dwellings – depreciated on the basis of the Major Repairs Allowance, a measure of the ‘wearing out’ of the stock, provided by the government.
- Other buildings, Vehicles, Plant, Furniture and Equipment, Infrastructure, Surplus assets – straight-line allocation over the asset’s estimated useful life.

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

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

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

Componentisation

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

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

1.13 NON-CURRENT ASSETS - HERITAGE ASSETS

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

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

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

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

Statues and Monuments

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

Archaeology

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

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

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

1.14 NON-CURRENT ASSETS - INVESTMENT PROPERTY

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset, in its highest and best use, could be exchanged between market participants at the reporting date. Properties are not depreciated but are revalued annually as necessary dependent on changes in market conditions in the year. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Such gains and losses, however, are not permitted by statutory arrangements to have an impact on the General Fund Balance and are therefore reversed out in the Movement in Reserves Statement and credited to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

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

1.15 NON-CURRENT ASSETS - INTANGIBLE ASSETS

Expenditure on assets that do not have physical substance and which are controlled by the entity

through custody or legal rights (e.g. software licences), is capitalised when it will bring benefits to the council for more than one financial year. Internally generated assets are capitalised where it can be demonstrated that the project is technically feasible, is intended to be completed (with adequate resources being available), where the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset, and where the expenditure during the development phase can be reliably measured.

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

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

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

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

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

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

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

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

revaluation gains accumulated for the asset in the Revaluation Reserve are written off to the Capital Adjustment Account.

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

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

1.17 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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

1.18 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

1.19 LEASES

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

Defining a Finance Lease

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

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. in the case of hire purchase)
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised
- If the lease term is for the major part of the economic life of the asset, even if title is not transferred. The economic life of the asset is deemed to be consistent with the useful life of the asset in the depreciation policy. The council recognises the major part to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease. If this rate cannot be determined the incremental borrowing rate applicable for that year is used. The council recognises “substantially all” to mean 90% of the value of the asset. In some circumstances, a level of 75% is used if the council believes that using this level will give a result that better reflects the underlying transaction
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications
- If the lessee cancels the lease, the lessor’s losses associated with the cancellation are borne by the lessee
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease)
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

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

Lessee Accounting for a finance lease

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

The initial recognition of the asset is at the fair value of the asset, or if lower, the present value of the minimum lease payments. A liability is also recognised at this value, which is reduced as lease

payments are made. Lease payments made to the lessor are split between the reduction in the liability and interest, which is charged to the Comprehensive Income and Expenditure Statement.

Lessor Accounting for a finance lease

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

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

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

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

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

Defining an Operating Lease

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

Lessor Accounting for an operating lease

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

Lessee Accounting for operating leases

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

1.20 FINANCIAL INSTRUMENTS

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

Financial Liabilities

Financial liabilities are initially measured at fair value and then carried at amortised cost. Where

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

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

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

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

Financial Assets

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

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

Loans and Receivables

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

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

Where loans and receivables are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and an

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

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

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

Available-for-sale financial Assets

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

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

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

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

1.21 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.

1.22 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.

1.23 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.

1.24 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.

1.25 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.

1.26 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.

1.27 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.

1.28 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.

1.29 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.

1.30 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.

1.31 INTERESTS IN COMPANIES AND OTHER ENTITIES – GROUP ACCOUNTS

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

Basis of Consolidation

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

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

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

At 31st March 2016 the council also had a 16.66% shareholding in Ubico Ltd., a local authority owned company which (from 2015/16) has six members, providing environmental services to the shareholder councils. Previously the company was jointly owned and controlled with Cotswold District Council. Since the council no longer has control or joint control or significant influence over the company, from 2015/16 its accounts have not been consolidated into the group accounts, however full disclosure notes are provided.

Accounting Policies

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

Cheltenham Borough Homes (CBH)

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

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

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

Gloucestershire Airport Ltd

The financial statements of the Airport have been prepared under the historic cost convention in

accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

Property, Plant and Equipment assets held by Gloucestershire Airport are therefore initially valued at historic cost. For the purposes of the group accounts they have been re-valued at Current value in existing use (using depreciated replacement cost), in order to bring them into line with the council's accounting policies. Any revaluation gains or losses are treated as described in paragraph 1.12 (Measurement).

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

From 1st April 2015 the Code adopted the standards *IFRS13 Fair Value Measurement, Annual Improvements to IFRSs 2011-2013 cycle and IFRIC 21 Levies*. The adoption of IFRS13 has resulted in a change to the measurement requirements for assets classified as Surplus assets within Property, Plant and Equipment and Investment Properties. These assets are now measured at fair value in accordance with the definition in IFRS13, and no longer with adaptations to that definition. The change is not considered to have had a material impact on the financial statements.

The following standards will be introduced in the 2016/17 Code:

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

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

3. CRITICAL JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out on pages 20-39, the council has had to make certain judgments about complex transactions or those which may be uncertain depending on future events.

Leases

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

Business Rate Appeals Provision

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

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Cheltenham assume a share of the liability for refunding ratepayers as a result of successful appeals and other reductions made by the Valuation Office in the rateable values on the rating list. A successful appeal or other reduction may mean the council having to refund rates paid in previous years. The council has therefore set aside a provision to cover its share of the repayments it estimates will be made and made a judgement as to the timescale over which they are likely to be repaid.

The provision is based on the expected success rate of appeals lodged and any known or highly probable reductions at 31st March 2016, and no allowance has been made for any successful appeals or other reductions against previous years' rate liabilities that may be received after this date.

Non-Current Assets

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

Group Accounts

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

Bad Debts Provision

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

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of assets falls. It is estimated that the annual depreciation charge for buildings (including council dwellings), vehicles, plant and equipment and Infrastructure would increase by £450,000 for every year that useful lives had to be reduced.
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	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

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Item	Uncertainties	Effect if actual results differ from assumptions
	of consulting actuaries is engaged to provide the council with expert advice about the assumptions to be applied.	liability of approximately 9%, and a one year increase in member life expectancy would increase the pension liability by approximately 3%. A sensitivity analysis is included in note 35 on Pensions.
Non-domestic rates (NDR) appeals provision	This provision has been set up to meet losses arising from the successful appeal of businesses against the rateable value of their properties. The provision is based on an expected success rate of appeals submitted at 31 st March and an estimated reduction in rateable value. Although based on past experience, both the actual success rate and actual reduction may differ from the estimate.	A 1% increase in the assumed success rate, together with a 1% reduction in the rates payable, would result in an increase in the estimated provision required of £275,000, of which the council's share would be £110,000. This would increase the collection fund deficit to be distributed to the council in future years. Some of this reduction may be compensated by the local NDR pool if it resulted in a deficit in the year. Certain categories of appeals are estimated at 100% expected success rate, based on experience to date.

5. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER 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.

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2014/15						Adjustments between Accounting basis and Funding basis under regulations	2015/16					
General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves		General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000
						Adjustments to / from the Capital Adjustment Account						
						<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>						
(3,203)	(5,443)	-	-	-	8,646	Charges for depreciation and impairment of non-current assets	(4,286)	(5,501)	-	-	-	9,787
(2,396)	559	-	-	-	1,837	Revaluation losses on Property, Plant and Equipment	(1,582)	-	-	-	-	1,582
-	-	-	-	-	-	Movements in the fair value of Investment Properties	2,100	-	-	-	-	(2,100)
(104)	-	-	-	-	104	Amortisation of Intangible Assets	(108)	-	-	-	-	108
-	150	-	-	-	(150)	Capital grants and contributions applied	-	140	-	-	-	(140)
(592)	-	-	-	-	592	Revenue Expenditure Funded from Capital Under Statute	(550)	-	-	-	-	550
(1,066)	(616)	-	-	-	1,682	Amounts of non-current assets written off on sale as part of the gain/loss on disposal	(487)	(2,401)	-	-	-	2,888
28	-	-	-	-	(28)	Donated Assets	415	-	-	-	-	(415)
						<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>						
824	-	-	-	-	(824)	Statutory provision for the financing of capital investment	922	-	-	-	-	(922)
-	-	-	-	-	-	Voluntary provision for the financing of capital investment	282	-	-	-	-	(282)
812	726	-	-	-	(1,538)	Capital expenditure charged against the General Fund and HRA Balances	887	894	-	-	-	(1,781)
						Adjustments to / from Capital Grants Unapplied						
496	-	-	-	(496)	-	Capital grants credited to the Comprehensive Income and Expenditure Statement	481	-	-	(482)	1	
-	-	-	-	564	(564)	Application of grants/contributions to fund capital expenditure	-	-	-	486	(486)	
						Adjustments to / from the Deferred Capital Receipts Reserve						
-	-	-	-	-	-	Transfer of sale proceeds credited as part of the gain/loss on sale of non-current assets	344	-	-	-	-	(344)
						Adjustments to / from the Capital Receipts Reserve						
1,074	1,015	(2,089)	-	-	-	Transfer of sale proceeds credited as part gain/loss on the sale of non-current assets	834	3,211	(4,045)	-	-	-
-	-	1,513	-	-	(1,513)	Use of capital receipts to finance capital expenditure	-	-	4,490	-	-	(4,490)
-	(44)	44	-	-	-	Contribution towards the administrative costs of disposals	-	(15)	15	-	-	-
(310)	-	310	-	-	-	Contribution from capital receipts to finance payments to capital receipts pool	(456)	-	456	-	-	-
-	-	(254)	-	-	254	Transfer from Deferred Capital Receipts upon receipt of cash	-	-	(244)	-	-	244
32	-	(561)	-	-	529	Capital Grants and loans repaid	-	-	(231)	-	-	231
(4,405)	(3,653)	(1,037)	-	68	9,027	Carried forward	(1,204)	(3,672)	441	-	4	4,431

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cost of services in the Comprehensive Income and Expenditure Statement.

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

9. OTHER OPERATING EXPENDITURE

	2015/16 £000	2014/15 £000
Parish Precepts and council tax support grant	197	187
Payments to the Government Housing Capital Receipts Pool	458	311
(Gains) / losses on disposal of non-current assets	(1,488)	(363)
Total Other Operating Expenditure	(833)	135

10. FINANCING AND INVESTMENT (INCOME) AND EXPENDITURE

	2015/16 £000	2014/15 £000
Interest payable and similar charges	2,409	2,073
Impairment of Icelandic bank investments	-	(20)
Exchange rate (profit) / loss on Icelandic bank investments	(95)	50
Net interest on the net defined benefit liability/(asset)	1,831	2,294
Interest and investment income	(487)	(215)
Income and expenditure on investment properties and changes in their fair value	(3,579)	(437)
Net Financing and Investment (Income) and Expenditure	79	3,745

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

	2015/16 £000	2014/15 £000
Council Tax	(7,763)	(7,602)
Non -Domestic Rates (income) and expenditure		
- Billing authority share	(22,236)	(21,606)
- Collection Fund (surplus) / deficit	1,113	(102)
- Tariff payable to central government	19,084	18,726
- Levy payable to central government	122	550
- NDR local pool contribution	(143)	346
General government grants	(4,628)	(4,795)
Net gains from donated assets	(415)	(29)
Capital grants and contributions	(239)	(326)
Net Taxation and Non Specific Grant Income	(15,105)	(14,838)

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12. MEMBERS' ALLOWANCES

In 2015/16 the council paid £323,852 (2014/15 £319,472) in allowances to its 40 members. The expenditure reflects members' allowances approved by council for 2015/16. Full details of the Members' Allowances scheme for 2015/16 can be found on the council's website.

13. OFFICERS' REMUNERATION

Senior Officers whose *salary* is less than £150,000 but equal to or more than £50,000 per annum:

2015/16

Post Title	Salary £	Expenses/ Allowances £	Compensation for loss of office £	Other payments £	Total remuneration excluding pension contributions £	Pension contributions £	Total Remuneration including pension contributions £
Chief Executive (note i below)	110,366	937	59,910	5,328	176,541	136,266	312,807
Deputy Chief Executive	90,917	645	-	-	91,562	13,428	104,990
Civic Pride Managing Director	91,975	933	-	-	92,908	13,428	106,336
Director, Corporate Resources	77,113	101	-	-	77,214	11,259	88,473
Managing Director, Place & Economic Development (note ii)	12,274	169	-	-	12,443	1,792	14,235
Director, Environment	70,183	117	-	-	70,300	10,247	80,547
Director, Wellbeing & Culture	62,985	377	-	-	63,362	9,196	72,558
Director, Planning (note iii)	52,323	411	-	-	52,734	7,639	60,373
TOTAL	568,136	3,690	59,910	5,328	637,064	203,255	840,319

2014/15

Chief Executive (note i)	109,764	750	-	8,037	118,551	17,641	136,192
Deputy Chief Executive	90,490	420	-	-	90,910	13,212	104,122
Civic Pride Managing Director	90,490	843	-	-	91,333	13,212	104,545
Director, Corporate Resources	75,868	173	-	-	76,041	11,077	87,118
Director, Environment	63,513	108	-	-	63,621	9,238	72,859
Director, Wellbeing & Culture	61,968	341	-	-	62,309	9,047	71,356
TOTAL	492,093	2,635	-	8,037	502,765	73,427	576,192

Notes:

- i) 'Other payments' relate to Returning Officer fees paid in respect of elections
- ii) Managing Director, Place & Economic Development started in post during the year (February 2016).
- iii) Director, Planning started in post during the year (October 2015).

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

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

The position of statutory role of Section 151 Officer for the council is now carried out by the Chief Finance Officer, Paul Jones, under a secondment arrangement with Cotswold District Council. This arrangement is with effect from 1st July 2015, at a cost of £22,500 to the council in 2015/16 (full year equivalent cost £30,000). The role of Section 151 Officer is included in the position of Director, Corporate Resources in 2014/15 and 2015/16 to 30th June 2015.

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 £35,676 in 2015/16 (£34,252 in 2014/15).

The council did not employ any other staff receiving more than £50,000 remuneration (excluding employer's pension contributions) in the year. Hence no separate banding note is required.

14. TERMINATION BENEFITS

The council terminated the contract of one employee in 2015/16 (8 in 2014/15). Total costs incurred were £179,285 (£88,408 in 2014/15), of which £119,375 (£15,733 in 2014/15) related to early retirement costs and £59,910 (£72,675 in 2014/15) related to redundancy payments. 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:

2015/16		Bands	2014/15	
No. of staff	£		No. of staff	£
		£0 - £20,000	6	36,336
		£20,001 - £40,000	2	52,072
		£40,000 - £60,000		
		£60,001 - £80,000		
		£80,001 - £100,000		
		£100,001 - £150,000		
1	179,285	£150,001 - £200,000		
1	179,285		8	88,408

15. 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 17.

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 2015/16 is shown in note 12. No member or officer has declared an interest with any outside commercial organisation. Several members serve officially on bodies that receive major grants from the council and these are listed below.

Assisted organisations

The council provided financial assistance to 84 local bodies and voluntary organisations (103 2014/15) totalling £650,524 (£653,020 in 2014/15). 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 2015/16 are as follows, together with the number of members who are officially appointed to serve on those organisations:

	Cash Grant £	Support Costs £	Total Grant £	No. of Members
Everyman Theatre	200,050	(62,770)	137,280	1
County Community Projects (CCP)	108,000	5,900	113,900	
Playhouse Theatre	65,700	(57,450)	8,250	
	373,750	(114,320)	259,430	

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 £0.572 million was outstanding at 31st March 2016.

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.

STATEMENT OF ACCOUNTS 2015/16

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

Council employees are eligible to be members of the Local Government Pension Scheme, administered by Gloucestershire County Council. The total employer's contributions to the Pension Fund by the council were £4,014,000 in 2015/16 (£3,622,000 in 2014/15).

Companies and joint ventures

Gloucestershire Airport Ltd

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

The airport purchased goods and services from the council totalling £21,459 during 2015/16 (£15,633 in 2014/15). At 31st March 2016 £6,203 was owed by the Airport to the council (£25,032 at 31st March 2015) in respect of these goods and services. A loan of £0.867 million to the airport is shown as a long term debtor on the council's balance sheet, whilst the balance of an overdraft facility also provided to the airport by the council to support their Runway Safety Project was £140,000 at 31st March 2016.

Cheltenham Borough Homes (CBH) Ltd

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

The council procured supplies and services totalling £12,686,644 from CBH during 2015/16 (£12,521,880 in 2014/15), £2,267,123 (£747,709 in 2014/15) 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 £745,580 during 2015/16 (£683,941 in 2014/15), £328,550 (£61,543 in 2014/15) of which is included as 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 £6.818 million at 31st March 2016.

Ubico Ltd

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

The council procured supplies and services totalling £8,724,728 from Ubico Ltd during 2015/16 (£8,375,382 in 2014/15), £34,118 (£620,583 in 2014/15) 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 £1,094,140 during 2015/16 (£684,147 in 2014/15), £522,305 (£470,560 in 2014/15) of which is included in the council's balance sheet as a 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 2016 the amount owing to the council in more than one year under these leases totalled £318,306.

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16. EXTERNAL AUDIT COSTS

The total audit fees payable to the council's external auditor and the Audit Commission in 2015/16 were £62,367 (£86,766 in 2014/15), made up as follows:

	2015/16 £	2014/15 £
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor	49,406	65,874
Audit Commission rebate	-	(6,678)
Fees paid to the External Auditor for the certification of grant claims and returns	8,361	12,020
Audit Commission – National Fraud Initiative	-	2,300
Other work provided by the appointed auditor:		
IES Research Project	2,500	0
Audit of Pooling of Capital Receipts return	2,100	0
Supplementary work on Art Gallery and Museum	-	13,250
	62,367	86,766

17. GRANT INCOME

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

	2015/16 £'000	2014/15 £'000
Credited to Taxation and Non Specific grant income		
Revenue Support Grant	(2,111)	(2,921)
New Homes Bonus	(1,614)	(1,098)
Section 31 Business Rates compensation grants	(814)	(673)
Council Tax Freeze Grant	(82)	(81)
Community Right to Challenge New Burdens Grant	-	(8)
Assets of Community Value New Burdens Grant	-	(8)
Transparency Code Set Up Grant	(8)	(6)
Capital Grants and Contributions	(544)	(1,214)
Total	(5,173)	(6,009)
Credited to Services		
Election grants	(193)	(50)
Homelessness grants	(13)	(4)
Housing Benefits subsidy & administration grants	(31,833)	(32,005)
Council Tax Benefit administration grants	(110)	(125)
NNDR – Cost of Collection	-	(5)
Recycling grants	(241)	(80)
Art Gallery & Museum Grants	-	(30)
Transformational Change Award	(2,186)	(356)
Other Grants	(28)	(13)
Other partnership funding and contributions	(1,748)	(973)
Total	(36,352)	(33,641)

STATEMENT OF ACCOUNTS 2015/16

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:

	2015/16 Current £'000	2015/16 Long Term £000	2014/15 Long Term £000
Receipts in Advance – Revenue			
Transformation grant from central government	(1,257)	-	-
Commuted Grounds Maintenance contributions		(42)	(226)
Affordable Housing contributions		(1,502)	(1,037)
Other contributions		(180)	(180)
		(1,724)	(1,443)
Receipts in Advance – Capital		(83)	(83)

18. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (SEGMENTAL REPORTING)

The analysis of income and expenditure by service in the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP) for 2015/16. However decisions about resource allocations are taken by the council's cabinet on the basis of budget reports analysed across divisions, headed by Directors. These reports are prepared on a different basis to that used in preparing the financial statements. Specifically:

- the effects of any revaluation and impairment of assets are excluded
- the cost of retirement benefits is based on the employer's pensions contributions paid rather than the current service cost of benefits accrued in the year
- revenue expenditure funded from capital under statute (REFCUS) and capital grants are excluded.

The income and expenditure of Directorates recorded in the budget reports for the year, together with a reconciliation to the figures shown in the Comprehensive Income and Expenditure Statement, is shown below. The figures for 2014/15 have been restated to reflect a new directorate structure which took effect in March 2016.

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Directorate Income and Expenditure General Fund Services 2015/16	Employee costs £'000	Other service expenses £'000	Support service costs £'000	Total expenditure £'000	Fees & other income £'000	Government grants £'000	Total Income £'000	Net expenditure £'000
Head of Paid Service	1,891	10,616	230	12,737	(2,809)	(2,574)	(5,383)	7,354
Environmental & Regulatory Services	3,972	7,098	1,303	12,373	(8,248)	(1,091)	(9,339)	3,034
Resources Directorate	5,140	37,918	(1,533)	41,525	(3,044)	(32,988)	(36,032)	5,493
	11,003	55,632	-	66,635	(14,101)	(36,653)	(50,754)	15,881

Directorate Income and Expenditure General Fund Services 2014/15 RESTATED	Employee costs £'000	Other service expenses £'000	Support service costs £'000	Total expenditure £'000	Fees & other income £'000	Government grants £'000	Total income £'000	Net expenditure £'000
Head of Paid Service	3,033	10,165	312	13,510	(4,863)	(888)	(5,751)	7,759
Environmental & Regulatory Services	3,825	6,636	1,068	11,529	(8,314)	(788)	(9,102)	2,427
Resources Directorate	4,735	38,356	(1,380)	41,711	(2,260)	(33,119)	(35,379)	6,332
	11,593	55,157	-	66,750	(15,437)	(34,795)	(50,232)	16,518

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Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement (CIES)

2014/15						2015/16					
Directorate Analysis	Not Reported to Management	Not included in CIES	Net Cost of Services	Corporate Amounts	Total	Directorate Analysis	Not Reported to Management	Not included in CIES	Net Cost of Services	Corporate Amounts	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
16,518	(4,259)	433	16,951	3	16,954	15,881		1,480	17,361		17,361
	591		(4,259)		(4,259)		(4,076)		(4,076)		(4,076)
	(32)		591		591		550		550		550
	11		(32)		(32)		(383)		(383)		(383)
	(2,393)		11		11		1		1		1
			(2,393)		(2,393)		(2,120)		(2,120)		(2,120)
							205		205		205
							(247)		(247)		(247)
							(246)		(246)		(246)
	2,396		2,396		2,396		1,899		1,899		1,899
16,518	(3,686)	433	13,265	3	13,268	15,881	(4,417)	1,480	12,944	-	12,944
				(7,602)	(7,602)					(7,763)	(7,763)
				(2,086)	(2,086)					(2,060)	(2,060)
				(4,795)	(4,795)					(4,629)	(4,629)
				(326)	(326)					(238)	(238)
				(29)	(29)					(415)	(415)
-	-	-	-	(14,838)	(14,838)	-	-	-	-	(15,105)	(15,105)
				2,073	2,073					2,409	2,409
				30	30					(95)	(95)
		1	1	-	1					-	-
				187	187					197	197
				(215)	(215)					(487)	(487)
				310	310					456	456
				(363)	(363)					(1,486)	(1,486)
		(434)	(434)	(3)	(437)			(1,480)	(1,480)	(2,099)	(3,579)
				2,294	2,294					1,831	1,831
-	-	(433)	(433)	4,313	3,880	-	-	(1,480)	(1,480)	726	(754)
				(10,522)	2,310					(14,379)	(2,915)

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19. PROPERTY, PLANT & EQUIPMENT

2014/15								2015/16							
Council dwellings	Other Land and buildings	Vehicles, Plant and equipment	Infra-structure assets	Community assets	Surplus assets	Assets under construction	Total	Council dwellings	Other Land and buildings	Vehicles, Plant and equipment	Infra-structure assets	Community assets	Surplus assets	Assets under construction	Total
£'000	RESTATED £'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
163,481	113,966	6,331	10,548	226	402	357	295,311	152,295	121,726	7,620	11,146	226	367	484	293,864
6,069	742	851	546	-	-	408	8,616	5,207	155	816	655	-	-	1,264	8,097
(17,287)	8,864	209	-	-	-	-	(8,214)	6,659	6,042	-	-	(143)	995	-	13,553
559	(2,396)	-	-	-	-	-	(1,837)	-	(315)	-	-	(1,565)	(20)	-	(1,900)
(527)	-	-	-	-	(35)	-	(562)	(968)	(95)	(344)	-	-	(56)	-	(1,463)
-	-	-	-	-	-	-	-	-	-	(3,621)	-	-	-	-	(3,621)
-	550	-	-	-	-	-	550	-	(275)	-	-	-	-	-	(275)
-	-	229	52	-	-	(281)	-	(26)	(1,578)	(59)	(63)	1,613	369	632	888
152,295	121,726	7,620	11,146	226	367	484	293,864	163,167	125,660	4,412	11,738	131	1,655	2,380	309,143
Cost or valuation								At 31 March							
(17,880)	101	(3,990)	(1,566)	-	(8)	-	(23,343)	-	(1,990)	(4,323)	(1,839)	-	(8)	(8)	(8,168)
(5,300)	(2,746)	(333)	(273)	-	-	-	(8,652)	(5,333)	(3,700)	(450)	(305)	-	-	-	(9,788)
23,180	655	-	-	-	-	-	23,835	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	(388)	-	-	-	-	-	(388)
-	-	-	-	-	-	(8)	(8)	-	-	-	-	-	-	(6)	(6)
-	-	-	-	-	-	-	-	-	-	-	-	-	8	-	8
-	-	-	-	-	-	-	-	-	-	3,621	-	-	-	-	3,621
-	-	-	-	-	-	-	-	-	4	-	-	-	-	-	4
-	-	-	-	-	-	-	-	-	4	(14)	14	-	(4)	-	-
-	(1,990)	(4,323)	(1,839)	-	(8)	(8)	(8,168)	(5,333)	(6,070)	(1,166)	(2,130)	-	(4)	(14)	(14,717)
152,295	119,736	3,297	9,307	226	359	476	285,696	157,834	119,590	3,246	9,608	131	1,651	2,366	294,426
Accumulated Depreciation and Impairment								Net Book Value at 31 March							

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Depreciation

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

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

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

Revaluations

The council formally re-values its land and buildings on a rolling programme to ensure they are revalued at least every five years, however in accordance with the Code all land and building values are reviewed annually for material changes and re-valued at 31st March if necessary. Valuations were carried out both internally by the council's property section, headed by David Roberts MRICS, and externally by JLL. 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	Other land and buildings	Vehicles, plant, furniture & equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at (depreciated) historical cost			3,246	9,608	131		2,366	15,351
Valued at fair value as at 31 st March:								
2012						273		273
2013						38		38
2014		82,342				34		82,376
2015		29,447				26		29,473
2016	157,834	7,801				1,280		166,915
Total cost or valuation	157,834	119,590	3,246	9,608	131	1,651	2,366	294,426

Componentisation

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

Reclassifications and effect changes in estimates

A number of reclassifications were made in 2015/16 between classes of Property, Plant and Equipment and Investment property, based on a reassessment of the nature and reasons for holding each asset. These changes, together with upward revaluations and additions in 2014/15, have resulted in additional depreciation of £1.1 million in 2015/16.

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

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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	Art Collection	Furniture	Civic Regalia & Silver	Textiles, Ephemera and other collectables Restated*	Statues and Monuments Restated*	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valuation							
1 April 2014	2,167	21,609	4,000	197	4,294	962	33,229
Additions	9	4	-	-	16	-	29
Revaluations	4	(16)	-	-	(31)	-	(43)
Removal of long term loans	-	-	-	-	(245)	-	(245)
Update for inflation	43	432	80	4	86	-	645
31 March 2015	2,223	22,029	4,080	201	4,120	962	33,615
Additions	-	98	29	-	288	-	415
Update for inflation	47	440	83	4	73	-	647
31 March 2016	2,270	22,567	4,192	205	4,481	962	34,677

*The figures for 2014/15 have been restated to separate out the statues and monuments from the textiles and other collectables.

The major works of art were last revalued at 1 April 2010 by the valuer Gulls. In 2014/15 the insured value of objects loaned to the council was removed from the total value. 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.

	2015/16 £'000	2014/15 £000
Opening Capital Financing Requirement	73,870	72,594
Capital Investment		
Property, Plant and Equipment (see Additions in note 19 for breakdown)	8,097	8,615
Investment properties	14,305	-
Intangible assets	187	-
Long Term Loans (see note 26 on long term debtors)	1,500	2,100
Revenue Expenditure Funded from Capital under Statute	550	592
	24,639	11,307
Sources of Finance		
Capital Receipts	(4,490)	(1,513)
Government Grants	(393)	(344)
Capital Contributions	(207)	(212)
Partnership Funding	(26)	(157)
Revenue Financing:		
Minimum Revenue Provision (MRP)	(922)	(824)
Voluntary Revenue Provision	(282)	-
Major Repairs Reserve	(4,992)	(5,443)
Revenue	(1,781)	(1,538)
	(13,093)	(10,031)
Closing Capital Financing Requirement	85,416	73,870
Explanation of movement in year		
Increase in underlying need to borrowing (unsupported by Government financial assistance)	12,750	2,100
Minimum Revenue Provision (MRP)	(922)	(824)
Voluntary Revenue Provision	(282)	-
Increase (Decrease) in Capital Financing Requirement	11,546	1,276

Commitments under capital contracts

At 31st March 2016 the council was committed to completing the schemes within its capital programme for 2015/16. A total of £1.335 million had not been spent but was contractually committed at 31st March 2016, including £1.314 million for works on housing properties (£0.956 million at 31st March 2015). In addition a contract was committed for the Pittville Play Area Improvements scheme which straddled 2015/16 and 2016/17 and was completed in May 2016.

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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:

	2015/16 £'000	2014/15 £'000
Rental income from Investment Property	3,921	846
Depreciation	-	(25)
Direct Operating Expenses	(342)	(384)
Net gain / (loss)	3,579	437

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.

	2015/16 £'000	2014/15 £'000
Balance at 1st April	24,216	25,244
Additions - purchases	14,300	-
- subsequent expenditure	5	-
Disposals	-	(1,028)
Transfers (to)/from - Property, Plant and Equipment	(1,009)	-
- Assets Held for Sale	(33)	-
Net gains / (losses) from fair value adjustments	2,345	-
Balance at 31st March	39,824	24,216

23. ASSETS HELD UNDER LEASES**The council as Lessee**

As a lessee the council does not have any material finance or operating 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 £0.4 million have been subject to further finance leases.

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

	31st March 2016 £'000	31st March 2015 £'000
Not later than 1 year	312	239
1 – 5 years	311	286
More than 5 years	7	-
	630	524

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 £2,468,778 in rental income in 2015/16 from its granted leases (£1,571,282 in 2014/15).

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

	31st March 2016 £'000	31st March 2015 £'000
Not later than 1 year	2,365	1,012
1 – 5 years	7,675	2,635
More than 5 years	7,927	2,985
	17,967	6,632

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During 2015/16 the council purchased Delta Place from which a significant annual rental stream is now received and is included in the future minimum lease payments outlined above.

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:

	2015/16 Software £'000	2014/15 Software £'000
Balance at 1st April		
- Gross carrying amounts	1,282	1,282
- Accumulated amortisation	(748)	(650)
Net carrying amount at start of year	534	632
Additions - purchases	187	-
Reclassifications from Property, Plant and Equipment	123	-
Amortisation in Year	(108)	(98)
Balance at 31st March	736	534
Comprising:		
- Gross carrying amounts	1,099	1,282
- Accumulated amortisation	(363)	(748)
	736	534

25. ASSETS HELD FOR SALE

	Current	
	31st March 2016 £'000	31st March 2015 £'000
Balance outstanding at start of year	1,427	644
Assets newly classified as held for sale from		
- Property, Plant and Equipment	271	-
- Investment Property	33	-
Revaluation gains	98	-
Fair value of assets sold	(1,433)	(94)
Assets reclassified as Property, Plant and Equipment	-	(550)
Transfers from non-current to current	-	1,427
Balance outstanding at year end	396	1,427

26. FINANCIAL INSTRUMENTS

Overall Investments

	31st March 2016 £'000	31st March 2015 Restated* £'000
Long Term		
Loans and Receivables – Icelandic banks	27	61
Unquoted equity investments – Gloucestershire Airport	435	435
	462	496
Current		
Loans and Receivables - Icelandic banks	825	703
- Other banks	5,015	2,002
- Building Societies	5,312	3,003
- Other organisations	140	210
Available-for-Sale – Bank Certificates of Deposit	4,008	7,032
	15,300	12,950
Total Investments	15,762	13,446

*A number of investments previously shown as Loans and Receivables have been reclassified as Available-for-Sale and investments previously shown as Fair Value through Profit and Loss have been reclassified as Loans and Receivables. The latter have also been broken down into categories of financial institution.

Investments in Icelandic Banks

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

Although most of the deposits have now been repaid or recovered, the remaining amounts invested with KS&F continue to be subject to the respective administration and receivership processes. The amounts and timing of repayments to depositors such as the council are determined by the administrators and receivers. Of the original amount invested (plus interest due to the claim dates) of £11.640 million, cash repayments of £9.958 million (86%) had been received to 31st March 2016. In addition the council received repayments of £0.605 million in 2011/12 which continue to be held in an 'Escrow' account, resulting in total recoveries to 31st March 2016 of £10.563 million (91%).

In order to recognise any potential losses (including loss of interest from the original maturity date until the estimated date of repayment), the council has made impairment charges to its Income and Expenditure Statement since 2009/10, based on the best information and guidance available at the time. Further details are given in the Statement of Accounts for previous years.

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Kaupthing, Singer and Freidlander Ltd (KS&F)

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

The latest creditor progress report issued by the administrators covering the period up to 7th October 2015 indicates a return to creditors in the range of 85% to 86.5%. Claims are based on the principal and interest outstanding at 7th October 2008. Up until 31st March 2016 repayments of 83.75% had been received.

For the purpose of calculating any impairment adjustment in 2015/16 the council has assumed the mid-point in the latest range (i.e. 85.75%). The remaining 2% outstanding at 31st March 2016 has been assumed to be received in three annual instalments beginning in December 2016.

Glitnir Bank Hf

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

In March 2012 the winding up board made repayments to priority creditors, which for the council amounted to £3.238 million. The repayment, mainly in a basket of currencies converted to Sterling when received, equated to 100% of the claim as denominated in that basket of currencies at 22nd April 2009 (the claim date), or 97% of the claim, as denominated in Sterling at the time of conversion. However a proportion of the repayment (approximately 19% of the amount repaid) continues to be held in an interest-earning 'escrow' account, denominated in Icelandic Krona (ISK), which cannot be released without authorisation of the Icelandic Central Bank.

The accounting entries made in respect of the remaining original loans are therefore as follows. All impairments have been recognised as at the balance sheet date of 31st March 2016.

Bank	Interest rate	Amount invested	Add Interest due to 31st March 2016	Impairment adjustments 2008/09 -2014/15	Less Repayments (including interest) to 31st March 2016	Impairment adjustments 2015/16	Carrying amount at 31st March 2016
	%	£'000	£'000	£'000	£'000	£'000	£'000
KSF	5.86	1,000	148	(252)	(877)	-	19
KSF	5.30	2,000	199	(466)	(1,695)	-	38
Total		3,000	347	(718)	(2,572)	-	57

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The carrying amounts have been classified as short or long term according to the profile of expected repayments. Those amounts expected to be repaid within twelve months, which total £29,481, have been classified as short term, leaving £27,166 recoverable in the long term.

In addition to the above, short term investments include the following amounts held in 'escrow' accounts. As these are denominated in Icelandic Krona (ISK) they have been converted to Sterling at the prevailing ISK exchange rate on 31st March 2016, with the interest and the exchange rate gain credited to the Comprehensive Income and Expenditure Statement.

	Repayments credited to escrow account 2011/12 £'000	Add Interest due to 31st March 2015 £'000	Add interest due in year £'000	Exchange rate gains / (losses) to 31 st March 2015 £'000	Exchange rate gain / (loss) In year £'000	Carrying amount of Escrow account at 31 st March 2016 (including interest receivable) £'000
Glitnir Bank Hf	605	78	26	(9)	95	795

Debtors

	Current		Long term	
	31st March 2016 £'000	31st March 2015 £'000	31st March 2016 £'000	31st March 2015 £'000 Restated*
Total debtors	5,521	5,125	8,397	7,572
Less payments in advance	(189)	(111)	-	-
Less non-exchange transactions	(2,272)	(2,202)	-	-
Loans and Receivables	3,060	2,812	8,397	7,572

* The long term figures at 31st March 2015 have been restated to include £0.525 million finance lease repayments due from Ubico Ltd.

Further details of current debtors are given in note 27, page 71. 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 2016 mainly comprise:

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

The remainder comprises mortgages for house purchase loans and car loans to staff.

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Cash and Cash Equivalents

These financial instruments are detailed in note 28, page 71.

Borrowing

	Range of Interest rates payable at 31st March 2016 %	31st March 2016 £'000	31st March 2015 £'000
Financial Liabilities at amortised cost			
Long Term			
- Public Works Loan Board (PWLB) loans	1.80% - 4.875%	48,930	42,845
- Bank loans	3.82% - 4.95%	15,900	15,900
		64,830	58,745
Current			
- Public Works Loan Board (PWLB) loans	1.80 – 4.52%	541	192
- Bank loans	N/A (interest only)	246	247
- Other temporary borrowing	0 – 0.32%	21	21
		808	460

Analysis of PWLB loans by maturity			
1 year		541	192
2-5 years		2,264	612
6-10 years		2,619	872
More than 10 years		44,047	41,361
		49,471	43,037
Analysis of Bank loans by maturity			
1 year		246	247
2-5 years		-	-
6-10 years		2,000	2,000
More than 10 years		13,900	13,900
		16,146	16,147

The council took out further PWLB borrowing in 2015/16 of £6.950 million in order to advance a loan to Cheltenham Borough Homes (CBH) and to part fund the purchase an investment property (Delta Place). The loan to CBH was taken on an annuity basis and is being repaid to the council in full, based on the loan terms taken out with the PWLB.

Creditors

	Current	
	31st March 2016 £'000	31st March 2015 £'000
Total creditors	14,075	13,194
Less receipts in advance	(953)	(514)
Less non-exchange transactions	(5,332)	(7,488)
Financial liabilities at amortised cost	7,790	5,192

Further details of short term creditors are given in note 29, page 71. The figures stated above exclude receipts in advance and non-exchange transactions, such as taxes, grants and subsidies, which are not classified as financial instruments.

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Income, Expense, gains and losses

	2015/16			2014/15		
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Total £'000	Financial Liabilities measured at amortised cost Restated* £'000	Financial Assets: Loans and receivables Restated* £'000	Total £'000
Interest expense	2,410	-	2,410	2,236	-	2,236
Fee expense	3	1	4	2	14	16
Total expenses in Surplus or Deficit on the Provision of Services	2,413	1	2,414	2,238	14	2,252
Interest Income	-	(456)	(456)	-	(345)	(345)
Interest Income accrued on impaired financial assets	-	(31)	(31)	-	(32)	(32)
Total income in Surplus or Deficit on the Provision of Services	-	(487)	(487)	-	(377)	(377)
(Net gain)/loss for the year	2,413	(486)	1,927	2,238	(363)	1,875
*The figures for 2014/15 have been restated to show interest receivable and payable on long term loans separately						

Fair Value of financial assets and liabilities carried at amortised cost

Financial liabilities and loans and receivables are carried in the Balance Sheet at amortised cost.

The long term investments in Icelandic banks have been impaired so that their carrying values, representing the present value of the likely amounts to be recovered, would equate to their expected fair value.

The unquoted equity investment of £435,222 (shown at cost), consists of shares held in Gloucestershire Airport, for which a fair value cannot reliably be measured. This is because the council has agreed to retain its investment in the airport as it is of economic benefit to Gloucestershire and contributes to the attractiveness of the area for inward investment, rather than purely as a commercial investment. The range of reasonable fair value estimates could therefore be significant. There are no current plans to dispose of the shares.

In addition the council holds shares costing £1 in Ubico Ltd. The fair value of the council's interest in the company at 31st March 2016 is considered to be nil, since it is a wholly local authority owned not-for-profit 'Teckal' company. As a 'Teckal' company it is treated as if it were an in house department and the shareholder councils are able to enter into service contracts with the company without undertaking an EU compliant procurement process.

As regards borrowing, the fair value of PWLB loans held at 31st March 2016 was £62,611,779 (£48,217,351 at 31st March 2015) compared to the carrying value of £49,459,574 at 31st March 2016

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(£43,025,505 at 31st March 2015). The fair value is higher than the carrying amount because the council's loan portfolio includes fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the council would have to pay if it requested early repayment of the loans.

For all other long term borrowing the fair value equates to £24,956,184 at 31st March 2016 (£19,004,340 at 31st March 2015) compared to the carrying value of £15,900,000 at 31st March 2016 (£15,900,000 at 31st March 2015). The fair value is higher than the carrying amount because the interest rates payable by the council are higher than the rates available for similar loans at the Balance Sheet date.

The fair value of all short term borrowing is deemed equal to its carrying value (amortised cost). Short term debtors and creditors are carried at amortised cost as this is a fair approximation of their value.

The fair values have been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

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

Nature and extent of risks arising from financial instruments

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

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

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations

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- by approving annually in advance prudential and treasury indicators for the following three years
- by approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 14th February 2015. The two key issues were:

- The Authorised Limit for 2015/16 was set at £110.79 million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary for 2015/16 was expected to be £100 million. This is the expected level of debt and other long term liabilities during the year.

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

Credit Risk

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

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

The council used the creditworthiness services of Capita Asset Services during 2015/16. The maximum investment that can be made with an approved counterparty was £7 million in 2015/16. No credit limits were exceeded during the year.

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.

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 2015/16, this would have had the following effect:

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	Amount outstanding (weighted average) in year £'000	Average actual interest rate %	Actual Interest paid / (receivable) £'000	Projected interest rate %	Projected interest paid / (receivable) £'000	Variation £'000
Borrowing						
Variable rate	859	0.32	3	1.32	11	8
Lending						
Fixed rate (up to 1 year)	(15,187)	0.76	(115)	1.76	(267)	(152)
Variable rate	(7,684)	0.42	(32)	1.42	(109)	(77)
	(22,871)		(147)		(376)	(229)
Net loss / (gain) on surplus / deficit for year			(144)		(365)	(221)

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

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

The 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.

Foreign exchange risk

The council has short term investments held in an 'escrow' account denominated in Icelandic Kroner (ISK), the Sterling value of which fluctuates according to prevailing exchange rates. This risk will continue until the amounts are released to the council in Sterling, which is subject to the authorisation of the Central Bank of Iceland.

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27. SHORT TERM DEBTORS

	31st March 2016 £'000	31st March 2015 £'000
Central Government Bodies	1,051	731
Other Local Authorities	468	854
Public corporations and trading funds	-	72
Other entities and individuals-		
- Council Taxpayers	328	331
- Business Ratepayers	324	483
- Cheltenham Borough Homes	424	61
- Ubico Ltd	522	471
- Housing Rents	259	279
- Sundry Debtors	2,145	1,843
Total	5,521	5,125

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 2016 £'000	31st March 2015 £'000
Cash held by the Authority	5	5
Bank current accounts	2	2
Short term deposits	5,661	8,595
Cash and cash equivalent assets	5,668	8,602
Cash and cash equivalent liabilities - bank overdraft	(112)	(742)
Net Cash and cash equivalents per Cash flow Statement	5,556	7,860

29. SHORT TERM CREDITORS

	31st March 2016 £'000	31st March 2015 £'000
Central Government Bodies	2,573	4,079
Other Local Authorities	3,023	2,890
Other entities and individuals-		
- Council Taxpayers	92	88
- Business Ratepayers	1,769	1,720
- Cheltenham Borough Homes	2,267	915
- Ubico Ltd	34	621
- Housing Rents	223	215
- Sundry Creditors	4,094	2,666
	14,075	13,194

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30. PROVISIONS

	Balance at 1st April	Additional provisions made in Year	Amounts used in Year	Unused Amount Reversed	Balance at 31st March
	£'000	£'000	£'000	£'000	£'000
Short term					
Insurance	87	50	(44)		93
MMI Scheme (see note 31)	-	42	-	-	42
Business rates retention – appeals	387	1,120	(736)	-	771
Land Charges	121	-	(121)	-	-
	595	1,212	(901)	-	906
Long term					
Business rates retention – appeals	387	111	-	-	498
Total 2015/16	982	1,323	(901)	-	1,404
Total 2014/15	854	672	(519)	(25)	982

Insurance

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

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

Municipal Mutual Insurance

The Council has a potential liability in respect of the run-off of Municipal Mutual Insurance (MMI) of £318,014 as at 31st March 2016 (£360,416 31st March 2015). The liability will only materialise if the assets of the company do not cover the insurance claims yet to be settled (see Contingent Liability note 31).

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

Business Rates Retention - Appeals

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

From this date local authorities acquired a share of the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties and other reductions resulting from changes in the rating list. This includes amounts paid over to central government in respect of 2012/13 and prior years. Consequently the council considers it necessary to make a provision to cover its share of the repayments likely to be made. The provision is based on the expected success rate of appeals lodged with the Valuation Office at 31st March 2016 together with other known likely reductions, and has been split into short and long term elements to reflect the estimated time until settlement.

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Land Charges

A number of search companies commenced legal proceedings in 2014/15 regarding charges made for personal searches of the Land Charges Register. The council made provision for the estimated value of those claims (£121k) in 2014/15. These proceedings were concluded and £121k paid by the council in 2015/16.

31. CONTINGENT LIABILITIES

Municipal Mutual Insurance Ltd:

The council's former insurers Municipal Mutual Insurance Ltd ceased trading in 1992; the council became a party to the scheme of administration for liabilities outstanding at that time. Whilst there is a very low risk that the assets of the company will not meet the liabilities from insurance claims, the scheme guarantees that the council will reimburse the total of payments made in respect of claims less £50,000. At 31st March 2016 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 provision 2015/16	(42,402)
Net Payments	368,014
Levy retention	(50,000)
Potential liability 31st March 2016	318,014

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

32. USABLE RESERVES AND TRANSFERS TO / FROM EARMARKED RESERVES

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

	Balance at 1 April 2014 £'000	Transfers out 2014/15 £'000	Transfers in 2014/15 £'000	Balance at 1 April 2015 £'000	Transfers out 2015/16 £'000	Transfers in 2015/16 £'000	Balance at 1 April 2016 £'000
Earmarked Reserves							
Capital Reserve	1,613	(822)	-	791	(1,208)	599	182
Equalisation Reserves	698	(259)	567	1,006	(109)	1,464	2,361
Repairs & Renewals Reserve	1,010	(465)	681	1,226	(557)	1,147	1,816
Reserves for Commitments	1,449	(1,353)	578	674	(675)	313	312
Other earmarked reserves	1,669	(286)	231	1,614	(438)	1,632	2,808
	6,439	(3,185)	2,057	5,311	(2,987)	5,155	7,479

Purpose of reserves

- **Capital Reserve** – to finance the general fund capital programme and new initiatives.
- **Equalisation Reserves** – to smooth out fluctuations in expenditure or income as a result of cyclical events, for example bi-annual local elections. Also to cushion the impact of fluctuating

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activity levels (for example housing benefit payments) or movements in investment recovery, interest or exchange rates.

- **Repairs and Renewals Reserve** – to meet the cost of planned and reactive repairs to buildings and infrastructure and to fund the renewals programme for computer equipment.
- **Reserves for Commitments** – to cover the cost of budget commitments where spending did not take place in the year approved, but is planned to take place in the following year.
- **Other earmarked reserves** – sums built up to cover the future costs of planned expenditure, for example support to the Cheltenham Trust, risk management initiatives, vehicles and equipment, and Civic Pride match funding.

33. UNUSABLE RESERVES

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

Reserve	31st March 2016 £'000	31st March 2015 £'000	Purpose of Reserve
Revaluation Reserve	109,623	100,345	Store of gains on revaluation of non-current assets not yet realised through sales
Capital Adjustment Account	183,468	178,373	Store of capital resources set aside to meet past expenditure
Financial Instruments Adjustment Account	(2,176)	(2,312)	Balancing account to allow for differences in statutory requirements and proper accounting practices relating to borrowing and investments
Collection Fund Adjustment Account	(1,148)	455	Balancing account to allow for differences in statutory requirements and proper accounting practices for council tax and NNDR (business rates) surpluses/deficits
Pensions Reserve	(53,619)	(60,118)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet
Deferred Capital Receipts Reserve	660	562	Capital receipts to be received in future years e.g. from finance lease or mortgage repayments
Accumulating Compensated Absences Adjustment Account	(116)	(115)	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	236,692	217,190	

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Revaluation Reserve

	2015/16 £'000	2014/15 £'000
Balance at 1st April	100,345	85,228
Revaluation gains on non-current assets	14,514	16,090
Downward revaluation of assets and impairments	(604)	(113)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	114,255	101,205
Accumulated gains on assets sold, derecognised or reclassified	(2,762)	-
Difference between fair value and historic cost depreciation	(1,642)	(860)
Other adjustments relating to previous year's revaluations	(228)	-
Amount written off to the Capital Adjustment Account	(4,632)	(860)
Balance at 31st March	109,623	100,345

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

Capital Adjustment Account

	2015/16 £'000	2014/15 £'000
Balance at 1st April	178,373	180,833
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
<ul style="list-style-type: none"> • Charges for depreciation and impairment of non-current assets • Revaluation gains/(losses) on Property, Plant and Equipment • Amortisation of intangible assets • Donated Assets • Revenue expenditure funded from capital under statute • 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 	(9,787)	(8,652)
	(1,582)	(1,837)
	(108)	(98)
	415	28
	(550)	(592)
	(2,888)	(1,682)
	163,873	168,000
Capital receipts received on repayment of long term loans	(230)	(518)
Adjusting amounts written out of the Revaluation Reserve	4,632	860
Net amount written out for the cost of non-current assets consumed in the year	168,275	168,342
Capital Financing applied in the year:		
<ul style="list-style-type: none"> • Use of Capital Receipts Reserve to finance new capital expenditure • Use of the Major Repairs Reserve to finance new capital expenditure • 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 • Statutory provision for the financing of capital investment charged against the General Fund Balance • Voluntary provision for the financing of capital investment charged against the General Fund Balance • Capital expenditure charged against the general fund and HRA balances 	4,490	1,513
	4,992	5,443
	627	713
	922	824
	282	-
	1,781	1,538
	181,369	178,373
Movements in the market value of Investment properties debited or credited to the Comprehensive Income and Expenditure Statement	2,099	-
Balance at 31st March	183,468	178,373

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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

	2015/16 £'000	2014/15 £'000
Balance at 1st April	(2,312)	(2,447)
Net Premiums incurred in previous years charged against the General Fund and HRA Balance	136	135
Balance at 31st March	(2,176)	(2,312)

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.

	2015/16 £'000	2014/15 £'000
Balance at 1st April	455	448
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	(1,603)	7
Balance at 31st March	(1,148)	455

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.

Further information is shown within note 35, pages 77 to 82.

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 2016 includes £0.630 million for vehicles and plant leased to Ubico Ltd under finance leases.

34. IMPAIRMENT LOSSES AND ADJUSTMENTS

An impairment of £0.388 million was made to the value of Housing Revenue Account (HRA) garages to reflect demolitions during the year. This was charged to the Revaluation Reserve.

35. DEFINED BENEFIT PENSION SCHEME

Participation in the pension scheme

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

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

The principle risks to the authority of the pension scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute, as described in the accounting policies note 1.3 on page 21.

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:

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	2015/16 £000	2014/15 £000
Comprehensive Income and Expenditure Statement (CIES):		
Service cost comprising:		
Current service cost	(1,605)	(1,599)
Past service costs	-	(88)
(Gain)/loss from settlements	-	458
Financing and Investment Income and Expenditure:		
Net Interest Expense	(1,831)	(2,294)
Total post-employment benefits charged to Surplus or Deficit on Provision of Services	(3,436)	(3,523)
Other post-employment benefits charged to the CIES:		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(2,331)	7,370
Changes in financial assumptions	6,569	(11,666)
Other experience	1,972	1,261
Total post-employment benefit charged to CIES	2,774	(6,558)
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	3,436	3,523
Actual amount charged against General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	3,725	3,622

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:

	2015/16 £'000	2014/15 £'000
Present value of the defined benefit obligation	(131,461)	(138,839)
Fair value of plan assets	77,842	78,721
Net liability arising from defined benefit obligation	(53,619)	(60,118)

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

	Funded Liabilities Local Government Pension Scheme	
	2015/16 £'000	2014/15 £'000
Opening Balance at 1st April	(138,839)	(129,283)
Current service cost	(1,605)	(1,599)
Interest cost	(4,256)	(5,175)
Contributions from scheme participants	(412)	(478)
Remeasurement gain/(loss):		
Arising from changes in financial assumptions	6,569	(11,666)
Other experience	1,972	1,261
Past service costs	-	(88)
Liabilities extinguished on settlements	-	2,858
Benefits paid	5,008	5,230
Unfunded benefits paid	102	101
Closing balance at 31st March	(131,461)	(138,839)
31st March 2016 – Present value of Funded liabilities	(129,825)	(137,086)
31st March 2016 – Present value of Unfunded liabilities	(1,636)	(1,753)
Closing balance 31st March	(131,461)	(138,839)

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

	Funded Assets Local Government Pension Scheme	
	2015/16 £000	2014/15 £000
Opening fair value of scheme assets 1st April	78,721	72,101
Interest income	2,425	2,881
Remeasurement gain/(loss):		
Return on plan assets (excluding the amount included in the net interest expense)	(2,331)	7,370
Contributions from employees into the scheme	412	478
Contributions from employer	3,623	3,521
Contributions from employer in respect of unfunded benefits	102	101
Effect of settlements	-	(2,400)
Unfunded benefits paid	(102)	(101)
Benefits paid	(5,008)	(5,230)
Closing fair value of scheme assets 31st March	77,842	78,721

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

	Fair Value of Scheme Assets					
	2015/16 Quoted prices in active market £'000	2015/16 Quoted prices not in active market £'000	2015/16 Total £'000	2014/15 Quoted prices in active market £'000	2014/15 Quoted prices not in active market £'000	2014/15 Total £'000
Cash equivalents	854	-	854	1,191	-	1,191
Equity instruments (by industry type):						
Consumer	4,791	-	4,791	4,224	-	4,224
Manufacturing	2,346	-	2,346	1,878	-	1,878
Energy and Utilities	1,411	-	1,411	1,997	-	1,997
Financial Institutions	3,762	-	3,762	3,737	-	3,737
Health and Care	611	-	611	749	-	749
Information Technology	422	-	422	-	-	-
Other	1,615	-	1,615	1,887	-	1,887
Debt Securities:						
Corporate Bonds (investment grade)	4,013	-	4,013	3,997	-	3,997
Corporate Bonds (non-investment grade)	302	-	302	301	-	301
UK Government	7,113	-	7,113	7,410	-	7,410
Other	1,072	-	1,072	1,289	-	1,289
Property:						
UK Property	4,246	1,529	5,775	3,904	1,351	5,255
Overseas Property	-	399	399	-	405	405
Private Equity:	-	229	229		235	235
Investment Funds and Unit Trusts:						
Equities	2,600	33,283	35,883	2,599	34,347	36,946
Bonds	3,407	200	3,607	3,413	209	3,622
Other	-	3,645	3,645	-	3,603	3,603
Derivatives:						
Other	(7)	-	(7)	(5)	-	(5)
Closing fair value of scheme assets as at 31 March	38,558	39,285	77,843	38,571	40,150	78,721

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.

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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 2013. The significant assumptions made in their calculations have been:

	Local Government Pension Scheme	
	2015/16	2014/15
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	22.5 years	22.5 years
Women	24.6 years	24.6 years
Longevity at 65 for future pensioners		
Men	24.4 years	24.4 years
Women	27.0 years	27.0 years
Rate of pension increase / inflation (CPI)	2.1%	2.1%
Rate of increase in salaries *	3.6%	3.5%
Rate for discounting scheme liabilities	3.4%	3.1%

* Salary increases are assumed to be RPI plus 0.5% plus an additional allowance for promotional salary increases

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

	2015/16 %	2014/15 %
Equity investments	71	74
Bonds	20	16
Property	8	8
Cash	1	2
Total	100	100

Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the 31st March 2016 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.

STATEMENT OF ACCOUNTS 2015/16

Change in assumptions at year ended 31 March 2016	Approximate % increase to Employer	Approximate cost to Employer £000
0.5% decrease in Real Discount Rate	9%	12,057
1 year increase in member life expectancy	3%	3,944
0.5% increase in the Salary Increase Rate	2%	2,597
0.5% increase in the Pension Increase Rate	7%	9,359

The above figures have been derived based on the membership profile of the scheme as at the most recent actuarial valuation, being 31st March 2013.

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 next triennial valuation due on 31st March 2016.

The council is anticipated to pay employer's contributions of approximately £3.789 million for the period 1st April 2016 to 31st March 2017. The weighted average duration of the defined benefit obligation for scheme members is 16.7 years as at 31st March 2016 (16.7 years as at 31st March 2015).

STATEMENT OF ACCOUNTS 2015/16

36. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2015/16 £'000	2014/15 £'000
Interest received	(449)	(66)
Interest paid	2,408	2,019

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

	2015/16 £'000	2014/15 £'000
Depreciation	(9,787)	(8,653)
Impairment and downward valuations	(1,659)	(1,837)
Amortisation	(108)	(104)
Increase (-) / decrease in creditors	(2,886)	(2,971)
Increase / decrease (-) in debtors	1,027	752
Increase / decrease (-) in inventories	5	(50)
Movement in pension liability	289	99
Carrying amount of non-current assets sold or derecognised	(2,888)	(1,682)
Other non cash items charged to the net surplus or deficit on the provision of services	2,186	(157)
	(13,821)	(14,603)

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

	2015/16 £'000	2014/15 £'000
Proceeds from the sale of PPE, investment property and intangible assets	4,374	2,045

37. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2015/16 £'000	2014/15 £'000
Purchase of property, plant and equipment, investment property and intangible assets	21,914	8,998
Purchase of Investments	23,512	24,810
Other payments for investing activities	1,500	2,100
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,274)	(2,299)
Proceeds from the sale of short and long term investments	(21,321)	(13,911)
Other receipts from investing activities	(230)	(530)
Net cash (inflows) / outflows from investing activities	21,101	19,168

38. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2015/16 £'000	2014/15 £'000
Cash receipts of short and long term borrowing	(22,471)	(9,100)
Repayments of short and long term borrowing	16,036	7,883
Net cash flows from financing activities	(6,435)	(1,217)

39. AUTHORISATION OF ACCOUNTS FOR ISSUE

IAS 10 *Events after the Balance Sheet Date* requires the establishment of a date after which events will not have been recognised in the Statement of Accounts. For the draft (unaudited) accounts this is the date they are signed by the Section 151 Officer. On this basis, the date beyond which there can be no reasonable expectation that events could have been taken into account by the council is 30th June 2016. This is the date after which any events are not recognised in the draft accounts for the year 2015/16.

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STATEMENT OF ACCOUNTS 2015/16

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.

2014/15 £'000		Note	2015/16 £'000
INCOME			
59,181	Council Tax	1	60,427
56,144	Non-Domestic Rates	3	56,772
115,325	Total Income		117,199
EXPENDITURE			
58,174	Precepts & Demands from major preceptors and the Authority - Council Tax	2	59,285
	Non-Domestic Rates	3	
27,008	Shares paid to county council and the billing authority		27,795
27,008	Payment of central share to government		27,795
81	Transitional protection payments		88
184	Charge payable to General Fund for Costs of Collection		183
	Impairment of debts for Council Tax		
84	Allowance for Impairment		123
	Impairment of debts/appeals for non-domestic rates		
-	Write offs of uncollectable amounts		131
1,608	Allowance for Impairment		3,563
	Contribution towards previous year's surplus		
367	Council Tax		864
416	Non-domestic rates		1,274
114,930	Total Expenditure		121,101
395	Surplus / (Deficit) for the Year		(3,902)
1,615	Balance of fund at 1st April		2,010
2,010	Balance of fund at 31st March	4	(1,892)

STATEMENT OF ACCOUNTS 2015/16

NOTES TO THE COLLECTION FUND

1. 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	4.25	5/9	2.40
A	7,732.10	6/9	5,154.70
B	11,099.75	7/9	8,633.10
C	12,080.25	8/9	10,738.00
D	7,947.50	1	7,947.50
E	4,389.75	11/9	5,365.30
F	2,359.50	13/9	3,408.20
G	1,804.25	15/9	3,007.10
H	80.50	2	161.00
			44,417.30
Less Council Tax support (Band D equivalents)			(4,126.60)
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 2 nd homes (this amounts to 1.25% of the tax base)			(503.60)
Council Tax Base for 2015/16			39,787.10

2. PRECEPTS & DEMANDS

	2015/16 £'000	2014/15 £'000
Gloucestershire County Council	43,388	42,580
Cheltenham Borough Council	7,445	7,306
Gloucestershire Police & Crime Commissioner	8,265	8,111
Charlton Kings Parish Council	64	56
Leckhampton Parish Council	29	29
Prestbury Parish Council	61	60
Swindon Village Parish Council	11	10
Up Hatherley Parish Council	22	22
	59,285	58,174

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

STATEMENT OF ACCOUNTS 2015/16

3. NON-DOMESTIC RATES

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

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

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

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

The total non-domestic rateable value at 31st March 2016 was £133.278 million (£133.374 million at 31st March 2015) and the national non-domestic multipliers for 2015/16 were 49.3p (48.2p in 2014/15) (standard rate) and 48.0p (47.1p in 2014/15) (small business rate).

4. 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 1 st April 2015	165	942	179	-	1,286
Increase/decrease (-) in the year	20	114	21		155
Balance at 31st March 2016	185	1,056	200	-	1,441
Business Rates					
Balance at 1 st April 2015	290	72	-	362	724
Increase/decrease (-) in the year	(1,623)	(405)	-	(2,029)	(4,057)
Balance at 31st March 2016	(1,333)	(333)	-	(1,667)	(3,333)
Fund Balance at 31st March 2016	(1,148)	723	200	(1,667)	(1,892)

GROUP ACCOUNTS

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

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

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

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

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

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

Some of the figures for 2014/15 have been restated due to the adoption during the year of the accounting standard FRS102 by Cheltenham Borough Homes.

STATEMENT OF ACCOUNTING POLICIES FOR THE GROUP ACCOUNTS

These are set out in note 1.31 on pages 38 - 39.

STATEMENT OF ACCOUNTS 2015/16

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.

2014/15 Restated			2015/16		
Gross expenditure £'000	Gross income £'000	Net expenditure £'000	Gross expenditure £'000	Gross income £'000	Net expenditure £'000
<i>Continuing Operations</i>					
2,128	(651)	1,477	1,773	(537)	1,236
		Central Services to the public			
9,339	(2,614)	6,725	8,753	(940)	7,813
		Cultural and related services			
10,028	(4,487)	5,541	8,637	(4,750)	3,887
		Environment & Regulatory services			
3,219	(1,865)	1,354	3,782	(2,064)	1,718
		Planning services			
3,359	(4,104)	(745)	3,407	(4,154)	(747)
		Highways and Transport services			
21,485	(20,697)	788	19,437	(21,312)	(1,875)
		Local Authority housing (HRA)			
33,865	(33,112)	753	33,372	(32,821)	551
		Other housing services			
3,601	(1,496)	2,105	4,817	(3,220)	1,597
		Corporate & Democratic core			
708	(242)	466	1,053	-	1,053
		Non Distributed costs			
87,732	(69,268)	18,464	85,031	(69,798)	15,233
		Total Cost of Services			
157	(22)	135	655	(1,498)	(843)
		Other operating expenditure			
5,038	(960)	4,078	5,041	(4,504)	537
		Financing and Investment (Income) and Expenditure			
-	-	-	-	(1,238)	(1,238)
		Gain on disposal of Joint Venture - Ubico Ltd			
19,633	(34,601)	(14,968)	19,087	(34,648)	(15,561)
		Taxation and non-specific grant income			
112,560	(104,851)	7,709	109,814	(111,686)	(1,872)
		(Surplus) or Deficit on the provision of services			
		(188)			(421)
		Share of (Surplus) or deficit of Joint Ventures			
		22			82
		Share of Tax expenses of Joint ventures			
		7,543			(2,211)
		Group (Surplus) or Deficit			
		(14,310)			(13,909)
		(Surplus) / Deficit on revaluation of non-current assets			
		5,494			(9,033)
		Remeasurement of the net defined benefit liability/(asset) (note 47)			
		1,477			(221)
		Share of other comprehensive income and expenditure of Joint Ventures			
		(7,339)			(23,163)
		Other Comprehensive (Income) and Expenditure			
		204			(25,374)
		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 2015	Note	31 March 2016	
Restated			
£'000		£'000	
293,229	Property, Plant & Equipment	46	300,585
33,614	Heritage Assets	20	34,677
24,216	Investment Property	22	39,824
531	Intangible Assets	24	736
61	Long Term Investments	48	27
15,527	Investments in Joint Ventures	41	16,086
2,163	Long Term Debtors	48	1,675
369,341	Long Term Assets		393,610
12,950	Short term Investments	26	15,300
1,427	Assets held for sale	25	396
7	Inventories		12
5,221	Short term Debtors	43	5,270
8,688	Cash and cash equivalents	44	5,935
28,293	Current assets		26,913
(742)	Bank overdraft	44	(112)
(460)	Short term borrowing	26	(808)
(13,540)	Short term creditors	45	(13,222)
	- Grants receipts in advance - revenue	17	(1,257)
(595)	Provisions	30	(906)
(15,337)	Current Liabilities		(16,305)
(386)	Provisions	30	(499)
(58,744)	Long term borrowing	26	(64,830)
(82)	Grants receipts in advance - capital		(83)
(1,443)	Grants receipts in advance - revenue	17	(1,724)
(1,238)	Long Term liabilities of Joint Ventures	42	-
(65,958)	Other long term liabilities	47	(57,262)
(127,851)	Long term liabilities		(124,398)
254,446	Net Assets		279,820
(27,026)	Usable Reserves	49	(32,129)
(227,420)	Unusable Reserves	51	(247,691)
(254,446)	Total Reserves		(279,820)

STATEMENT OF ACCOUNTS 2015/16

GROUP STATEMENT OF MOVEMENT IN RESERVES

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

	Total Authority Usable Reserves	Authority's share of Usable Reserves of subsidiaries and Joint Ventures	Total Group Usable Reserves	Total Authority Unusable Reserves	Authority's share of Unusable Reserves of subsidiaries and Joint Ventures	Total Group Unusable Reserves	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2014	26,240	1,523	27,763	207,601	19,286	226,887	254,650
<u>Movement in Reserves during 2014/15 RESTATED</u>							
Group surplus or (deficit)	(2,310)	(5,233)	(7,543)			-	(7,543)
Other comprehensive Income & expenditure			-	12,942	(5,603)	7,339	7,339
Total comprehensive Income & Expenditure	(2,310)	(5,233)	(7,543)	12,942	(5,603)	7,339	(204)
Adjustments between company reserves (Note 50)		3,453	3,453		(3,453)	(3,453)	-
Adjustments between accounting basis and funding basis under regulations (Note 5)	3,353		3,353	(3,353)		(3,353)	-
Net decrease before transfers to reserves	1,043	(1,780)	(737)	9,589	(9,056)	533	(204)
Transfers to/from earmarked reserves	-		-			-	-
Increase / (decrease) in 2014/15	1,043	(1,780)	(737)	9,589	(9,056)	533	(204)
Balance at 31 March 2015	27,283	(257)	27,026	217,190	10,230	227,420	254,446
<u>Movement in Reserves during 2015/16</u>							
Group surplus or (deficit)	2,915	(704)	2,211			-	2,211
Other comprehensive Income and (expenditure)			-	20,119	3,044	23,163	23,163
Total comprehensive Income & (Expenditure)	2,915	(704)	2,211	20,119	3,044	23,163	25,374
Adjustments between company reserves (Note 50)		2,275	2,275	(2,275)		(2,275)	-
Adjustments between accounting basis and funding basis under regulations (Note 5)	617		617	(617)		(617)	-
Net decrease before transfers to reserves	3,532	1,571	5,103	17,227	3,044	20,271	25,374
Transfers to/from earmarked reserves	-		-			-	-
Increase / (decrease) in 2015/16	3,532	1,571	5,103	17,227	3,044	20,271	25,374
Balance at 31 March 2016	30,815	1,314	32,129	234,417	13,274	247,691	279,820

STATEMENT OF ACCOUNTS 2015/16

GROUP CASH FLOW STATEMENT

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

2014/15 Restated £'000		2015/16	
		£'000	£'000
7,470	Net (surplus) or deficit on the provision of services	(634)	
(19,749)	Adjust net surplus or deficit on the provision of services for non-cash movements (note 52)	(15,143)	
2,044	Adjust for items in the net surplus or deficit on the provision of services that are investing or financing activities	4,360	
<u>(10,235)</u>	Cash inflows generated from operating activities	<u> </u>	(11,417)
19,164	Investing activities (note 53)		19,975
(1,172)	Financing activities (note 54)		(6,435)
<u>7,757</u>	Net (increase) / decrease in cash and cash equivalents		<u>2,123</u>
15,703	Cash and cash equivalents at beginning of the year		7,946
7,946	Cash and cash equivalents at end of the year (note 50)		5,823
<u>(7,757)</u>	Net increase / (decrease) in cash and cash equivalents		<u>(2,123)</u>

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.

40. Cheltenham Borough Homes Limited

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

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

The draft group accounts for CBH Ltd (including CBHS Ltd) show net liabilities at 31st March 2016 of £1.39 million (restated net liabilities of £3.296 million at 31st March 2015) and an after tax loss of £0.917 million in the year to 31st March 2016 (restated £0.214 million loss in the year to 31st March 2015).

The net liabilities of the company are valued at cost (in accordance with company accounting rules) and may not therefore reflect their market value. The accounts of the company show a contingent liability of £53,212 at 31st March 2016.

During 2015/16 the council advanced a capital loan of £1.5 million to CBH to enable the company to continue with the construction of new rented housing stock, to be owned and managed by the company.

Since CBH's accounts show non-current assets at historic cost, the company's dwellings were re-valued at 31st March 2015 (for dwellings completed up until that date) and at 31st March 2016 (for dwellings completed in 2015/16) at Current value, 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 (EUUV-SH) appropriate to the dwellings' tenure as affordable homes. If CBH charged depreciation on the Current value of the dwellings, instead of their historic cost, the charge would be around £0.4 million less.

The full accounts of Cheltenham Borough Homes Ltd and Cheltenham Borough Homes Services Ltd for the year ending 31st March 2016 can be obtained from the Company Secretary at the company's registered office – Cheltenham House, Clarence Street, Cheltenham, Gloucestershire, GL50 3RD.

41. Gloucestershire Airport Limited

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

The registered name of the airport company is Gloucestershire Airport Ltd (Registration No. 02774189). The draft accounts of the company show net assets at 31st March 2016 of £1.378 million (£0.259 million at 31st March 2015), and an after tax profit of £0.679 million for the year to 31st March 2016 (£0.160 million to 31st March 2015). The council's commitment to meet losses is limited to the shares that it holds.

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

	Gloucester- shire Airport Limited 2015/16 £'000	Council's share 2015/16 £'000	Gloucester- shire Airport Limited 2014/15 £'000	Council's share 2014/15 £'000
Turnover	4,039	2,020	4,650	2,325
Profit on ordinary activities before taxation	841	421	204	102
Tax on profit on ordinary activities	163	82	44	22
Profit/(loss) for the financial year after taxation	679	339	160	78

	31 March 2016 £'000	31 March 2016 £'000	31 March 2015 £'000	31 March 2015 £'000
Non-current Assets	4,830	2,415	4,986	2,493
Current Assets	1,163	582	859	430
Liabilities due within one year	(1,665)	(833)	(1,170)	(585)
Liabilities due after one year	(1,631)	(816)	(2,005)	(1,003)
Net Pension Liability	(1,775)	(888)	(2,329)	(1,164)

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

The airport did not pay any dividends in the year to 31st March 2016 (nil to 31st March 2015). Equity dividends proposed by the Board of Directors of the Airport are not recorded in the company's financial statements until they are approved by the shareholders at the annual general meeting and are recorded as a movement on retained profits.

During 2011/12 the council loaned £1.195 million to the airport towards the cost of the runway safety project, of which £0.867 million was outstanding at 31st March 2016. In addition the council provided the airport with a temporary overdraft facility during 2012/13 of £0.350 million, of which £0.140 million was outstanding at 31st March 2016.

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The Airport's accounts for the year ended 31st March 2016 can be obtained from the Managing Director at the company's registered office - The Terminal Building, Staverton, Cheltenham, Gloucestershire, GL51 6SR.

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. However, since the airport accounts show non-current assets at historic cost, these assets have been revalued to Current value to bring them into line with the council's accounting policies, the date of the latest valuation (undertaken by an external valuer) being 31st March 2012. As a result the council's share of the value of operational assets has increased to £9.468 million and non-operational assets to £6.557 million.

This upward revaluation results in an increase in Unusable Reserves in the group accounts compared to the council's own accounts of £15.4 million, of which £8.8 million relates to operational property (so included in the Revaluation Reserve) and £6.6 million investment property (so included in the Capital Adjustment Account). If the airport charged depreciation on the operational element of the re-valued assets the additional charge would be around £0.4 million, based on a life of 30 years.

42. UBICO Limited

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

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

The fair value of the council's interest in the company at 31st March 2016 is considered to be nil, since it is a wholly local authority owned not-for-profit 'Teckal' company.

The company (registration No. 07824292) is limited by share capital and governed by its memorandum and articles of association. The liability in respect of the shares is set out in the memorandum of association and is limited to £1 per member of the company, of which there are six at 31st March 2016. The draft accounts of the company show a net liability at 31st March 2016 of £1,207,000 (restated liability of £2,635,000 at 31st March 2015) and an after tax loss for the year ending 31st March 2016 of £363,000 (restated loss of £171,000 for the year ended 31 March 2015).

The company's accounts for the year ending 31st March 2016 can be obtained from the Managing Director at the company's registered office – Central Depot, Swindon Road, Cheltenham GL51 9JZ.

43. Short term debtors

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

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44. Cash and Cash Equivalents

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

	31st March 2016 £'000	31st March 2015 £'000
Cash held by the Council and subsidiaries	5	5
Bank current accounts of the Council and subsidiaries	269	88
Short term deposits	5,661	8,595
Cash and cash equivalent assets	5,935	8,688
Cash and cash equivalent liabilities - bank overdraft	(112)	(742)
Net Cash and cash equivalents per Cash flow Statement	5,823	7,946

45. Short term Creditors

	31st March 2016 £'000	31st March 2015 £'000
Central Government Bodies	2,573	4,422
Other Local Authorities	3,023	2,890
Other entities and individuals-		
- Council Taxpayers	92	88
- Business Ratepayers	1,769	1,720
- Ubico Ltd	34	621
- Housing Rents	223	215
- Sundry Creditors	5,508	3,584
	13,222	13,540

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46. Group Property, Plant & Equipment

2014/15								2015/16							
Dwellings	Other Land and buildings	Vehicles, Plant and equipment	Infra-structure assets	Community assets	Surplus assets	Assets under construction	Total	Dwellings	Other Land and buildings	Vehicles, Plant and equipment	Infra-structure assets	Community assets	Surplus assets	Assets under construction	Total
£'000	RESTATED £'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
174,545	114,534	7,225	10,548	226	402	1,430	308,910	157,705	122,382	8,464	11,146	226	367	1,995	302,285
6,077	830	958	546			2,298	10,709	5,207	155	879	655	-	-	1,814	8,710
(19,201)	8,864	209	-	-	-	-	(10,128)	6,923	6,042	-	-	(143)	995	-	13,817
(4,641)	(2,396)	-	-	-	-	-	(7,037)	(2,036)	(315)	-	-	(1,565)	(20)	-	(3,936)
(527)	-	(157)	-	-	(35)	-	(719)	(993)	(95)	(482)	-	-	-	-	(1,570)
-	-	-	-	-	-	-	-	-	-	(3,621)	-	-	(56)	-	(3,677)
-	550	-	-	-	-	-	550	-	(275)	-	-	-	-	-	(275)
1,452	-	229	52	-	-	(1,733)	-	2,035	(1,578)	(59)	(63)	1,613	369	(1,429)	888
157,705	122,382	8,464	11,146	226	367	1,995	302,285	168,841	126,316	5,181	11,738	131	1,655	2,380	316,242
Cost or valuation								At 31 March							
Accumulated Depreciation and Impairment								At 1 April							
(18,036)	(79)	(4,697)	(1,566)	-	(8)	-	(24,386)	-	(2,221)	(4,980)	(1,839)	-	(8)	(8)	(9,056)
(5,390)	(2,797)	(441)	(273)	-	-	-	(8,901)	(5,527)	(3,761)	(580)	(305)	-	-	-	(10,173)
23,426	655	-	-	-	-	-	24,081	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	194	-	-	-	-	-	-	194
-	-	-	-	-	-	-	-	-	(388)	-	-	-	-	-	(388)
-	-	-	-	-	-	(8)	(8)	-	-	-	-	-	-	(6)	(6)
-	-	158	-	-	-	-	158	1	-	138	-	-	8	-	147
-	-	-	-	-	-	-	-	-	-	3,621	-	-	-	-	3,621
-	-	-	-	-	-	-	-	-	4	-	-	-	-	-	4
-	-	-	-	-	-	-	-	-	4	(14)	14	-	(4)	-	-
-	(2,221)	(4,980)	(1,839)	-	(8)	(8)	(9,056)	(5,332)	(6,362)	(1,815)	(2,130)	-	(4)	(14)	(15,657)
157,705	120,161	3,484	9,307	226	359	1,987	293,229	163,509	119,954	3,366	9,608	131	1,651	2,366	300,585
Net Book Value at 31 March								Net Book Value at 31 March							

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47. Other Long term liabilities

These comprise the group pension fund liabilities of Cheltenham Borough Council and Cheltenham Borough Homes Ltd. Further details of the council's liabilities are included in note 35 on pages 77 - 82 and for CBH in their accounts. These show a pension liability at 31st March 2016 of £3.643 million (liability of £5.840 million at 31st March 2015).

48. Long term investments and Long term debtors

Long term investments differ from note 26 in the single entity accounts by the shares in Gloucestershire Airport of £0.435 million, which are replaced in the group accounts by a long term investment in the Airport of £16.086 million, shown immediately below long term investments.

Long term debtors differ from note 26 in the single entity accounts by the elimination on consolidation of the loans to CBH Ltd of £6.722 million.

49. Usable Reserves

These are detailed in the Group Movement in Reserves Statement.

50. 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 the revaluation loss in the year 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.

51. Unusable Reserves

	31st March 2016	31st March 2015
	£'000	£'000
Revaluation Reserve	118,463	109,185
Capital Adjustment Account	189,270	185,603
Financial Instruments Adjustment Account	(2,176)	(2,311)
Collection Fund Adjustment Account	(1,148)	455
Pensions Reserve	(57,262)	(65,958)
Deferred Capital Receipts Reserve	660	560
Accumulating Compensated Absences Adjustment Account	(116)	(114)
Total Unusable Reserves	247,691	227,420

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

	2015/16 £'000	2014/15 £'000
Depreciation	(10,173)	(8,902)
Impairment and downward valuations	(3,236)	(6,678)
Amortisations	(108)	(104)
Increase (-) / decrease in creditors	(1,972)	(3,090)
Increase / decrease (-) in debtors	1,120	1,038
Increase / decrease (-) in inventories (stock)	5	(50)
Movement in pension liability	(142)	56
Carrying amount of non-current assets sold or derecognised	(2,888)	(1,682)
Other non cash items charged to the net surplus or deficit on the provision of services	2,251	(337)
	(15,143)	(19,749)

53. Cash Flow Statement – Investing Activities

	2015/16 £'000	2014/15 £'000
Purchase of property, plant and equipment, investment property and intangible assets	22,229	11,094
Purchase of Investments	23,512	24,810
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,307)	(2,299)
Proceeds from the sale of short and long term investments	(21,321)	(13,911)
Other receipts from investing activities	(138)	(530)
Net cashflows from investing activities	19,975	19,164

54. Cash Flow Statement – Financing activities

	2015/16 £'000	2014/15 £'000
Cash receipts of short and long term borrowing	(22,471)	(9,100)
Repayments of short and long term borrowing	16,036	7,928
Net cash flows from financing activities	(6,435)	(1,172)

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HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE STATEMENT

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

	2015/16	2014/15
	£'000	£'000
Expenditure		
Repairs and Maintenance	3,881	3,912
Supervision and Management	6,965	6,806
Rents, Rates, Taxes and Other Charges	50	50
Depreciation and Impairment of Non-current Assets	5,579	4,891
Debt Management Costs	81	81
Movement in Bad Debts	133	123
Total Expenditure	16,689	15,863
Income		
Dwelling Rents	(19,273)	(18,808)
Non-dwelling Rents	(419)	(429)
Charges for services and facilities	(568)	(556)
Contributions towards expenditure	(496)	(354)
Other Income	(97)	(122)
Total Income	(20,853)	(20,269)
Net cost of HRA services as included in the Comprehensive Income and Expenditure Statement	(4,164)	(4,406)
HRA share of Corporate and Democratic core	159	147
Net cost for HRA Services	(4,005)	(4,259)
HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(Gain)/loss on sale of HRA Non-current Assets	(796)	(355)
Interest Payable and Similar Charges	1,685	1,685
Interest and Investment Income	(55)	(55)
Capital Grants and Contributions Receivable	(140)	(149)
Surplus for the Year on HRA Services	(3,311)	(3,133)

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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.

	2015/16 £'000	2014/15 £'000
Balance on the HRA at the end of the previous year	3,656	4,205
Surplus for the year on the HRA Income and Expenditure Statement	3,311	3,133
Adjustments between accounting basis and funding basis under statute (note 1)	(1,819)	(1,779)
Net Increase before transfers to or from reserves	5,148	5,559
Transfers (to) / from earmarked reserves	894	(1,903)
Balance on the HRA at the end of the current year	6,042	3,656

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NOTES TO THE HRA STATEMENTS

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

	2015/16 £'000	2014/15 £'000
Items included in the HRA Income and Expenditure Account but excluded from the Movement in the HRA Balance		
Revaluation losses on non-current assets	-	(559)
Capital contributions applied	(140)	(149)
(Gain)/loss on sale of HRA non-current assets	(795)	(355)
	(935)	(1,063)
Items not included in the HRA Income and Expenditure Account but included in the Movement in the HRA Balance		
Amortisation of premiums and discounts	10	10
Capital expenditure funded by the HRA	(894)	(726)
Net adjustments between accounting basis and funding basis under the regulations	(1,819)	(1,779)

2. Housing Stock

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

Type	1st April 2015	Additions	Sales	Demolitions	31st March 2016
Houses and Bungalows	2,152	2	17	-	2,137
Flats	2,363	-	7	-	2,356
Shared Ownership (flats)	16	-	-	-	16
Total Stock	4,531	2	24	-	4,509

3. HRA Non-Current Assets

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

	1 st April 2015 Restated * £'000	Revaluations/ Impairments £'000	Additions £'000	Reclass- ifications £'000	Disposals £'000	Depreciation £'000	31 st March 2016 £'000
Dwellings	152,294	6,659	5,208	(26)	(969)	(5,332)	157,834
Assets under construction	459	(6)	954	180	-	-	1,587
Garages**	2,320	(388)	152	-	-	(58)	2,026
Other land and buildings	9	(289)	-	391	-	-	111
Infrastructure	4,429	-	630	-	-	(111)	4,948
Surplus assets	311	550	-	131	-	-	992
Assets held for sale	1,427	-	-	-	(1,382)	-	45
Investment property	3,487	242	5	(500)	-	-	3,234
Total non-current assets	164,736	6,768	6,949	176	(2,351)	(5,501)	170,777

*The figures at 1st April 2015 have been restated to include Assets Held for Resale.

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

4. Impairment and Revaluation of Non-Current Assets

HRA assets are revalued every five years (the last revaluation was undertaken on 31st March 2015). In interim years between valuations the dwelling valuation is updated for the movement in county land registry values. Any increase in value is transferred to the Revaluation Reserve, a figure of £6,659,250 in 2015/16.

5. Dwellings Valuation

The vacant possession value of dwellings within the HRA at 1st April 2016 was £509,142,451.

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

6. Major Repairs Reserve

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

	£'000
Balance 1st April 2015	-
Transfer to reserve	5,501
Financing of HRA capital expenditure	(4,993)
Balance 31st March 2016	508

7. New Build Reserve

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

	£'000
Balance 1st April 2015	1,903
Transfer from reserve to fund capital expenditure	(894)
Balance 31st March 2016	1,009

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8. HRA Capital Expenditure

A summary of HRA capital expenditure and sources of finance for 2015/16 is shown below:

Category	Total Spend £'000	Sources of Finance			
		Major Repairs Allowance £'000	Capital Receipts £'000	Capital Contributions £'000	Revenue Contributions £'000
New Build	954	-	348	-	606
Major repairs & improvements	5,208	4,656	124	140	288
Garages	152	152	-	-	-
Infrastructure	630	180	450	-	-
Investment properties	5	5	-	-	-
Total	6,949	4,993	922	140	894

9. HRA Capital Receipts

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

	2015/16 £000	2014/15 £000
Sales of Dwellings	1,600	987
Sales of Land	1,611	-
Mortgage Principal	6	11
Sale of Shared Ownership Flats	-	28
Total	3,217	1,026

10. Rent Arrears

Rent arrears at 31st March 2016 amounted to £648,774 (£654,696 as at 31st March 2015) and the Balance Sheet includes a bad debt provision of £390,000 relating to those arrears (£376,000 as at 31st March 2015).

11. Interest and Investment Income

This includes £54,223 interest from notional cash balances and mortgage interest of £1,002 (£53,700 and £1,284 respectively in 2014/15).

GLOSSARY OF TERMS

Accounting Code of Practice	Although the preparation and control of accounting is regulated, there is no statutory basis for accounting entries. Instead, Local Authorities have to comply with the CIPFA/LASAAC Code of Practice on Local authority accounting in the United Kingdom (The Code).
Accounting Period	The period of time covered by the accounts, normally a period of twelve months commencing on 1 st 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.

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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.

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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	<p>Original estimate: the estimate for the new year approved before the start of the financial year, usually at the previous November's price levels.</p> <p>Revised estimate: the original estimate for the year updated by price changes since it was prepared and by supplementary estimates and virements.</p> <p>Supplementary estimate: an amount approved by the council to be spent in excess of the original estimate.</p>
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 1 st April and finishes on 31 st March in the following year.
Government Grants	Grants made by the Government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some Government grants have restrictions on how they may be used, whilst others are general purpose.
Impairment	Impairment of an asset is caused by a consumption of economic benefits (e.g. physical damage such as an office fire) or a deterioration in the quality of service provided by the asset (e.g. an industrial unit closing and becoming a storage facility), or by a general fall in prices of that particular asset or class of assets.
Interest	An amount received or paid for the use of a sum of money when it is invested or borrowed.
International Financial Reporting Standards (IFRS)	Provide the required accounting treatment and disclosure of transactions so that an organisation's financial statements present fairly the financial position of the organisation.
Inventories	Items of raw materials and stores a council has purchased to use on a continuing basis but which have not yet been used.

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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 known 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.
Temporary Borrowing	A sum of money borrowed for a period of less than one year.
Value for Money	An expression describing the benefit obtained (not just in financial terms) for a given input of money. The phrase is widely used within public bodies, but there are many difficulties in its use because value is a subjective measure and there are rarely supporting objective measures. The council's external auditor is required to consider value for money with the three objectives of economy of input, efficiency of operation and effectiveness of output in service provision.

ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2015/16

Scope of responsibility

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

In discharging this overall responsibility the Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

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

In addition to this, CIPFA issued a "Statement on the Role of the Chief Financial Officer in Local Government (2010)". The Annual Governance Statement reflects compliance with the CIPFA statement for reporting purposes. The Council's Chief Financial Officer is the Statutory Section 151 Officer (s151 Officer).

The purpose of the governance framework

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

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

The governance framework has been in place at Cheltenham Borough Council throughout the year and up to the date of the approval of the Annual Report and Statement of Accounts.

The Governance framework

The Council has a sound system of governance incorporating the system of internal control. The key elements of the Council's governance arrangements are outlined in the Local Code of Corporate Governance which was reviewed and approved by the Audit Committee in March 2015. The main areas of the Council's governance framework and the key evidence of delivery are set out below, under the key elements of the CIPFA/SOLACE principles of governance:

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

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- (a) A corporate planning process that included consultation with Members and senior managers resulting in the approval by Council of a Corporate Strategy that reflects its Vision, Objectives and Priorities..
- (b) The annual corporate planning process is informed by 4 corporate outcomes, the annual budget, legislation and government guidance - which link to the setting of priorities and individual performance appraisals.
- (c) A system of performance management to measure the delivery of priorities and the quality of service to ensure that both are delivered in accordance with the Council's objectives and represent the best use of resources.
- (d) The Council and NHS Gloucestershire, together with the Police and other partners have worked together to identify the needs of the area including health matters and have published a Joint Strategic Needs Assessment.
- (e) The Cheltenham Partnership includes council officers working with a wide range of partners including Gloucestershire County Council, Gloucestershire Police and County NHS organisations to identify local needs and deliver priorities through an agreed action plan.
- (f) A Medium Term Financial Strategy (MTFS) which is regularly updated to support the delivery of the Council's corporate objectives.
- (g) A performance management framework which includes performance reports that are reported to Cabinet.
- (h) Consultation with the public through public meetings and other mechanisms on a regular basis.
- (i) As part of its budget setting process the Council consults with a public panel to gain an understanding of the communities' views.
- (j) The Council communicates with employees and all stakeholders via regular internal and external updates using promotional material, the web, the intranet and formal and informal briefings and 1-2-1s with their managers.
- (k) Annual accounts are published annually.
- (l) An Annual Report, which summarises financial and other performance over the previous financial.
- (m) All Cabinet, Committee and Council reports clearly outline their objectives and recommendations, so the community can understand what is trying to be achieved. Reports also address financial, legal, HR, property and environmental implications to aid understanding of the potential impact of recommendations being made.

2. Arrangements for reviewing the authority's vision and its implications for the authority's governance arrangements.

- (a) Consultation was used to inform the development and review of the authority's vision, objectives and financial priorities as part of the review of the Corporate Strategy.
- (b) The Audit Committee considers and approves a revised version of the Code of Corporate Governance on an annual basis that is published on the authority's website.

- (c) The budget setting process includes detailed scrutiny of proposals by elected Members and their links to the Council's vision, priorities and stakeholder views, together with equality impact assessments.
- (d) The Council is mindful that employees are also key stakeholders and as such, senior officers and Members have taken part in consultation events including manager briefings. Internal communication approaches have been reviewed to ensure all employees are aware of all issues and new policies and practices. There are positive working relationships with trades unions through formal meetings of the Joint Liaison Forum and Joint Consultative Committee and informal regular briefings were provided to the entire workforce by the Chief Executive and Head of Paid service.
- (e) The Council has through Leadership Gloucestershire engaged with the government about how, through devolution, better outcomes for the residents, communities and businesses of Gloucestershire could be achieved. The submission "We are Gloucestershire" from Leadership Gloucestershire included proposals on new governance arrangements. Discussions are still ongoing.

3. Arrangements for measuring the quality of services for users, for ensuring that they are delivered in accordance with the authority's objectives and that they represent the best use of resources.

- (a) Cheltenham Borough Council is a commissioning authority and a high proportion of its services are delivered by either a shared service or a standalone organisation, for example, housing is delivered by Cheltenham Borough Homes, Waste Management is delivered by Ubico, Leisure and Culture Services are delivered by The Cheltenham Trust. There are specific and detailed contracts and agreements in place with each of these organisations which include the arrangements for performance measurement and reporting.
- (b) The client officers monitor key performance measures within the contract and report findings to the Senior Leadership Team on a quarterly basis. The delivery organisations also monitor performance including quality and the outcome of this monitoring is reported in annual reports which are published.
- (c) The Council records performance information against the delivery of corporate objectives using reporting software which is closely scrutinised by the Senior Leadership Team (SLT) and reported to Cabinet. Where quarterly performance reports to SLT highlight a concern, appropriate corrective action will be considered, implemented and monitored.
- (d) Corporate Risks are identified, recorded and monitored through an on-line system; performance against the mitigation of these risks is monitored by SLT on a monthly basis and then reported informally to Cabinet. Audit Committee receives an annual Risk Management report which includes performance data and proposals for updating the policy.
- (e) There is also a range of consultation and feedback mechanisms for stakeholder engagement and obtaining their views on the use of resources.

4. Arrangements for defining and documenting the roles and responsibilities of Member and officer functions, with clear delegation arrangements and protocols for effective communication.

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- (a) The Constitution sets out roles and responsibilities, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.
- (b) A clear scheme of delegation for officers is included within the Constitution.
- (c) The roles and responsibilities of the three statutory officers are defined in the constitution (Head of Paid Service, Monitoring Officer and s151 Officer).
- (d) The s151 Officer leads the promotion and delivery of good financial management through the Senior Leadership Team, the Bridging the Gap programme, attendance at Cabinet and committee meetings and specialist workshops and training for officers and members.
- (e) The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- (f) In October 2015 the Council decided to enter into the 2020 Partnership and endorse and approve the establishment of a revised CBC senior management structure which included the deletion of the post of Chief Executive, from the 28 March 2016.
- (g) The Council also agreed to the internal recruitment to the post of Head of Paid Service. The officer will also be the Returning Officer/Electoral Registration Officer from 23 May 2016.
- (h) Following the decision by Council in October the Appointments and Remuneration Committee met in January 2016 to consider the options for the appointment of a new Head of Paid Service. In February 2016 the Council approved the appointment of the existing Deputy Chief Executive to the role of Head of Paid Service and Returning Officer/Electoral Registration Officer.
- (i) There is an on-going review of the Constitution by the Constitution Working Group to ensure that it reflects the 2020 Partnership and CBC management structures. The Constitution includes Rules of Procedures, Financial Regulations, Responsibility for Functions, Contract Procurement Rules and the Budget and Policy Framework. These are underpinned by Codes of Conduct for officers and Members, gifts and hospitality rules, local protocols and by the Authority's Code of Corporate Governance.
- (j) Council consists of 40 elected members and is chaired by the Mayor and is responsible for setting the budget, the policy framework and deciding on matters set out in the constitution. It elects the Mayor and the Leader and makes appointments to committees.
- (k) The Cabinet is the part of the Council which is responsible for most day-to-day decisions.
- (l) This includes the publication of a Forward Plan containing the timetable for all key decisions.
- (m) The Cabinet consists of a Leader and seven councillors who are responsible for specific portfolios. Cabinet meetings are held in public save for where confidential or exempt information is to be discussed.
- (n) The Cabinet, Cabinet Members and Officers are required to make decisions within the Council approved Budget and Policy Framework; any decision outside that framework may only be made within prescribed urgency procedures or with the agreement of Council.

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- (o) The Overview and Scrutiny committee (O&S) promotes open and transparent decision-making, democratic accountability and holds the Cabinet to account for its actions.
- (p) The O&S is responsible for ensuring that the overview and scrutiny process is operating effectively and is making a difference for local people. The committee's role includes commissioning scrutiny task groups
- (q) There is an Audit Committee which is responsible for all internal and external audit matters along with some other governance associated matters.
- (r) The Audit Committee promotes and ensures effective internal control and independent assurance mechanisms, including: Risk Management; Annual Statement of Accounts; Corporate Governance Framework.
- (s) All meetings are public except for exempt / confidential matters which are considered in private. It is the Council's objective to conduct its business in public wherever possible and to keep exempt discussions and documentation to a minimum. This ensures open and transparent decision making.
- (t) The authority has Client Officers with clearly defined roles and responsibilities that liaise with service providers and partners to ensure that contractual agreements and performance measures are monitored and reported upon.

5. Arrangements for developing, communicating and embedding codes of conduct, defining the standards of behavior for members and staff

- (a) The authority's intranet contains links to policies, procedures and guidance for all staff including Human Resources (HR) policies, e-learning training modules, Information Security Policy, Freedom of Information Policy and Data Protection Policy and the Corporate Plan and Constitution.
- (b) Defined codes of conduct are included in the Constitution for elected members and Council employees, along with specific codes for dealing with planning and licensing matters.
- (c) The Council's key policies stipulate roles and responsibilities for both elected Members and employees; these are reviewed and refreshed on a regular basis.
- (d) The Council has a Standards Committee to maintain and promote high standards of conduct and assists Members and co-opted Members of the Borough Council to observe and monitor the operation of the Code Conduct. The Committee is made up of 7 Borough Councillors and 2 Independent Persons who are co-opted on to the Committee and do not have voting rights.
- (e) Corporate induction courses were run for all new employees by GOSS HR on a regular basis. Managers are responsible for local induction arrangements. Officers in politically restricted posts and those responsible for negotiating contracts are required to register their personal interests; all employees complete these declarations on an annual basis.
- (f) ICTSS provided training for all employees and elected members that included the acceptable use of equipment and the internet.
- (g) The Council has a Counter Fraud, Corruption and Bribery Policy that was reviewed by Counter Fraud Team regularly and has been communicated to all staff and is available on the Council's intranet, this was approved by the Cabinet.

- 6. Arrangements for reviewing and updating Standing Orders and Financial Regulations; a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.**
- a. The Council's Constitution including Financial Rules and Contract Rules are reviewed regularly by the Constitution Working Group to ensure the Council's governance arrangements reflect best practice. These arrangements include a scheme of delegation and are supported by guidance and notes that are available to elected members and employees on the intranet.
 - b. The Director of Corporate Resources and Projects is responsible for the implementation and monitoring of the Risk Management Policy which is also monitored by the Audit Committee and approved by Cabinet. Any report to Council or Cabinet requiring a decision is supported by a risk assessment based upon this policy.
- 7. Ensuring the Authority's financial management arrangements conform to the governance arrangements of the CIPFA statement on the role of the Chief Finance Officer (CFO) in local government.**
- (a) The Council's Financial Rules and Constitution are approved by Council and published on the website.
 - (b) The Council ensures;
 - compliance with the Financial Procedure Rules set out in the Constitution; it has designated the GOSS Head of Finance (West) as the s151 officer (Chief Finance Officer(CFO)). It is able to confirm that it conforms to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
 - that the s151 Officer is qualified and a substantially and suitably experienced accountant, who is responsible for the proper administration of the Council's financial affairs and for ensuring the lawfulness and financial prudence of financial transactions.
 - that the s151 Officer is a member of the Executive Board and Senior Leadership Team with responsibility for, leading and advising on the strategic financial decisions impacting on the Council's delivery of its objectives, ensuring continuing effective financial controls and risk management, management of the corporate finance function, which is appropriately resourced with professionally qualified management.
 - (c) All reports to Members include resource implications; prior to publication these implications are considered and approved by the CFO or one of his senior staff. These reports also cover value for money and benchmarking implications where appropriate.
 - (d) The Council approves the Treasury Management Strategy on an annual basis and all Members are briefed on key financial issues.
 - (e) The CFO has responsibility for ensuring that the Council operates secure and reliable financial and accounting systems. Audit Cotswolds undertakes the role of auditing these systems to give the assurance needed.
 - (f) The Council has a Medium Term Financial Strategy, which is reviewed and approved annually to take into account new information, changing circumstances and new priorities; this is used to inform reports to Members. Detailed forecasts are also produced as part of

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the annual budget process. These represent strategic objectives and service priorities through which financial and operational performance are monitored.

8. Undertaking the core functions of an Audit Committee, as defined in CIPFA's Audit Committee's – Practical Guidance for Local Authorities.

- (a) The Council has a standalone Audit Committee which meets on a quarterly basis (or as required in exceptional circumstances) where reports from both Internal and External Audit are considered as well as risk and associated matters.
- (b) The role of the Audit Committee is defined within the Constitution together with the responsibilities of the Chairman, councillors and lead officers.
- (c) The Audit Committee provides a broad based audit role across all areas of the Council. The committee promotes and ensures effective internal control and independent assurance mechanisms, including: Internal Audit; External Audit; Risk Management; Annual Statement of Accounts; Corporate Governance Framework.
- (d) It approves internal and external audit plans, the annual accounts, and the Code of Corporate Governance; it also reviews and recommends to Cabinet for approval the Risk Management Policy.
- (e) The Chairman of the Audit Committee has direct access to the s151 officer and the Head of Internal Audit (Audit Cotswolds).

9. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

- (a) The system of internal financial control is based on a coherent accounting and budgeting framework including Financial Rules, Contract Standing Orders, Scheme of Delegation and accountability.
- (b) The Medium-Term Financial Strategy covers both revenue and capital spends which provides a framework for the planning and monitoring of resource requirements.
- (c) The Asset Management Plan and Capital Strategy aims to ensure that investment is linked to strategic objectives. Bids for capital and other asset management funding require an effective 'business case' linked to strategic objectives and progress in delivering key projects are monitored by the Senior Leadership Team, Councillors and Lead Commissioners. The Asset Management Plan also ensures that assets are only retained for effective business purposes.
- (d) Financial stewardship in respect of both capital and revenue proposals are reviewed and challenged by the Budget Scrutiny Working Group, and considered regularly by the Strategic Leadership Team. Service\Cost Centre Managers also consider their respective budgets on a regular basis. This is supported and challenged by the Bridging the Gap programme, an established budget monitoring process by managers and finance staff and the electronic distribution of budget monitoring reports to all managers.
- (e) All projects linked to corporate objectives are supported by their own governance arrangements that are documented within a Project Initiation Document (PID). This document includes roles and responsibilities, reporting processes and key documents. The project management guidelines define what needs to be included within the PID and if it needs to be considered by Overview and Scrutiny.

- (f) Directors are required to produce an Annual Statement of Internal Control for their divisions which include statements about risk and the internal control framework. Any significant issues arising from the annual assessment are reported to Audit Committee. This is supported by Internal Audit who deliver targeted assurance, cyclical audits and help embed risk management and other management initiatives.

10. Arrangements for whistle-blowing and for receiving and investigating complaints from the public.

- (a) The Counter Fraud, Corruption and Bribery Policy, and the Whistle Blowing Policy are owned and revised periodically. The policies are available on the Council's website, intranet and direct from Internal Audit.
- (b) If an employee has concerns about any manager or director they are encouraged to contact the GOSS HR Manager who will undertake an independent investigation.
- (c) If a customer has concerns the Council has a three stage complaints procedure which is managed by the Customer Relations Team. The procedure provides the means for customers to feedback concerns or issues. The process and on-line form are available on the Council's website or at Municipal Offices.
- (d) Complaints are investigated and analysed and reported back to managers along with the actions taken.

11. Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training.

- (a) All Members have an induction and training program, corporate training needs are identified through the Democratic Services Team.
- (b) The Member Development Program provides a structured approach to member development to ensure all members are supported in their role.
- (c) The Council supports staff development which is delivered primarily by GOSS Learning and Development Team, through programs such as Institute of Leadership and Management.

12. Arrangements for establishing clear channels of communication with all sections of the local community and stakeholders, ensuring accountability and encouraging open consultation.

- (a) Consultation events are held with public and voluntary services, Cheltenham Business Partnership and The Cheltenham Partnership. Other consultation and feedback surveys are also undertaken as required throughout the year.
- (b) The Council has published a Statement on Community Involvement which sets out the opportunities by which the public and organisations can engage with the planning system, including the procedures and methods we use to consult on planning applications.
- (c) The website also has a dedicated webpage providing information about current and past consultation events on subjects affecting the budget, licensing and major capital expenditure.

- (d) The Council has a Transparency Policy that supports the publication of data on its web page.
- (e) The Council's website also has a 'Report It' facility where the public can report issues concerning the delivery of services or make complaints. The public can also access over 50 on-line forms and documents enabling quicker, more effective, service delivery.
- (f) The website provides access to information on the Councillors, directors and senior managers together with a description of their portfolios, roles, responsibilities and contact details.
- (g) The Council also uses and funds the Cheltenham Fiesta which is a free event that brings together many of the town's voluntary organisations enabling them to raise and promote their profile of working with the council.

13. Incorporating good governance arrangements in respect of partnerships and other groups working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.

- (a) The Council's Code of Corporate Governance is reviewed annually by the Audit Committee and is available on its website.
- (b) The Leader and Head of Paid Service are Members of Leadership Gloucestershire which brings together a range of public sector organisations that allocate and spend significant resources in Gloucestershire.
- (c) The Leader is a board member of Gloucestershire Local Enterprise Partnership (LEP) whose key aim is to support growth and the creation of private sector jobs in the area. The partnership covers the district council areas of Cheltenham, Cotswold, Forest of Dean, Gloucester, Stroud and Tewkesbury.
- (d) The Cheltenham Development Task Force is an advisory body bringing together the private, public and voluntary sectors in partnership, as a way to progress the challenges and opportunities to improve the town for its citizens and businesses. The Task Force is led by its Managing Director who is an employee of Cheltenham Borough Council. The Council's Chief Executive was a member of the taskforce and since his retirement his place is now filled by the Council's Managing Director – Place and Economic Development. The Chief Executive was also the chairman of the taskforce Risk and Accountability Group which monitors the management of the Task Force key strategic risks., Following the restructure this role is now undertaken by the Director of Resources and Corporate Projects. These risks are managed by the Task Force Managing Director who ensures that any risks scoring over 16 which impact on CBC are brought to the attention of the Senior Leadership Team.
- (e) Appropriate governance arrangements in respect of service specific partnerships are approved by Cabinet or Council and published on the website. These include the Gloucestershire Waste Partnership, Gloucestershire Airport Ltd, The Cheltenham Trust, Audit Cotswolds, One Legal, ICT, and Building Control. GOSS managed the delivery of the Council's Finance and HR support services until February 2016 when responsibility transferred to the 2020 partnership.

14. Review of effectiveness

- (a) Cheltenham Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Executive Board who

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have responsibility for the development and maintenance of the governance environment, the Head of Audit Cotswolds' (Internal Audit) annual report, and also by comments made by the External Auditors and other review agencies and inspectorates.

- (b) Overall responsibility for the governance framework, including the system of internal control rests with the Council Leader and Head of Paid Service and they receive reports from the s151 Officer on financial issues and the Monitoring Officer on legal issues as and when appropriate. This includes regular budget monitoring information and the Medium Term Financial Strategy.
- (c) The Council carries out its review of the effectiveness of the framework on an annual basis. All executive directors and directors complete an Annual Statement of Assurance which outlines the key control areas to which their division should comply. The outcome of this assessment is considered by the Senior Leadership Team who approve any appropriate action.
- (d) In addition to the internal review of the effectiveness of the governance framework evidence is also drawn upon from Commissioning and Client Officers in respect of compliance with agreements with Ubico, Cheltenham Borough Homes, ICT Shared Services, the GOSS Partnership, Gloucestershire Airport and the Cheltenham Trust.
- (e) There is also an annual review of Internal Audit by the s151 Officer which reviews compliance with the CIPFA Code of Practice and the effectiveness of the audit service. As in previous years the service undertook assurance work on behalf of the Council. The External Auditors raised no concerns about the standard of work performed by the Audit Cotswolds' Partnership. No major issues were identified and the service has maintained the level of assurance it is able to provide to management.

15. Internal Audit

- a. The Audit Cotswolds' Partnership is managed by the Head of Audit Cotswolds whose role has been defined in the s101 agreement and a job description; both of which help to ensure that the requirements of the CIPFA 'Role of the Head of Internal Audit' standard are delivered.
- b. The Audit Cotswolds' Partnership began in 2009 with an agreement between Cheltenham Borough Council and Cotswold District Council to combine their Audit services. West Oxfordshire District Council then joined the partnership in 2010. The partnership is constituted under a s101 agreement. It also delivers internal audit functions for GO Shared Service, Cheltenham Borough Homes, Ubico and The Cheltenham Trust.
- c. The Council's Internal Audit Plan, which is risk based, is agreed following consultation with senior officers across the council it is agreed annually with the s151 officer and approved by the Council's Audit Committee. This provides the basis for the review of internal control and governance within the Council and includes the following: -
 - Annual reviews of the Council's key financial systems by Internal Audit against known and evolving risks;
 - Cyclical reviews by Internal Audit of internal controls in operation within each service area against known and evolving risks based on a detailed risk assessment which considers the strategic and operational risks identified in the Corporate Risk Register; and
 - includes consideration of materiality, sensitivity and previous audit and inspection findings;

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- Work in relation to the prevention of fraud and corruption and an allowance for the investigation of any potential irregularities identified either from audit work or through the Council's whistle-blowing policy;
 - Assurance advice and support to key projects and programmes to ensure safeguards are applied when implementing new systems of working;
 - Value for money work in relation to assessing the efficiency, economy and effectiveness of the Council's operations and recommending improvements as necessary;
 - Achievement of the Audit Plan is reported to the Audit Committee; this report also includes an opinion and assurance about the system of internal control throughout the Council;
 - Regular meetings were also held between the s151 officer and a representative of the Cotswolds' Audit Partnership to discuss specific issues that have arisen
- d. Changes to the Department of Work and Pensions, Benefit Fraud Investigation requirements – Single Fraud Investigation Service (SFIS) led to Cabinet agreeing an evolutionary approach for the establishment of a Counter Fraud Unit managed by the internal audit provider Audit Cotswolds. This entailed the s151 officer putting in place an agreement with Cotswold District Council (as host authority for Audit Cotswolds) to establish the Counter Fraud Unit.

16. Significant governance Issues

(a) The Annual Assurance Review and the work of the Audit Cotswolds' assurance work throughout the year have identified the following issues which need to be addressed;

- support effective testing of disaster recovery (DR) plan; (ICTSS responsibility)
- Ensure service area disaster recovery and business continuity plans link to the DR plan (ICTSS and CBC shared responsibility)
- Purchase Order Management System compliance (S151 officer).

(b) A Significant Issues Action Plan* has been developed to address these issues Appendix 3.

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

*Additional details are included in Appendix

Signed Pat Pratley, Head of Paid Service Date

Signed..... Steve Jordan, Leader Date