Democratic Services

Tewkesbury Borough Council

TO EACH MEMBER OF THE
AUDIT COMMITTEE

20 September 2013

Dear Councillor

AUDIT COMMITTEE- WEDNESDAY 25 SEPTEMBER 2013

Further to the Agenda and papers for the above meeting, previously circulated, please find attached the following reports:

Agenda Item	**Description**	
7.	**Financial Resilience Report**	**1 - 30**
	To consider Grant Thornton's Financial Resilience Report.	
8.	**Grant Thornton Audit Findings 2012/13**	**31 - 65**
	To consider Grant Thornton's audit findings 2012/13.	
10.	**Statement of Accounts 2012/13**	**66 - 185**
	To approve the Statement of Accounts 2012/13.	

Should you have any queries regarding the above please contact Democratic Services on Tel: 01684 272021

Yours sincerely

L O'Brien

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Democratic Services Group Manager

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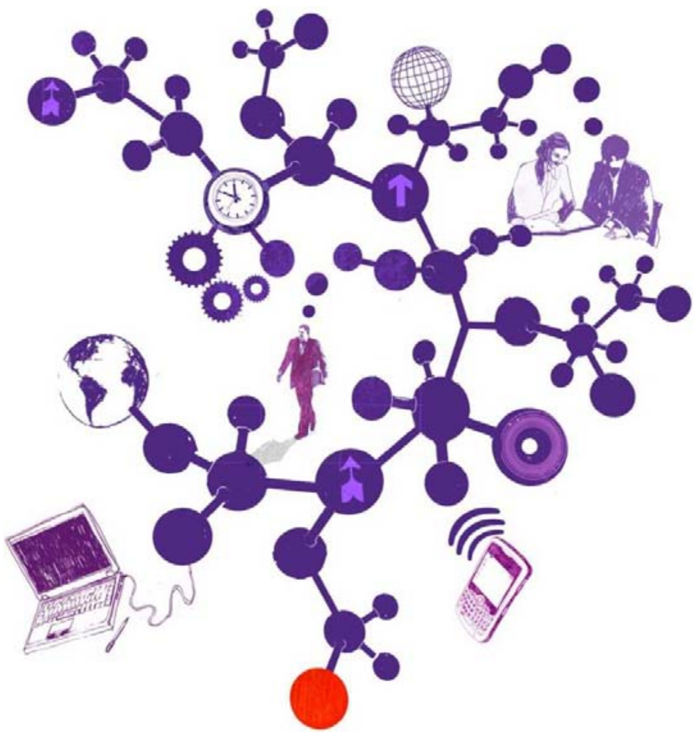
Review of the Council's Arrangements for Securing Financial Resilience for Tewkesbury Borough Council

Year ended 31 March 2013

September 2013



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Executive Summary

Our approach

Value for Money Conclusion

Our work supporting our Value for Money (VfM) conclusion, as part of the statutory external audit, includes a review to determine if the Council has proper arrangements in place for securing financial resilience.

In so doing we have considered whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. We have carried out our work in discussion and agreement with officers and completed it in such a way as to minimise disruption to them.

The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report.

We have reviewed the financial resilience of the Council by looking at:

- Key indicators of financial performance;
- Its approach to strategic financial planning;
- Its approach to financial governance; and
- Its approach to financial control.

Further detail on each of these areas is provided in the sections of the report that follow.

Our overall conclusion is that the Council has adequate arrangement in place to secure financial resilience.

We have used a red/amber/green (RAG) rating with the following definitions.

Green	**Arrangements meet or exceed adequate standards**. Adequate arrangements identified and key characteristics of good practice appear to be in place.
Amber	**Potential risks and/or weaknesses**. Adequate arrangements and characteristics are in place in some respects, but not all. Evidence that the Council is taking forward areas where arrangements need to be strengthened.
Red	**High risk**: The Council's arrangements are generally inadequate or may have a high risk of not succeeding

Executive Summary

National and Local Context

National Context

The Chancellor of the Exchequer announced the current Spending Review (SR10) to Parliament on 20 October 2010. SR10 represented the largest reductions in public spending since the 1920s. Revenue funding to local government was to reduce by 19% by 2014/15 (excluding schools, fire and police). After allowing for inflation, this equates to a 28% reduction in real terms with local government facing some of the largest cuts in the public sector. In addition, local government funding reductions were frontloaded, with 8% cash reductions in 2011/12. This followed a period of sustained growth in local government spending, which increased by 45% during the period 1997 to 2007.

The Chancellor of the Exchequer, in his Autumn Statement in November 2011, announced further public spending reductions of 0.9% in real terms in both 2015/16 and 2016/17. In his Autumn Statement on 5 December 2012, the Chancellor reinforced austerity measures announcing a further £6.6bn of savings during 2013/14 and 2014/15. Whilst health and schools will be continue to be protected in line with the Government's policy set out in SR10, local government will continue to face significant funding reductions. The Department for Communities and Local Government will contribute £470m of these additional savings, £445m of which will come from local authority funding during 2014-15, with local authorities being exempt from additional savings in 2013/14. In his March 2013 Budget the Chancellor announced further departmental 1% savings during each of 2013/14 and 2014/15. The NHS and schools remain protected, but police and local government will need to find an additional 0.5% over both years.

The next spending round period, 2015/16, was announced by the Chancellor on 26 June 2013. Local government will face a further 10% funding reduction for this period.

These funding reductions come at a time when demographic and recession based factors are increasing demand for some services, and there is a decreasing demand for some services, such as car parking, where customers pay a fee or charge.

Financial austerity is expected to continue until at least 2017.

Local Context

Tewkesbury Borough Council (the Council) is a district council located in the north of Gloucestershire. It has a population of 81,700, as at June 2010. The Council headquarters are based in Tewkesbury.

Executive Summary

Overview of Arrangements

Risk area	Summary observations	High level risk assessment
Key Indicators of Performance	In comparison to the Audit Commission's nearest neighbours, the Council is broadly in line and generally consistent with the trends indicated by other councils. The Council has maintained its current level of reserves. In addition the Council does not have any long term debt. However, in both 2011/12 and 2012/13 Council reported a revenue overspend against its budget. Both overspends were as a result of savings targets not being achieved as planned. For 2012/13 this overspend was in the region of £300,000. Capital spend was also 28% below planned. Although we note that a large proportion of the capital programme relates to grants to third parties which limits the extent of control the Council has over this expenditure. Whilst the sickness absence rate has seen an overall downward trend over the past few year, the recorded absence rate remains above the Council internal target for 2012/13.	Amber
Strategic Financial Planning	The Council has adequate arrangements in place to plan its finances over the next five years. The Medium Term Financial Plan (MTFP) is updated annually and was approved by Full Council in January 2013. The MTFS forms the basis of the 2012/13 budget which was agreed following discussion by the budget working group, Executive and Full Council in February 2013.	Green
Financial Governance	The Council has adequate arrangements in place to ensure understanding of the financial environment with appropriate engagement from stakeholders and Members. There are appropriate financial governance and monitoring arrangements in place at Member and officer level with quarterly performance management reports being presented to Members.	Green
Financial Control	For 2012/13 the Council reported a deficit of £300,000 for the second consecutive year, as a result of underperformance against its savings targets. In addition in order to ensure effective internal controls are in place management need to ensure Internal Audit is compliant with the Public Sector Internal Auditor Standards and that the Council has effective risk management arrangements in place. We identified that following the introduction of the risk management Strategy in November 2012 the new Risk Registers had not been reviewed by the Overview and Scrutiny Committee.	Amber

Executive Summary

Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
Key Indicators of Performance	The Council has reported a deficit against budget for the last two years and not achieved its savings plans.	Corporate Leadership Team	March 2014	Corporate Leadership Team (CLT) have appointed a sponsor and lead officer for the annual savings plan who will monitor and report progress on the delivery of the savings plan throughout the year to both CLT and the Budget Working Group. The overall performance of the budget will continue to be monitored and reported to members through the quarterly performance monitoring report to both Overview and Scrutiny Committee and Executive Committee. The content of the reporting will be reviewed with the intention to expand and enhance the information provided. CLT will consider the position of the savings plan and overall budget and if necessary recommend corrective action in order to deliver the budget within the parameters outlined in the Medium Term Financial Strategy. Corrective action has been taken in previous years in order to mitigate deficits within savings plans and has included reducing expenditure, freezing posts and the use of reserves.
	Reduce the Council's overall sickness absence rate.	Group Manager - Business Transformation	March 2014	A new Absence Management Policy was approved by Members in 2012 and became effective from October 2012. The new policy allows management to intervene at an earlier stage by reducing the absence management triggers and has been updated to reflect fit note rules. In addition a number of long term absence cases have been concluded in the last six months. As a result, the quarter one outturn for 2013/14 shows an absence rate of 1.78 days which is therefore on course to deliver the council target of 7.5 days.

Executive Summary

Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
Strategic Financial Planning	Develop detailed scenario planning to support the MTFS.	Group Manager - Finance & Asset Management	February 2014	The council's Medium Term Financial Projection model enables the running of numerous different scenarios dependent on internal and external factors. This model will continue to be used to support management and the Budget Working Group in the deliberations over future years budgets. Examples of best practice will be sought in order to further improve the model and the involvement of Group Managers within the budget planning process will provide for more detailed and accurate service and corporate information in order to make the model as robust as possible.
	Consider introducing public consultation on the 2014/15 budget.	Group Manager - Finance & Asset Management	December 2013	Consultation will take place on the 2014/15 budget and options are currently being considered for delivering this.
Financial Governance	Improve reporting on capital spend so that the level of slippage can be easily identified.	Group Manager - Finance & Asset Management	February 2014	Improvements to the estimate of the forthcoming years capital programme, which accompanies the formal budget report, will be made for the 2014/15 year and will include more accurate forecasting of the likely profile of capital expenditure over the forthcoming period. This will include an estimate based on quarterly profile rather than just a full year and more realistic estimates of expenditure profiles for the capital grants programme, which is subject to draw down from third parties and is effectively outside of the council's control and which forms the majority of the council's capital programme. The current year programme will also be reviewed in order to re-profile it and the quarterly report to members for quarter 3 onwards will be updated to reflect this and to clearly show progression of the capital programme against plan.

Executive Summary

Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
Financial Control	Progress against specific savings plans should be reported and monitored by the Corporate Leadership Team and Members.	Group Manager - Finance & Asset Management	October 2014	Corporate Leadership Team (CLT) have appointed a sponsor and lead officer for the annual savings plan who will monitor and report progress on the delivery of the savings plan throughout the year to both CLT and the Budget Working Group. A RAG status and narrative will be added to the report to aid the explanation of the current position in delivering the programme. The report will help inform the council's overall budget monitoring statement.
	Review the capacity within the finance function and consider how the risk posed by staff absence could be reduced.	Group Manager - Finance & Asset Management	March 2014	The new structure for the finance team was approved as part of the Organisational Review. Whilst small in number, the team possess the necessary skills and abilities to provide a good service to the council. Further work is being undertaken to use Information Technology more effectively in order to provide greater capacity within the team. The grouping of Finance and Asset Management may provide opportunities for the sharing of workloads and the use of resources more effectively. The service will also be subject to the Business Transformation Strategy as it emerges and will be open to opportunities to raise its resilience, efficiency and effectiveness.

Executive Summary

Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
Financial Control	Ensure Internal Audit is compliant with the Public Sector Internal Auditor Standards	Group Manager - Policy & Performance	March 2014	Internal Audit have previously been compliant with the CIPFA Code of Practice for Internal Audit (2006). With effect from 1 April 2013, The Relevant Internal Audit Standard Setters (RIASS) have adopted a common set of Public Sector Internal Audit Standards (PSIAS). A seminar on PSIAS was held for the Audit Committee on 1 February 2013. Since the seminar, a 43 page checklist to evidence compliance with PSIAS has been issued. This has been circulated to the Audit Committee for reference purposes. The Internal Audit team are working their way through the checklist and this outcome will support the annual review of the effectiveness of IA which will be reported to Audit Committee in June 2014.
	The Council should ensure effective risk management arrangements are in place, the new Risk Registers should be reviewed and challenged by Members.	Corporate Governance Group	November 2013	Although risks have not been formally reported during the course of the year the consideration of risk forms part of normal council business. For example, all the council's key projects are supported with a project risk register and the delivery of those projects have been monitored through the internal Project Programme Board. Additionally, the majority of those projects have had some form of Member input, for example Member Working Groups have been set up to support the Organisational Review project and the Office Refurbishment projects. Dialogue at these groups naturally leads to discussing the risks associated with the successful delivery of those projects. The Performance Management Framework also provides transparency and accountability as to whether Council Plan actions are being delivered or not. For example, the Council Plan Performance Tracker is reported to both Overview and Scrutiny Committee and Executive Committee and flags any issues relating to the successful attainment of the council's priorities. All committee reports also include a risk management box that should provide a high level summary of risks relating to the subject of the report. The new management team recognise the importance of demonstrating that corporate risks are identified, evaluated and mitigated. A management team session is planned for early October with the objective to produce a corporate risk register. This will be reported as part of the quarter 2 performance management information.

Key Indicators

Introduction

This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available. These indicators include:

- Working capital ratio
- Long term borrowing to tax revenue
- Long term borrowing to long term assets
- Sickness absence levels
- Out-turn against budget
- Useable Reserves: Gross Revenue Expenditure
- Schools Reserves - Balances to DSG allocations

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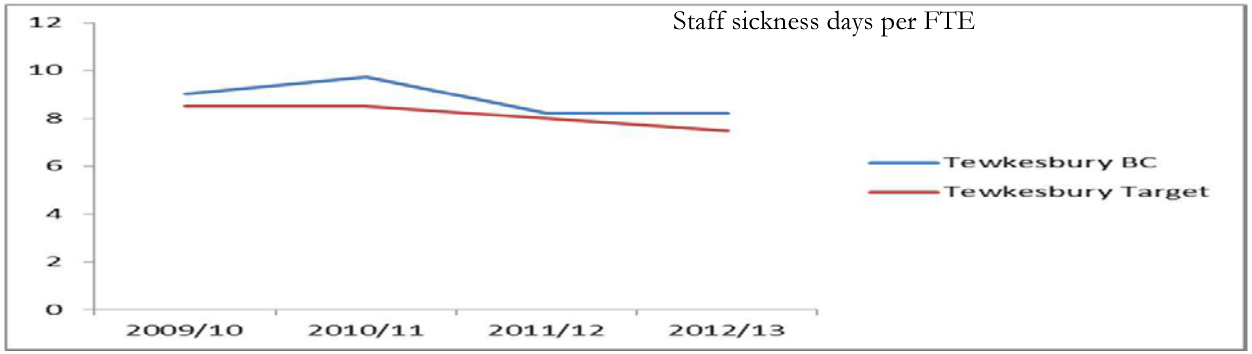
We have used the Audit Commission's nearest neighbours benchmarking group comprising the following authorities*:*

- Babergh District Council
- Craven district Council
- Derbyshire Dales District Council
- East Cambridgeshire District Council
- Forest of Dean District Council
- Hambleton District Council
- Lichfield District Council
- Melton Borough Council
- Malvern Hills District Council
- Maldon District Council
- Mid Devon District Council
- Mid Suffolk District Council
- Stroud District Council
- Rushcliffe Borough Council
- Wychavon District Council

Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
Liquidity	The Council's working capital ratio for 2011/12 was 6.87:1 indicating that it has sufficient assets to cover its immediate liabilities. There has been a large fall compared to the level in 2010/11, but the value remains in line with the levels for the rest of the last 5 years. The 2011/12 level was the 3rd highest in the neighbour group, which as a whole has high working capital levels, with only one council falling below 1. Council tax and national non-domestic (NNDR) collection rates remain high at 98.1% and 99.7%. Although these rates are below the Council's agreed income collection targets.	Green
Borrowing	The Council has no long term borrowing.	Green
Workforce	The Council current average sickness absence rate for 2012/13 was 9.03 days per FTE. This is above the internal target of 7.5 days per FTE. The Council has seen an overall decrease since in its sickness rate, other than in 2011/12 when the level increased, as a result of longterm sickness. Staff turnover has reduced each year from 2010/11 at 15.25%, to 2012/13 at 8.77%.	Amber



Key Indicators

Overview of performance

<table>
<tr><th>Area of focus</th><th>Summary observations</th><th>Assessment</th></tr>
<tr><td>Performance Against Budgets: revenue & capital</td><td>Revenue
In both 2011/12 and 2012/13 Council reported a revenue overspend against its budget. Both overspends were as a result of the savings targets not being achieved as planned.
<table>
<tr><th></th><th>Budget
£m</th><th>Actual
£m</th><th>Variance Over Budget
£m</th></tr>
<tr><td>2011/12</td><td>7.521</td><td>7.937</td><td>0.416</td></tr>
<tr><td>2012/13</td><td>7.734</td><td>8.035</td><td>0.301</td></tr>
</table>
Capital
The Council had a capital programme of £1.795m for 2012/13, spending £1.29m by the year end. The slippage was 28% of the total planned spend. Although we recognise that a large proportion of the capital programme is in relation to third parties and therefore the extent of control by the Council is more limited.</td><td>Amber</td></tr>
<tr><td>Reserve Balances</td><td>The comparative information for useable reserves as set out on page 26 indicates that the amount of capital and revenue reserves as a proportion of expenditure for the last four years up to 2011/12 has remained reasonably constant, showing that the authority has been able to maintain its reserves levels. Also that the Council in comparison to others sits towards the top end of the neighbour group, which is evenly split between those which saw a fall in 2011/12 and those which saw a rise.
The Council in 2012/13 has maintained its reserves overall, having set aside earmarked reserves for new business rates.</td><td>Green</td></tr>
</table>

Strategic Financial Planning

Key characteristics of good strategic financial planning

In conducting our review of strategic financial planning we have assessed the Council's performance against the following indicators:

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFP focuses resources on priorities.
- The MTFP includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working. Targets have been set for future periods in respect of reserve balances, prudential indicators etc.
- Annual financial plans follow the longer term financial strategy.
- There is regular review of the MTFP and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks.
- The Council has performed stress testing on its model using a range of economic assumptions including CSR.
- The MTFP is linked to and is consistent with other key strategies, including workforce.
- KPIs can be derived for future periods from the information included within the MTFP.

Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
Focus of the MTFS	The Council's Medium Term Financial Strategy looks at five years 2013/14 to 2017/18 and was agreed by Full Council in January 2013. The Council agreed its 2013/14 budget in February 2013 and froze Council tax for the third consecutive year. The budget had been developed during the year by the budget working group and then discussed by the Executive Committee. This process ensures cross party involvement in developing the budget and enables agreement to be reached by Full Council in an efficient and effective manner.	Green
Adequacy of planning assumptions	The MTFP and 2013/14 budget include a range of assumptions including the decision to freeze council tax; agreed budget parameters (for example, inflation on pay budgets of 1% for all staff) and the implications of the Local Government Finance Act, namely the implementation of the Business Rates Retention Scheme and replacement of the existing Council Tax benefit system with local Council Tax Support.	Green
Scope of the MTFS and links to annual planning	The MTFS was agreed prior to agreement of the 2013/14 budget after consideration by the Executive Committee and forms the basis for discussions and agreement of the budget. The MTFS includes the planned savings as well as the revenue and capital projections. However, we note that for 2013/14 the Council agreed not to undertake public consultation on the 2013/14 budget.	Amber
Review processes	The Council agree and publish an agreed MTFP annually. A supporting analysis and model is kept up to date by Officers.	Green
Responsiveness of the Plan	As a small authority the Council has a limited range of opportunities available to it. Although we consider the Council may benefit from introducing scenario planning.	Amber

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Financial Governance

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Key characteristics of effective financial governance

In conducting our review of financial governance we have assessed the Council's performance against the following indicators:

Understanding

- There is a clear understanding of the financial environment the Council is operating within:
  - Regular reporting to Members. Reports include detail of action planning and variance analysis etc.
  - Actions have been taken to address key risk areas.
  - Officers and managers understand the financial implications of current and alternative policies, programmes and activities.

Engagement

- There is engagement with stakeholders including budget consultations.

Monitoring and review

- There are comprehensive policies and procedures in place for Members, Officers and budget holders which clearly outline responsibilities.
- Number of internal and external recommendations overdue for implementation.
- Committees and Cabinet regularly review performance and it is subject to appropriate levels of scrutiny.
- There are effective recovery plans in place (if required).

Financial Governance

Area of focus	Summary observations	Assessment
Understanding the Financial Environment	The Council has a Committee structure in place with key decisions made by Full Council. Quarterly information and reports are presented to Overview and Scrutiny Committee, the Chair of which then attends the Executive Committee to present their findings. Monthly informal meetings are also held with the portfolio holder for Finance and Assets. The budget working group also enables members to be involved and enhances their understanding. The Council also has an Audit Committee which meets quarterly.	Green
Executive and Member Engagement	Engagement of officers is through the Corporate Management Team. Closed meetings are also held with the Corporate Management Team and the Executive Committee, these meetings are considered beneficial to ensure Member understanding and engagement, to enable issues to be discussed and to facilitate agreement of key decisions by Full Council.	Green
Overview for controls over key cost categories	The Audit Commission VfM profiles do not identify any outliers of concern. We are aware that the Council has used the profiles to compare themselves to other authorities. The Council also intends to compare itself to other authorities in Gloucestershire in 2013/14.	Green
Budget reporting: revenue and capital	Quarterly performance management reports are presented to the Overview and Scrutiny Committee, and then reviewed by the Executive Committee. These reports include the service delivery plans for each group. The service delivery plans include both financial and performance information. The appendices of these reports include a summary revenue statement and a capital monitoring statement. The service plans enable Members to understand the financial position for each group. Variances greater than £10,000 require an explanation. However, we consider that the capital programme monitoring statement does not clearly identify the current position compared to plan. In addition the version available on the website is not readable by members of the public in its current format.	Amber
Adequacy of other Committee/ Cabinet Reporting	As noted above the Council has chosen to report all information within service delivery plans and the same information is presented to each committee.	Green

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Financial Control

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Key characteristics of effective financial control

In conducting our review of financial control we have assessed the Council's performance against the following indicators:

Budget setting and budget monitoring

- Budgets are robust and prepared in a timely fashion.
- Budgets are monitored at an officer, member and Cabinet level and officers are held accountable for budgetary performance.
- Financial forecasting is well-developed and forecasts are subject to regular review.

Savings Plans

- Processes for identifying, delivering and monitoring savings plan schemes are robust, well thought through and effective.

Financial Systems

- Key financial systems have received satisfactory reports from internal and external audit.
- Financial systems are adequate for future needs.

Finance Department

- The capacity and capability of the Finance Department is fit for purpose.

Internal Control

- There is an effective internal audit which has the proper profile within the organisation. Agreed Internal Audit recommendations are routinely implemented in a timely manner.
- There is a an assurance framework in place which is used effectively by the Council and business risks are managed and controlled.

Financial Control

Internal arrangements

<table>
<tr><th>Area of focus</th><th>Summary observations</th><th>Assessment</th></tr>
<tr><td>Budget setting and monitoring - revenue and capital</td><td>The Council has an agreed process to agree and set the budget. This process was unchanged to previous years and included the cross party budget working group, the Executive Committee prior to approval by the Full Council.
The process of budget monitoring is undertaken by the Overview and Scrutiny Committee who make recommendations to the Executive Committee. Both Committees receive the same reports on a quarterly cycle. Performance is also reviewed by the Corporate management Team prior to review by Members.</td><td>Green</td></tr>
<tr><td>Performance against Savings Plans</td><td>In both 2011/12 and 2012/13 the Council has not achieved its savings targets.
<table>
<tr><th>Year</th><th>Plan</th><th>Actual</th><th>Variance</th></tr>
<tr><td>2011/12</td><td>£1.56m</td><td>£1.04m</td><td>£0.52m</td></tr>
<tr><td>2012/13</td><td>£0.725</td><td>£0.134m</td><td>£0.591</td></tr>
</table>
The savings plan in 2011/12 was reported to the Corporate Management Team and through monitoring of the budget to Members in the quarterly performance reports. Reporting of performance of the savings plan in 2012/13 was limited after the two main elements, PCT investment and management restructure were withdrawn. Quarterly performance reporting of the budget did continue. We consider that more detailed reporting of the savings plans would be beneficial.
Following the approval of the 2013/14 budget, the Council needs to make cumulative savings of £4.187m for the three years 2014/15 to 2016/17. Savings schemes have yet to be identified for £2.5m.</td><td>Red</td></tr>
<tr><td>Key Financial Accounting Systems</td><td>Internal Audit's overall conclusion for 2012/13 is that generally, a satisfactory level of control exists within the overall control environment.</td><td>Green</td></tr>
</table>

Financial Control

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Internal and external assurances

Area of focus	Summary observations	Assessment
Finance Department Resourcing	Following a number of management restructuring processes within the finance function now has 4FTE's. The skills and capabilities are considered appropriate. However, the small number of staff does have an impact on capacity and increase the risk posed by staff leaving and absence.	Amber
Internal audit arrangements	The Internal Audit Plan for 2012/13 was developed using a risk based process. In line with the requirements of the Accounts and Audit Regulations 2011, a self assessment of the service against the CIPFA 2006 Code of Practice for Internal Audit in Local Government was completed. This identified that no areas were considered to be of material non-compliance and that Audit documentation and procedures will be reviewed during the course of 2013/14 to ensure compliance with PSIAS.	Amber
External audit arrangements	In 2011/12 the Council's external auditors, the Audit Commission, concluded that the financial statements gave a true and fair view of the council's financial position and concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.	Green
Assurance framework/risk management	The Council reviewed its approach to risk management following a review by Internal Audit. As a result a new Risk Management Strategy was agreed in November 2012. This Strategy addressed the areas of concern and as a result replaced the corporate risk register and operational risk registers with five Risk Registers. In February 2013 the draft new Risk Registers had been produced and were waiting to be quality assured by the Corporate Management Team and the Corporate Governance Group. As at June 2013 these registers had yet to be agreed and finalised. For five months of the year the Council has not had agreed risk registers in place.	Amber

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Key Indicators of Financial Performance

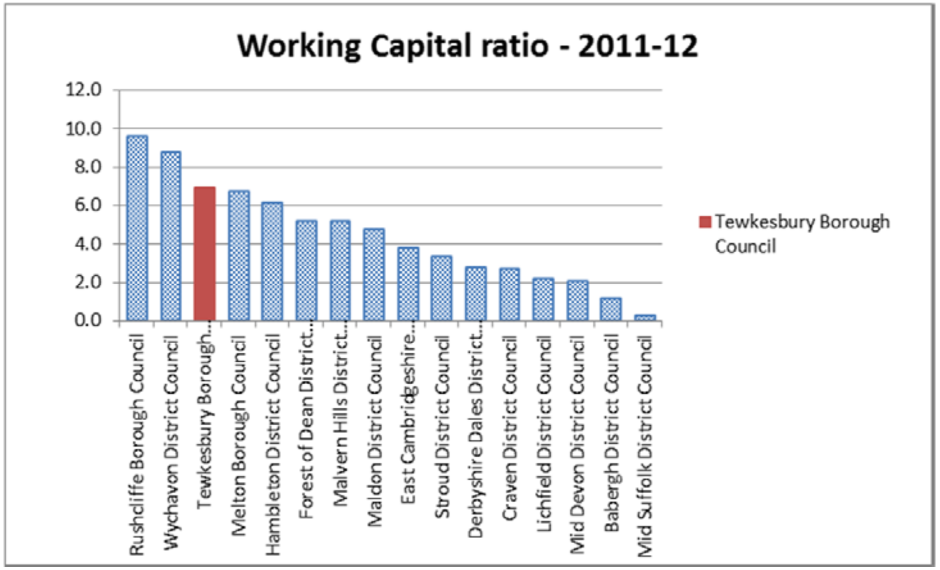
Working Capital – Benchmarked

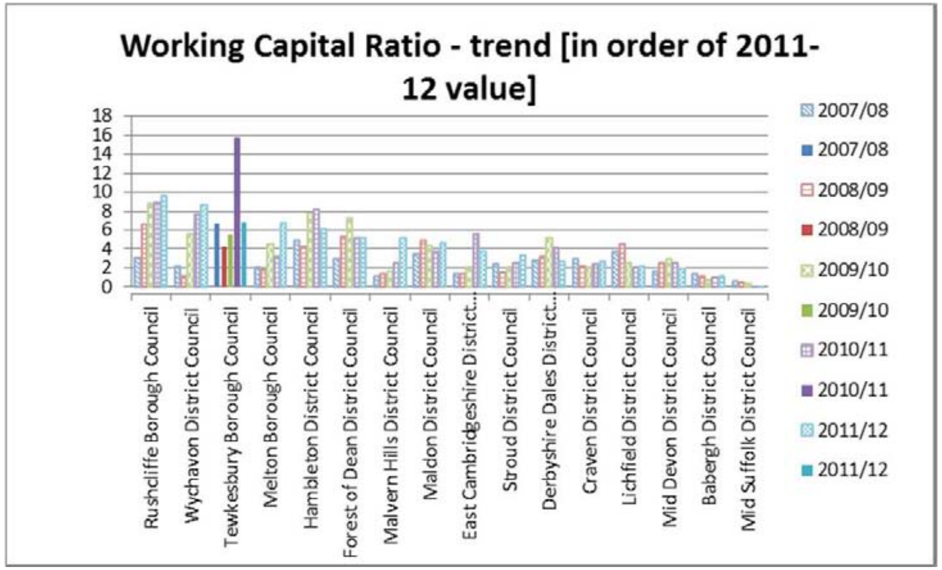
Definition

The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities – ie those to be met over the next twelve months. A ratio of 2:1 is usually considered to be acceptable, whilst a ratio of less than one – ie current liabilities exceed current assets – indicates potential liquidity problems.

Findings

Tewkesbury's working capital ratio for 2011/12 was 6.87:1 – well above the minimum acceptable level. There has been a large fall compared to the level in 2010/11, but the value remains in line with the levels for the rest of the last 5 years. The 2011/12 level was the 3rd highest in the neighbour group, which as a whole has high working capital levels, with only one council falling below 1.





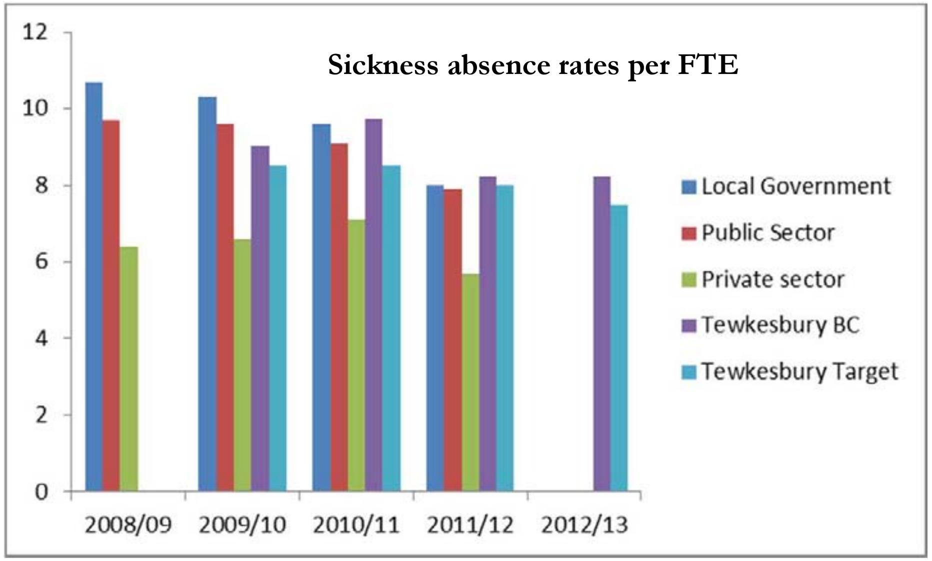
Source: Audit Commission's Technical Directory

Key Indicators of Financial Performance

Sickness Absence Levels

Background

The average sickness absence level for the public sector in 2011/12 was 7.9 days per FTE, whilst the private sector average was 5.7. Many councils have taken a proactive approach to reducing the number of days lost to sickness each year. Costs that accrue from sickness absence relate to the hiring of agency staff to cover staff gaps, or from holding a larger workforce complement than is desirable. Absence also damages service levels either through staff shortage or lack of continuity. Reducing absenteeism saves money, improves productivity and can have a positive customer benefit. Absence management will be a particular challenge for all authorities during SR10, given the context of significant pressures on staff to deliver "more for less".



Source: Tewkesbury Borough Council

Findings

The Council's sickness absence rates have reduced overall from 2009/10 to 2012/13 but had a sharp rise in 2011/12 due to an increase in longterm sickness.
As a result the Council's sickness absence rates are below target.

Key Indicators of Financial Performance

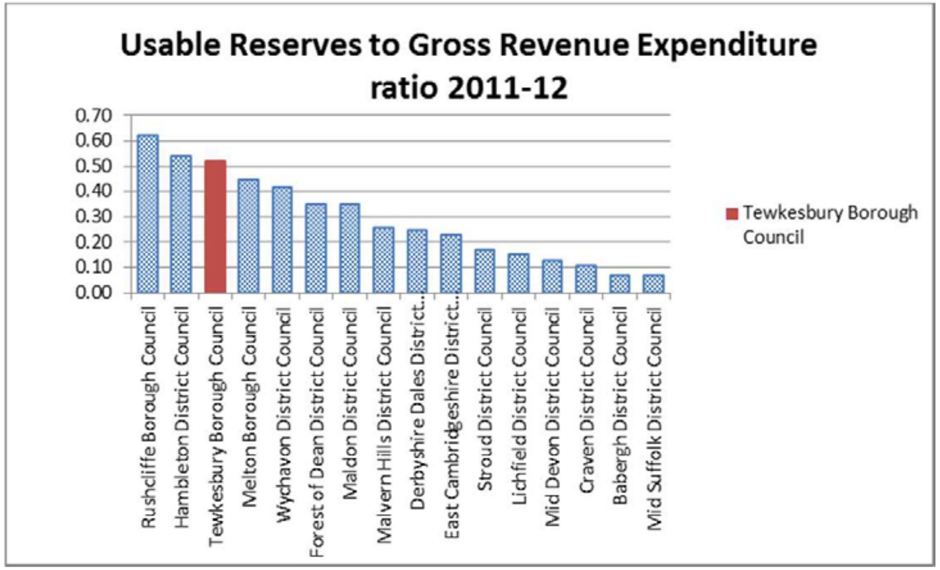
Useable Reserves – Benchmarked

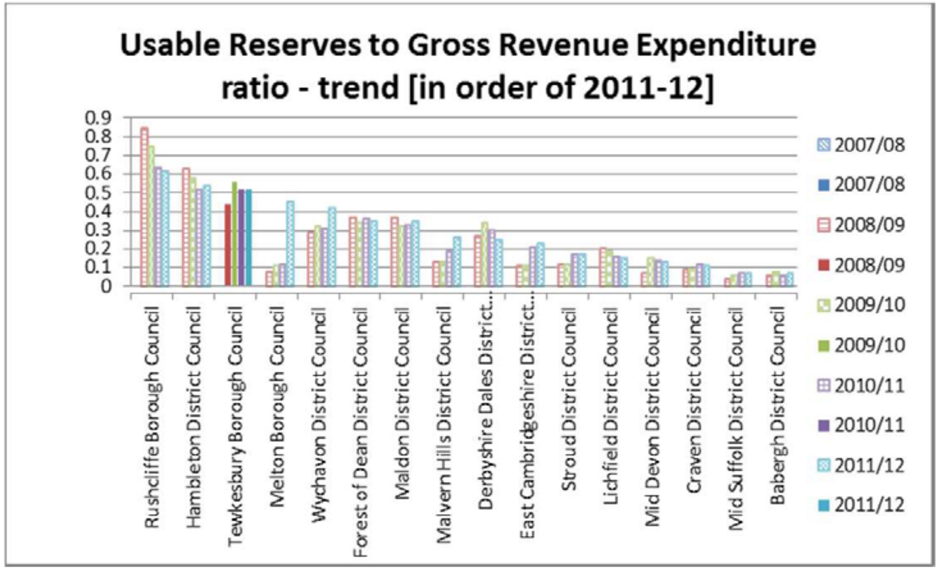
Definition

This shows useable capital and revenue reserves as a share of expenditure. A ratio of one means the total reserves matches the level of expenditure.

Findings

Over the last four years up to 2011/12 the ratio for Tewkesbury's useable reserves has remained reasonably constant, showing that the authority has been able to maintain its reserves levels. The 2011/12 value of 0.52 sits towards the top end of the neighbour group, which is evenly split between those which saw a fall in 2011/12 and those which saw a rise.





Source: Audit Commission's Technical Directory

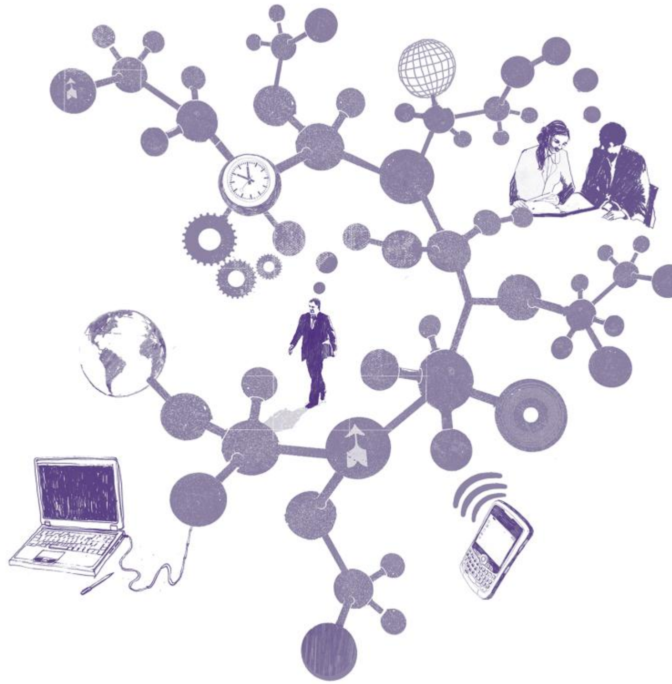
Grant Thornton

grant-thornton.co.uk

The Audit Findings
for Tewkesbury Borough Council

Year ended 31 March 2013

19 September 2013



Agenda Item 8

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section 1: Executive summary

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Tewkesbury Borough Council's ('the Council') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan, although we have made a minor change in the way the plan is presented. dated 11 March 2013.

Our audit is substantially complete although we are finalising our work in the following areas:

- depreciation, employees remuneration, benefit expenditure, group accounts and the Whole Government Accounts return,
- review of the final version of the financial statements,
- obtaining and reviewing the final management letter of representation,
- confirming the final status of the Annual Governance Statement, and
- updating our post balance sheet events review, to the date of signing the opinion

We received the draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We have identified no material errors in the accounts.

However, management identified one misclassification error in the Comprehensive Income and Expenditure Statement which has been adjusted in the revised accounts. In addition, we identified a small number of adjustments to enhance disclosures and the presentation of the accounts.

We anticipate providing an unqualified opinion on the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- the accounts contained only a small number of errors, all of which have been adjusted by management
- the working papers were of high quality
- finance staff responded promptly to all audit queries, facilitating the prompt completion of the audit

Further details are set out in section 2 of this report.

Value for money conclusion
We intend to give an unqualified VFM conclusion stating that, in all significant respects, Tewkesbury Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)
Work is underway and will be completed before the 4th October 2013 in accordance with the national timetable.

Controls
The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Whilst our work has not identified any control weaknesses within the Council's financial systems that we wish to highlight for your attention, our preliminary work assessing the Council's IT controls did identify some weaknesses regarding access controls.

Full details are provided within section 2 of this report.

The way forward
Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Finance.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Director of Resources and the finance team.

Acknowledgment
We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2013

Section 2: Audit findings

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 20 March 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 11 March 2013, although we have made a minor change in the way the plan is presented.

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	Our work to address this presumed risk included: • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions	Our audit work has not identified any issues in respect of revenue recognition.
2.	**Management override of controls** Under ISA 240 there is a presumed risk of management over-ride of controls	Our work to address this presumed risk included: • review of accounting estimates, judgements and decisions made by management • testing of journals entries	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgments.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	• Documentation of accounting system processes • Identification and walkthrough of, activities-level controls • Detailed substantive tests on the cost of services gross expenditure • Consideration of the existence of unrecorded liabilities • Consideration of the disclosures made through supporting notes to the accounts	Our audit work has not identified any significant issues in relation to the risk identified
Employee remuneration	Remuneration expenses not correct Employee remuneration accruals understated	• Documentation of accounting system processes • Identification and walkthrough of, activities-level controls • Attribute testing of employee remuneration expenses and agreement to source documentation • Detailed substantive tests on employee remuneration expenses • Consideration of the work of the actuary • Consideration of disclosures made through supporting notes to the accounts	Our audit work has not identified any significant issues in relation to the risk identified

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare expenditure	Welfare benefits improperly computed	• Documentation of accounting system processes • Identification and walkthrough of, activity level controls • Review of Northgate system parameters • Detailed substantive tests on the cost of services gross expenditure • Consideration of the existence of unrecorded liabilities • Consideration disclosures made through supporting notes to the accounts	Our audit work has not identified any significant issues in relation to the risk identified

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• Revenue from the provision of services is recognised when the Council can measure reliably the level of completion of the transaction and it is probable that benefits will flow to the Council. • Government Grants are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments	• The Council's policy is entirely appropriate and consistent with the relevant accounting framework – the Local Government Code of Accounting Practice • Minimal judgement is involved • Accounting policy is properly disclosed	●
Judgements and estimates	• Key estimates and judgements included: – useful life of capital equipment – pension fund valuations and settlements – revaluations – impairments – provisions	• The Council's policy is entirely appropriate and consistent with the relevant accounting framework – the Local Government Code of Accounting Practice • Reliance on experts is taken where appropriate • Accounting Policy is properly disclosed	●
Other accounting policies	• We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	• Our review of accounting policies has highlighted that the Council's policies are appropriate and consistent with the relevant accounting framework – the Local Government Code of Accounting Practice • Although we requested the addition of a reference to the fact that the accounts were going concern no issues arose which we wish to bring to your attention.	●

Assessment

- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Adjusted misstatements

An adjustment to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustment arising from the audit which have been processed by management.

Impact of adjusted misstatements

The adjusted misstatement is set out below along with the impact on the key statements and the reported financial position.

	Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
1	The gross expenditure and gross income for Central Services to the Public and Planning Services lines in the CIES were incorrect but this had no net effect on the CIES	56 -56		
	Overall impact	**£NIL**	**£NIL**	**£NIL**

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Disclosure	75	Employers Pension Contributions	The prior year comparator for employers' contribution payable to the LG pension scheme referred to in Note 40 were incorrectly stated as £1,627 rather than £1,702.
2	Disclosure	N/A	Accounting Principles	The Accounting principles did not refer to the fact that the accounts had been prepared on a going concern basis.

Unadjusted misstatements

There are no unadjusted misstatements arising from our audit.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

These and other recommendations, together with management responses, are included in the action plan attached at appendix A.

	Assessment	Issue and risk	Recommendations
1. 46		Our work on reviewing high level IT controls identified some weaknesses in IT access controls, in particular the lack of reviews of access to Civica Financial, Revenues and Benefits or Chris HR/Payroll systems, consideration of whether network users have appropriate access rights and the limited segregation of duties of the main administrators of the finance and payroll systems	Management should : • identify the more critical audit logs and review them on a periodic basis for any anomalies. • consider implementing a formal process to review user access and their role profile on the network and to main finance and payroll systems to ensure access is appropriate based on job functions and that all terminated users have been appropriately removed or disabled from the finance and payroll systems. • Management should consider the allocation of system administrator rights where members of the team have a financial reporting responsibility to ensure that it does not cause a conflict. If this is not practical then a process should be put in place to independently review audit logs regularly as a compensating control.

Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit Committee and been made aware of a number of instances of potential benefits claimant fraud. We are satisfied that these have no impact on our opinion. • No other issues have been identified during the course of our audit procedures.
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A standard letter of representation has been requested from the Council.
4.	**Disclosures**	• Our review found no material omissions in the financial statements
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed
6.	**Going concern**	• Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

Value for Money

Value for Money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

- **The Council has proper arrangements in place for securing financial resilience.** The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- **The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the following three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control

Our overall conclusion is that whilst the Council faces a number of financial challenges its current arrangements for securing financial resilience in the future are good.

In particular the new Homes bonus is making a positive contribution to the Council's overall financial position.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within.

Our overall conclusion is that the Council is responding well to the challenges of the Local Government Finance Settlement, delivering savings and targeting its resources effectively.

However, it clear that the Council's failure to achieve its savings plans in full for 2011/12 and 2012/13 contributed to the budget deficits in each of these years.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission. Following completion of our work we noted the following residual risks to our VfM conclusion:

Residual Risk identified	Assurances obtained	Conclusion on residual risk
Planning residual risk At the planning stage the Council's mid year projection for 2012/13 was a £250k overspend against the General Fund Budget . This could impair the Council's ability to respond to financial pressures such as the impact of changes to Council Tax and NNDR and the next RSG settlement announcement. The main reason for the overspend was the non achievement in full of the Council's savings plan. This was also the case in 2011/12 when the Council incurred a budget deficit of £416k	The Council 's 2012/13 outturn position was an overspend of £301k against its budget, slightly higher than the projected overspend. This follows an overspend of £416k in 2011/12. The following assurances were obtained in mitigation of these overspends: • The amount of capital and revenue reserves as a proportion of expenditure for the last four years up to 2011/12 has remained reasonably constant, showing that the authority has been able to maintain its reserves levels. Also that the Council in comparison to others sits towards the top end of the neighbour group, which is evenly split between those which saw a fall in 2011/12 and those which saw a rise. • The Council in 2012/13 has maintained its reserves overall, having set aside earmarked reserves for new business rates. • After adjustments and transfers from reserves the Council's General Fund balance increased by £188k. • The Council's reorganisation has continued into the current year and the Council's savings plan is going well in the current year.	We conclude that the risk to the future financial resilience of the Council is minor. However, we have made a recommendation in the Action plan at Appendix A.

Residual Risk identified	Assurances obtained	Conclusion on residual risk
Other residual risks		
For five months of 2012/13 the corporate risk register had not been presented to members consideration.	The Council reviewed its approach to risk management following a review by Internal Audit. As a result a new Risk Management Strategy was agreed in November 2012. This Strategy addressed the areas of concern and as a result the Council has replaced the corporate risk register and operational risk registers with five Directorate Risk Registers. The draft Directorate Risk Registers had been produced and were waiting to be quality assured by the Corporate Management Team and the Corporate Governance Group In February 2013 . However, as at June 2013 these registers had yet to be agreed and finalised.	We conclude that the risk to the future financial resilience of the Council is minor.

Section 4: Fees, non audit services and independence

Fees, non audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	58,995	58,995
Grant certification*	12,554	12,554
Total audit fees	**71,549**	**71,549**

*Certification work is on-going. The final fee will reported to the Audit Committee later in the year in our annual certification report.

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

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Appendix A: Action plan

Priority

High - Significant effect on control system
Medium - Effect on control system
Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1.	Management should : • identify the more critical audit logs and review them on a periodic basis for any anomalies. • consider implementing a formal process to review user access and their role profile on the network and to main finance and payroll systems to ensure access is appropriate based on job functions and that all terminated users have been appropriately removed or disabled from the finance and payroll systems. • Management should consider the allocation of system administrator rights where members of the team have a financial reporting responsibility to ensure that it does not cause a conflict. If this is not practical then a process should be put in place to independently review audit logs regularly as a compensating control.	Medium	A full review of access to the main financial systems has taken place following the organisational review in order to ensure appropriate access. In order to actively demonstrate that a review of access to specific systems is taking place the council plans to: - introduce on at least an annual basis a documented review of access granted to individuals to key systems Access to the network is initiiated by line managers who complete starters and leavers forms for all staff. These forms are then actioned by the ICT section. ICT have procedures and software in place to monitor external access to the network which is compliant with Government Connect standards. To further enhance these procedures, the council plan to:- review the recruitment procedure to ensure that systems access is reviewed appropriately following changes in role for current employees - introduce an annual review of access granted to individuals to the TBC network The council's low staffing numbers make full segregation of duties difficult but where full segregation cannot be achieved other mitigating supervisory controls exist. For example there is a monthly review of all large journals, all creditor bank details are independently checked, council tax refunds are independently authorised and new payroll starters are independently reviewed.	System owners Mar 14 Human Resources Dec 13 ICT Mar 14

Appendix A: Action plan

Priority
High - Significant effect on control system
Medium - Effect on control system
Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
2	Management should review the robustness of its savings plans and ensure that realistic savings are built into the Council's budget setting process.	Medium	Savings plans will be monitored on a monthly basis by Corporate Leadership Team to ensure delivery and mitigating actions if necessary. Future savings plans will be developed in conjunction with Group Managers and other appropriate officers to ensure that those presented to members for inclusion within future budgets are robust and achievable. Where savings plans are reliant on delivery of specific actions by third parties, as in previous years, the risk associated with them will be flagged to members.	Group Manager - Finance & Asset Management Feb 14

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEWKESBURY BOROUGH COUNCIL

Opinion on the financial statements

We have audited the financial statements of Tewkesbury Borough Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Tewkesbury Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Director of Resources Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

give a true and fair view of the financial position of Tewkesbury Borough Council as at 31 March 2013 and of its expenditure and income for the year then ended;

give a true and fair view of the financial position of the Group as at 31 March 2013 and of its expenditure and income for the year then ended; and

have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;

we issue a report in the public interest under section 8 of the Audit Commission Act 1998;

we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or

we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:
securing financial resilience; and
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Tewkesbury Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of Tewkesbury Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Peter A Barber
Associate Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Hartwell House
55-61 Victoria Street
Bristol BS1 6FT

XX September 2013

Appendix C: Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work.

Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you on 4 March 2013, although we have made a minor change in the way the plan is presented.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	Other	Operating expenses understated	Yes (this line was excluded in the plan)	See our comment on page 13
Cost of services – employee remuneration	Employee remuneration	Other	Remuneration expenses not correct	No	None
Costs of services – Housing & council tax benefit	Welfare expenditure	Other	Welfare benefits improperly computed	No	None
Cost of services – other revenues (fees & charges)	Other revenues	None		No	None
(Gains)/ Loss on disposal of non current assets	Property, Plant and Equipment	None		No	None
Payments to Housing Capital Receipts Pool	Property, Plant & Equipment	None		No	None
Precepts and Levies	Council Tax	None		No	None

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Interest payable and similar charges	Borrowings	None		No	None
Pension Interest cost	Employee remuneration	None		No	None
Interest & investment income	Investments	None		No	None
Return on Pension assets	Employee remuneration	None		No	None
Dividend income from Joint Venture	Revenue			No	None
Impairment of investments	Investments	None		No	None
Investment properties: Income expenditure, valuation, changes & gain on disposal	Property, Plant & Equipment	None		No	None
Income from council tax	Council Tax	None		No	None
NNDR Distribution	NNDR	None		No	None
PFI revenue support grant and other Government grants	Grant Income9	None		No	None
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	None

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	None
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None		No	None
Other comprehensive (gains)/ Losses	Revenue/ Operating expenses	None		No	None
Property, Plant & Equipment	Property, Plant & Equipment	None		No	None
Property, Plant & Equipment	Property, Plant & Equipment	None		No	None
Heritage assets & Investment property	Property, Plant & Equipment	None		No	None
Intangible assets	Intangible assets	None		No	None
Investments (long & short term)	Investments	None		No	None
Debtors (long & short term)	Revenue	None		No	None
Assets held for sale	Property, Plant & Equipment	None		No	None
Inventories	Inventories	None		No	None

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Borrowing (long & short term)	Debt	None		No	None
Creditors (long & Short term)	Operating Expenses	Other	Creditors understated or not recorded in the correct period	No	None
Provisions (long & short term)	Provision	None		No	None
Pension liability	Employee remuneration	None		No	None
Reserves	Equity	None		No	None

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit Committee
Date of Meeting:	25 September 2013
Subject:	Statement of Accounts 2012/13
Report of:	Simon Dix, Finance and Asset Management Group Manager
Corporate Lead:	Rachel North, Deputy Chief Executive
Lead Member:	Councillor A L Keyte
Number of Appendices:	1

Executive Summary:

The Statement of Accounts for 2012/13 shows the financial position of the Council as at 31 March 2013 as well as the performance during the year. It is a statutory requirement to publish the accounts, with the audit certificate and opinion, no later than 30 September 2013.

This year we saw a decrease in working balances of £338,495 to £450,000 and a net worth decrease of £4.96m to £6.9m.

Recommendation:

To APPROVE the 2012/2013 Statement of Accounts.

Reasons for Recommendation:

It is a statutory duty for the Council to adopt the Statement of Accounts.

Resource Implications:

Revenue and Capital balances as detailed within the report.

Legal Implications:

The process and schedule for approval of the Statement of Accounts are regulated by the "Accounts and Audit (England) Regulations 2011 SI 2011 No 817".

Risk Management Implications:

None

Performance Management Follow-up:

None

Environmental Implications:

None

1.0 INTRODUCTION/BACKGROUND

1.1 The attached Statement of Accounts is a statutory document produced to demonstrate the Council's financial position at the end of the financial year i.e. 31 March. As per the revised Accounts and Audit (England) Regulations 2011 guidelines, approval of the accounts is now made by the Section 151 Officer by 30 June then the accounts are audited and amended, if necessary, by 30 September before the Section 151 Officer signs the accounts again. These accounts are then approved by the Audit Committee and the Chairman must sign them as well.

1.2 The accounts must be prepared in accordance with "The Code of Practice on Local Authority Accounting in the United Kingdom 2012-13" ("the 2012 Code") published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

1.3 This year there were no major changes for us and the Code concentrated on clarifying the accounting requirements in a number of areas where there was previously a degree of uncertainty e.g. exit packages.

1.4 On 31 August 2013 the Director of Resources left the authority as part of the management restructure and the Finance and Asset Management Group Manager became the new Section 151 Officer responsible for signing the audited Statement of Accounts. To maintain his independence the Group Manager took no active part in the preparation of the accounts.

2.0 REVIEW OF THE STATEMENT OF ACCOUNTS

2.1 Income and Expenditure

The decrease in working balances has arisen from a number of variances:

Overspends

Expenditure Area	£'000	Reason
Savings Plans Not Met	1,036	Combination of delays in implementation and withdrawal of promised Government legislation on Planning Fees
Staff termination Costs	474	Redundancy and pension costs associated with delivery of future savings
TOTAL	**1,510**	

Underspends

Expenditure Area	£'000	Reason
Additional Grant Funding	-127	New Burdens grants plus additional homelessness grant.
Planning Income	-123	Additional planning fees.
Reserves	-90	No longer required.
Working balance	-188	Planned use
External audit fees	-40	Reduction due to change in auditor.
Staff Savings	-376	Savings across the Authority following management intervention as posts were held vacant pending completion of savings plans
Housing Benefits	-61	Additional housing benefit recovered
Insurance provision release	-120	MMI reduction in provision required following administrator's report.
TOTAL	**-1,125**	

Other net underspends	**-47**
Total Net (Underspend)/Overspend	**338**

2.2 Balance Sheet

The total net worth of the Council, the aggregate value of all of the assets and liabilities in the balance sheet, has decreased by £4.95 million in the year from £11.8 million to £6.9 million.

The decrease in net worth is summarised in the Movement in Reserves Statement and the main reason is a £4m increase in the pension reserve due to a less favourable set of financial assumptions than the year before (e.g. falling bond yields). A full valuation of the Gloucestershire Pension Fund will take place towards the end of 2013.

2.3 Council Tax Fund Collection Balances

The balance on the Collection Fund at the year-end was as follows:

	Council Tax £
Balance at 01/04/13	316,163
Committed 2013/2014 for reduction of council tax levels	210,000
Balance for Distribution 2013/2014	-106,163
Distributed as follows:	
Tewkesbury Borough Council County/Police Authorities	-10,818 -95,355

2.4 Capital Resources

The table below sets out the Council's capital resources at 31 March 2013. The total balance is £15,855,571 including capital grants. However after allowing for commitments of £8,129,380 the unallocated budget available for new capital projects is £7,726,191.

	Useable Capital Receipts (£)	**Capital Grants (£)**	**Total (£)**
Balance at 31/03/13	15,855,571	29,000	15,884,571
Capital Commitments - next 5 years	8,129,380	29,000	8,158,380
Balance Available	7,726,191	0	7,726,191

Expenditure of capital resources in 2012/13 was £1.3m and included £704k on Disabled Facilities Grants, £158k on computer software and £90k on the telephony project.

The capital balances are invested and accruing interest which is credited to the Council's revenue account. Capital expenditure currently results in a loss of interest of approximately £10,000 per £1m spent.

3.0 OTHER OPTIONS CONSIDERED

3.1 The Committee can amend the accounts if required or not approve them (which would contravene the Accounts and Audit (England) Regulations 2011).

4.0 CONSULTATION

4.1 None

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 The control and good management of financial resources is essential in order to effectively deliver the Council's priorities.

6.0 RELEVANT GOVERNMENT POLICIES

6.1 The Accounts and Audit (England) Regulations 2011

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 None

8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

8.1 None

9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

9.1 The Statement of Accounts is available in a number of different formats depending on the users' needs. The Council also had a statutory day under Sections 15 and 16 of the Audit Commission Act where members of the public can inspect financial documents and speak directly the Auditor about the accounts. This was advertised on our website and in the local press.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 Executive Committee on 5 June 2013 approved the inclusion of Earmarked Reserves and the financing of capital expenditure.

Background Papers: None

Contact Officer: Emma Harley, Corporate Accountant
01684 272006 emma.harley@tewkesbury.gov.uk

Appendices: Appendix A – Statement of Accounts

Tewkesbury
Borough Council

Statement of Accounts For the year ended 31st March 2013

Finance and Asset Management
Simon Dix
Group Manager

Contents **Page**

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The authority is required to:

a. Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer was the Director of Resources to 31 August 2013, and the Group Manager Finance and Asset Management from that date.

b. Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

c. Approve the Statement of Accounts.

The Director of Resources' Responsibilities

The Director of Resources is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Resources has:

a. Selected suitable accounting policies and then applied them consistently.

b. Made judgements and estimates that were reasonable and prudent.

c. Complied with the local authority Code.

The Director of Resources has also:

a. Kept proper accounting records which were up to date.

b. Taken reasonable steps for the prevention and detection of fraud and other irregularities.

To maintain his independence due to the imminent management restructure the said Group Manager took no active part in the preparation of the accounts.

I certify that the Statement of Accounts on pages 13 to 98 is the relevant Statement of Accounts for the audit certificate and opinion and presents a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31st March 2013.

S J Dix
Group Manager Finance and Asset Management

Date:

Signature of the presiding member at the meeting that approves the accounts (Chairman of Audit Committee)

Councillor A L Mackinnon

Date:

EXPLANATORY FOREWORD

1. Introduction

The purpose of this foreword is to provide a clear guide to the most significant matters reported in the Accounts. This Statement of Accounts has been produced to comply with the adoption of the International Financial Reporting Standards.

2. Background

Tewkesbury Borough Council is one of 6 District Authorities in Gloucestershire. It is predominantly rural, covers an area of about 160 square miles and serves a population of some 81,000. It has consistently set amongst the lowest levels of Council Tax in the Country (5th lowest in England in 2012/2013).

3. Key Accounting Standards and Statements

This section of the foreword sets out information on the purpose of the various statements included in the 2012/2013 accounts followed by details of the Core and Supplementary Financial Statements that present the overall financial position of the Council.

3.1 Summary of the Purpose of the Various Statements included in the 2012/2013 Accounts

The Statement of Responsibilities
This Statement sets out the respective responsibilities of the Authority and the Chief Financial Officer (Director of Resources) for the accounts.

Independent Auditor's Report to the Members of Tewkesbury Borough Council
This is the Independent Auditor’s Report to Tewkesbury Borough Council including the ‘conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources’.

3.2 Core Financial Statements

Movement in Reserves Statement
This Statement shows the movement in the year on the different reserves held by the authority, 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 authority's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Net increase /Decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement
This statement shows the accounting 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; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

The Balance Sheet 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 of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves 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 shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

3.2 Core Financial Statements (Continued)

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents 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 the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority'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 authority.

3.3 Supplementary Financial Statements

Collection Fund

This account is maintained separately, as a statutory requirement. The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Council in relation to the collection from taxpayers and distribution to Local Authorities and the Government of Council Tax and non-domestic rates.

Group Accounts

The Council is required to prepare Group Accounts where the Council has an interest in subsidiaries, associates and/or jointly controlled entities subject to the consideration of materiality. These statements consolidate the Council's accounts with those of:

- Tewkesbury Swimming Bath Trust

3.4 Underlying Accounting Principles

Four underlying principles have been used in order to prepare the accounts so that they demonstrate:

a) Understandability

The accounts are based on accounting concepts, treatments and terminology that assume that a reader has:

- A reasonable knowledge of the business of Local Authorities and the ways in which services are provided;
- A reasonable knowledge of accounting;
- A willingness to study the information required with reasonable diligence.

However, every effort has been made to use plain language and where technical terms are unavoidable they have been explained in the glossary of terms.

b) Relevance

The accounts provide information about the Authority's financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions. Information is presented so that it will assist readers to understand the Council's current financial position or to make predictions about its financial trends.

The relevance of information contained in the accounts is affected by its nature and materiality (whether its misstatement or omission might reasonably be expected to influence assessments of the Council's stewardship, economic decisions or comparisons with other organisations based on financial statements) and therefore a judgement has been made about the levels of materiality to ensure that relevant issues are disclosed.

c) Going Concern

The accounts have been prepared on a going concern basis. There has been no indication that this is not appropriate when preparing the accounts.

3.4 Underlying Accounting Principles (Continued)

d) Reliability

The financial information within the accounts has been prepared so that it:

- Can be depended upon to represent faithfully what it either purports to represent or could reasonably be expected to represent and therefore reflects the substance of the transactions and other events that have taken place;
- Is free from bias (i.e. it is neutral);
- Is free from material error;
- Is complete within the bounds of materiality and cost; and
- Under conditions of uncertainty, it has been prudently prepared (i.e. a degree of caution has been applied in exercising judgement and making the necessary estimates)

e) Comparability

In addition to complying with the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013, the Authority's accounts also comply with the Service Reporting Code of Practice. The application of the terms, accounting policies and requirements of these two documents is the way in which the Council has ensured consistency of financial information in the financial statements leading to comparability.

4. Technical Changes

There were no significant changes in accounting policies or presentational issues affecting the Statement of Accounts this year.

5. Material and Unusual Charges and Credits in the Accounts

Any material items are detailed in the notes to the accounts.

6. Changes in Statutory Functions

There were no major changes in statutory functions during the year. However from April 2011 responsibility for concessionary fares transferred to the County Council. Financially this had a neutral impact as both the expenditure and the grant income received from the government transferred.

7. Summary of The Council's Financial Position

a) Economic Background

The 2012/2013 financial year for the Council was made tougher by the continuing economic difficulties surrounding the UK. The UK economy shrank in the first, second and fourth quarters of 2012 and the 0.9% growth in quarter 3 was aided by the Olympic games.

Household finances tightened as wage growth remained low with inflation outstripping it. Food and energy prices were the main contributing factor towards a higher CPI inflation than the government's 2% target. Despite this, inflation did fall during the year which, coupled with the lack of growth, was enough for the Bank Of England to keep the base rate at 0.5%.

The labour market, despite the economic conditions, saw a fall in the unemployment rate to 7.8% due mainly to an increase in self-employment and part time working.

The Chancellor, despite facing hostility to his plans, continued with his austerity drive and extended it until 2018. The Office for Budget Responsibility (OBR) halved its growth forecast in 2013 to 0.6% meaning the Government's deficit increased and their borrowing requirement increased. This added to the case for a fall in the Uk's sovereign rating and Moody's downgraded the coveted AAA rating to Aa1.

7. Summary of The Council's Financial Position (Continued)

The big four banks in the UK - Barclays, RBS, Lloyds and HSBC - along with several other global institutions were fined by regulators for their part in the Libor rigging scandal. This had a negative effect on share prices but these have since recovered.

The Euro region suffered again with Spain seeking a bailout for its domestic banks along with increased borrowing costs for the Italian and Spanish government. This, along with problems with the bailout in Cyprus, meant a downturn in the market due to a fall in growth.

Impact on Services

The Authority has not seen much increase in discretionary spend although planning income has picked up signalling a more positive future. The Benefits claimed in the Borough has increased (by over £1m) meaning a higher demand on the service. All these issues have been built into our Medium Term Financial Strategy and are being managed.

The historic low bank base rates will continue to have a significant impact on returns from the Council's investments of some £17million (including call accounts). In 2008/2009 the Council was achieving an average return of some 5.31% which had already dropped to 2.78% in 2009/2010 and dropped to 1.14% in 2012/2013 as higher rate loans matured and rates fell. This led to a reduced level of investment income in 2012/2013 of £298k.

The Council sets aside a working balance of £450k to support the annual budget and believes this is an adequate level of revenue resources to maintain.

Impact on Assets

The downturn in the economy has impacted on housing prices throughout the Country. However, an impairment review was carried out by a professional valuer at the end of the financial year and he determined that none of the Council's assets had been impaired.

Areas of planned savings

The Council agreed the savings to be achieved in order to balance the budget. As part of the budget setting in February the following areas were identified:

	£'000
Collaboration	211
Business Process Improvement	108
Use of Assets	211
Internal Restructuring	725
Income Generation	120
Other	156
	1,531

Looking Ahead

There are major changes to the functions and funding of local authorities over the coming years, which alongside reduced central government support, will result in substantial changes to the authority's budget and revenue resources going forward. The major changes to the way local authorities are funded, impacting in 2013/2014 include:

• A change from formula grant funding to a Business Rate Retention model supported by a new Revenue Support Grant which will reflect reducing central government spending and the retention of a proportion of local business rates. The change to a business rate retention model will give the authority significant new risks to manage as the income from business rates is quite volatile, including rating appeals, and provides some different financial incentives to take into account when the authority is making decisions on business developments within the Borough;

7. Summary of The Council's Financial Position (Continued)

• The end of Council Tax Benefits and the implementation of a local Council Tax Reduction Scheme from 1 April 2013 with an associated 10% reduction in central government funding for the scheme.

Major resource changes from top-slicing national resources for the New Homes Bonus (a funding incentive for local authorities largely to facilitate the creation of new homes).

b). What We Own

Plant, Property & Equipment:

The Council owns Plant, Property & Equipment (PP&E) at 31 March 2013 with a net book value of £12,598,832. A full valuation of the Council's PP&E was undertaken in 2009 by the Council's appointed valuer, King Sturge. A 5 year rolling revaluation is now underway with several car parks revalued during 2012/2013, with some changes in their valuation.

The Council's PP&E included the following acquisitions in 2012/2013:

- The purchase of a new telephony system of £89,612.
- The purchase of Waste and Recycling bins of £60,644.
- Information Technology Hardware and associated software of £35,256

The disposals in the year were Gloucester Road and Spring Gardens public conveniences to Tewkesbury Town Council as part of the Council's public conveniences strategy.

Investment Properties:

The Council owned Investment Property and land at 31 March 2013 with a market value of £3,150,000.

There were no acquisitions, revaluations or impairments in the year.

Intangible Assets:

The Council owns Intangible assets at 31 March 2013 with a net book value of £356,986.

The Council's intangibles included the following acquisitions in 2012/2013:

- The addition of several Northgate modules to the Revenues system - £92,465
- The purchase of IDOX - Uniform Public Access Module - £40,000

Heritage Assets

A new requirement to identify and value Heritage assets was introduced in 2011/2012.

The Council did not add any further heritage assets to the balance sheet.

c). What We Are Owed

Investments:

The Council had a combination of Long, Short Term and Cash and Cash Equivalent investments of £17,386,188 as at 31 March 2013. These investments are made in accordance with the adopted Treasury Management Strategy and generated some £298k of investment and similar income in the year.

The average rate of interest receivable in 2012/2013 was 1.14% compared to 1.41% in 2011/2012. The base rate continued at its historic low of 0.5% throughout the year. Borrowing demand was further depressed by the introduction of the Funding for Lending scheme by the Government and increased competition for the limited demand for funds. Subsequently, lending rates have fallen to historically low levels which have affected the return the Council receives on its investments. The outlook for market rates on cash investments remains uncertain due to the lack of demand for funds.

The Council placed an investment of £1million with the Icelandic bank, Landsbanki, in January 2008. This deposit was due to mature on the 16th October 2008 but shortly before this date the bank went into administration. Local Authorities are classed as priority creditors within Icelandic law and we expect to receive 100% of the principal invested. We have started receiving some payments and the winding up board of Landsbanki has issued an estimated schedule of payments ending in 2019.

Debtors:

In addition to Investments the Council were owed £4,186,305 at 31 March 2013, which consisted of Long Term Debtors of £98,694 and Short Term Debtors of £4,087,611.

Included within the Short Term Debtors are amounts outstanding from the Government of £1,292,007 predominantly in relation to the Housing Benefit subsidy claim. A further £1,447,453 was due from other Local Authorities including the requirement to apportion Council Tax arrears to the County and Police Authorities. The remaining £1,343,151 Short Term Debtors included the following large items:

- Housing benefit overpayments to be recovered of £829,904
- Tewkesbury's proportion of Council Tax arrears of £184,722

Other:

Other assets include Stock Inventories of £20,141 at 31 March 2013.

d). What We Owe

The total liabilities of the Council stood at £30,935,915 at 31 March 2013. They contained the following:

Current Liabilities:

This is mainly trade creditors and payments due in respect of Income Tax and National Insurance. They have decreased from £3,377,485 in 2011/2012 to £1,825,325 in 2012/2013. This is due mainly to the following:

- At 31 March 2012 the council owed £712,671 to the Government in respect of NNDR. The position was reversed at 31 March 2013 with Tewkesbury being owed £293,952.
- At 31 March 2012 we owed the Department of Social Security £1,321,646 for housing benefit subsidy overpayment whereas at 31 March 2013 we were owed £924,619.

Long Term Liabilities:

Long term liabilities have increased from £25,503,229 at 31 March 2012 to £29,110,590 at 31 March 2013. This was mainly due to the following:

Pensions Liability:

The Authority participates in the Gloucestershire County Council Pension Scheme, which provides members with defined benefits (retirement lump sums and monthly pensions) related to pay and service. This is a funded scheme paid for by employee and employer contributions to the scheme. The Pension Liability which has increased by £4,102,857 in 2012/2013 to £27,668,857 at 31 March 2013 represents the shortfall in the pension fund to meet all future liabilities. This increase in the year is because the financial assumptions used were less favourable at 31 March 2013 than at 31 March 2012. Whilst the Council does not have the cash resources to cover the full deficit, this is dealt with by a triennial review of the fund, which then sets the level of contributions necessary to cover the deficits over the life of the fund. The latest actuarial review is due as at 31 March 2013 and will set the deficit contributions for the next three years.

We have assumed a £100k stepped increase over the next 3 years and have accounted for this within the Council's Medium Term Financial Strategy

Other Long Term Liabilities:
These are to reflect the outstanding lease liability in respect of the Finance lease entered into for the new Vehicle fleet. It is reduced over the life of the lease, being seven years.

7. Summary of The Council's Financial Position (Continued)

e). Our Net Worth

The Council’s Net Worth at 31 March 2013 was £6,887,966. This is made up of items available to support future expenditure (Usable Reserves) and items that are technical accounting reserves that cannot support future expenditure (Unusable Reserves).

Usable Reserves:

The Useable Capital Receipts Reserve shows a balance of £15,855,571 at 31 March 2013. The reserve is held pending expenditure through the Capital Programme. Whilst they are held, the balances are invested in cash deposits and produce a revenue income stream which supports the Council's base budget.

The Earmarked Revenue Reserves totalled £2,817,408 at 31 March 2013, a decrease of £381,477 in the year. The decrease is mainly as a result of the expenditure incurred against the previously established reserves.

The Reserves held at 31 March are already committed to meet future expenditure and further analysis of the reserves is provided in the notes to the accounts.

The General Fund balance is to provide the council with day-to-day cash flow cover for our revenue account because inevitably there is a timing mismatch between the money being paid out and the money coming in. The level of working balance required within the General Fund was assessed for an Authority our size at £450,000.

Unusable Reserves:

The latter accounts known as Unusable Reserves include major Reserves such as the Pensions Reserve, the Capital Accounting Adjustment Account, and the Revaluation Reserve as well as a number of smaller Reserves. They are necessary to ensure that the accounting entries required to make Local Authority accounts more comparable to the private sector do not in themselves impact on the levels of Council Tax levied.

8. Comparison of Budget against Outturn

	£ **Actual**	£ **Budget**	£ Variance
Corporate & Democratic Core	2,091,321	2,807,072	-715,751
Central Services to the Public	712,060	1,015,364	-303,304
Cultural & Related Services	1,136,163	1,099,769	36,394
Environmental & Regulatory Services	2,972,481	3,497,057	-524,576
Highways, & Transport Services	-274,323	-207,898	-66,425
Housing Services	1,339,057	745,663	593,394
Planning Services	1,064,765	1,007,650	57,115
Non Distributed Costs	49,054	73,900	-24,846
Cost of Services	**9,090,578**	**10,038,577**	**-947,999**
Other Expenditure/Income	246,003	0	246,003
Interest receivable and similar income	-297,511	-744,385	446,874
Trading Accounts	-106,170	-127,700	21,530
Leasing Charges	141,909	0	141,909
Capital transactions	-1,057,173	-911,489	-145,684
Pension adjustments	1,103	0	1,103
Council Tax adjustment	-9,108	0	-9,108
Contributions to/from revenue reserves	387,678	-188,495	576,173
Total Expenditure	**8,397,309**	**8,066,508**	**330,801**
Parish Precepts	**1,493,688**	**1,493,688**	**0**
less:			
Council Tax Income	-4,730,419	-4,739,527	9,108
Non Domestic Rates	-3,732,425	-3,732,424	-1
Revenue Support Grant	-72,352	-72,352	0
Other Non-Ring-fenced Government Grants	-1,017,306	-1,015,893	-1,413
	-9,552,502	**-9,560,196**	**7,694**
(Increase)/Decrease in Working Balances	**338,495**	**0**	**338,495**

Variances 2012/2013

Overspends

Expenditure Area	£'000	Reason
Savings Plans Not Met	1,036	Combination of delays in implementation and withdrawal of promised Government legislation on Planning Fees
Staff termination Costs	474	Redundancy and pension costs associated with delivery of future savings
TOTAL	**1,510**	

8. Comparison of Budget against Outturn (Continued)

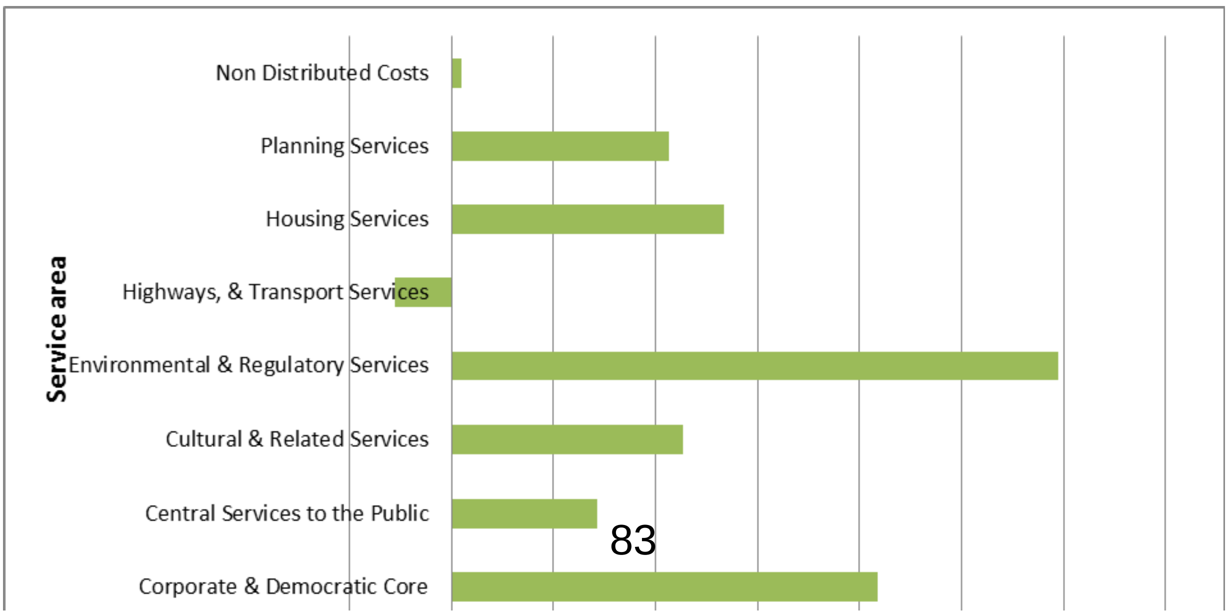
Underspends

Expenditure Area	£'000	Reason
Additional Grant Funding	-127	New Burdens grants plus additional homelessness grant.
Planning Income	-123	Additional planning fees.
Reserves	-90	No longer required.
Working balance	-188	Planned use
External audit fees	-40	Reduction due to change in auditor.
Staff Savings	-376	Savings across the Authority following management intervention as posts were held vacant pending completion of savings plans
Housing Benefits	-61	Additional housing benefit recovered
Insurance provision release	-120	MMI reduction in provision required following administrator's report.
TOTAL	**-1,125**	

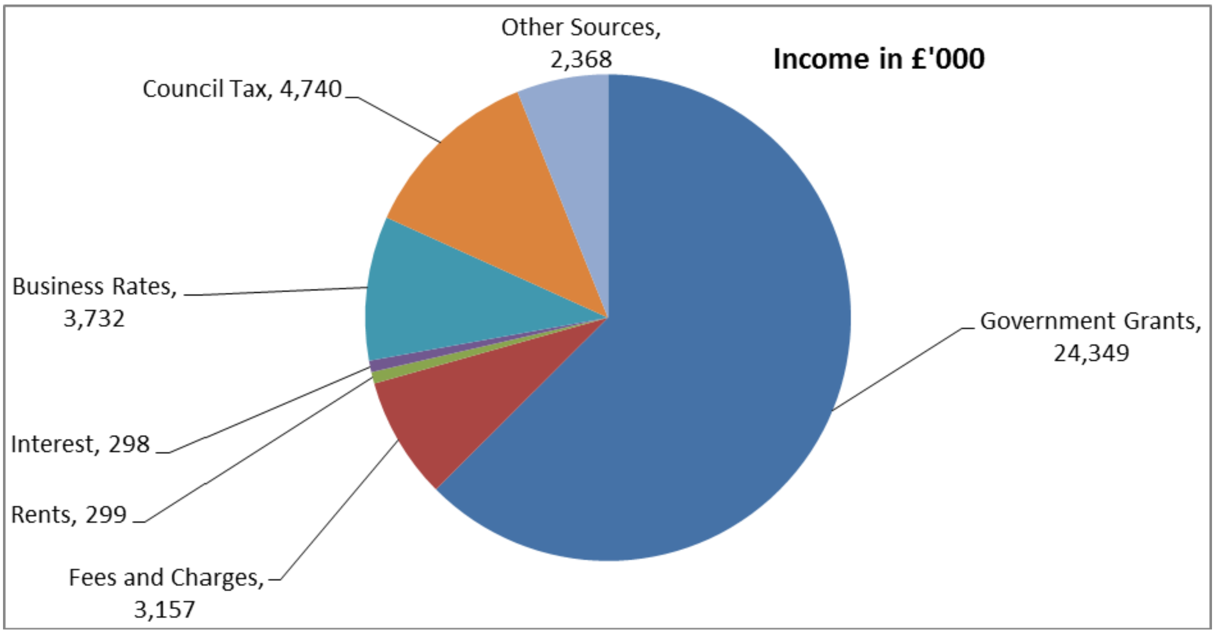
Other net underspends **-47**

Total Net (Underspend)/Overspend **338**

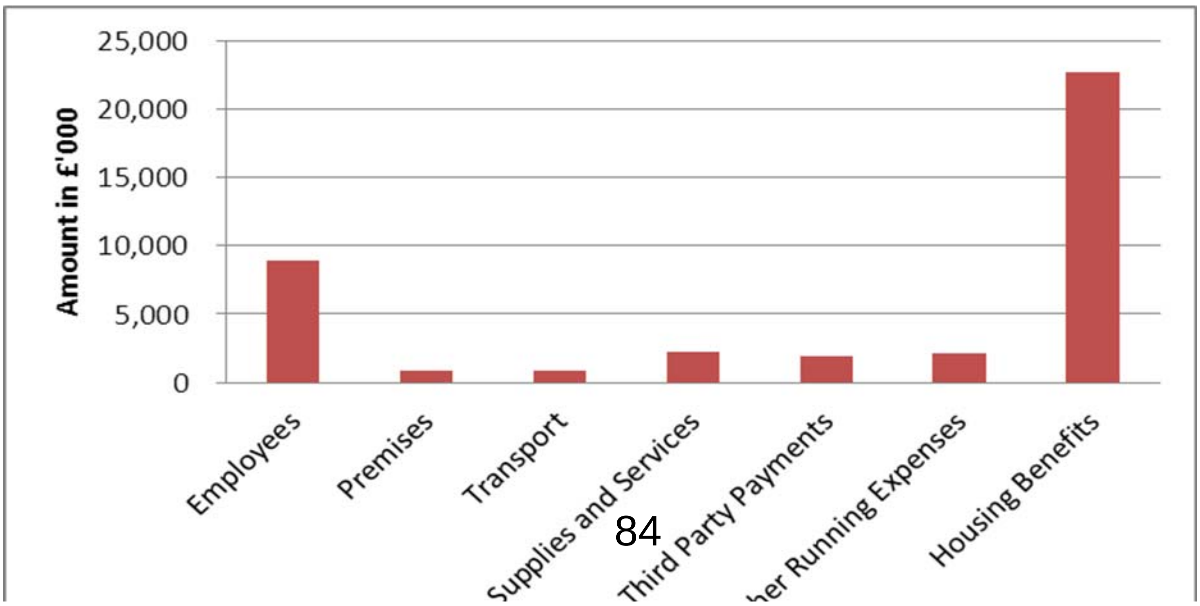
9. The Services Provided



10. Where the money comes from



11. What the money is spent on



12. Capital Expenditure

The Council's total spend on capital projects was £1,288k. The major areas of expenditure included £704k on Disabled facilities Grants, £90K on a new Telephony project and £92k on additional Northgate modules for the Revenues system.

The table below shows how the whole programme was spent (£'000):

Grounds Maintenance	19
Housing	704
Sport & Leisure	91

12. Capital Expenditure (Continued)

Other	49
Community	81
Refuse and Recycling	61
IT Hardware and Software	283
Total	**1,288**

The expenditure programme was financed from the following sources:

Specified Capital Grants	496
Capital Receipts	729
Revenue	63
Total	**1,288**

The Council has a Medium Term Capital Programme that gets approved at Executive Committee as part of the Medium Term Financial Strategy. The current capital programme is below:

Area of expenditure	Projected Expenditure (£'000) 2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	TOTAL
Capital Grants allocated	482	0	0	0	0	**482**
Capital Grants unspent	406	0	0	0	0	**406**
Disabled Facilities Grants	300	300	300	300	300	**1,500**
Asset enhancement /capitalisation	700	700	121	0	0	**1,521**
Asset Investment	4,000	0	0	0	0	**4,000**
Community Projects	120	0	0	0	0	**120**
Service review	100	0	0	0	0	**100**
Total Expenditure	**6,108**	**1,000**	**421**	**300**	**300**	**8,129**
Financing						
In year Capital Receipts	22	22	21	21	21	**107**

Usable Capital Receipts Reserves	6,086	978	400	279	279	**8,022**
Total Financing	**6,108**	**1,000**	**421**	**300**	**300**	**8,129**

With a current Usable Receipts Reserve of £15.86 million the Council has enough funds to carry out the capital programme. With interest rates at such a low rate the interest foregone on the capital balances would not have a detrimental effect on the Council.

13. Treasury Management Strategy

The Treasury Management Strategy (approved in February 2013) underlies any need to borrow but currently the Council has no borrowings.

14. Further Information

Further information about the accounts is available from Financial Services, Council Offices, Tewkesbury in accordance with the Council's policy of providing full information about its affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press and on our website.

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2011	**600**	**2,549**	**17,315**	**0**	**20,464**	**-3,467**	**16,997**
Movement in reserves during 2011/2012							
Surplus or (deficit) on provision of services	-1,305				-1,305		-1,305
Other Comprehensive Expenditure and Income					0	-3,853	-3,853
Total Comprehensive Expenditure and Income	-1,305	0	0	0	-1,305	-3,853	-5,158
Adjustments between accounting basis & funding basis under regulations (Note 5)	1,380		-911	5	474	-474	0
Net Increase/Decrease before Transfers to Earmarked Reserves	75	0	-911	5	-831	-4,327	-5,158
Transfers to/from Earmarked Reserves (Note 6)	113	-113	0	0	0	0	0
Increase/Decrease (movement) in Year	188	-113	-911	5	-831	-4,327	-5,158
Balance at 31 March 2012 carried forward	**788**	**2,436**	**16,404**	**5**	**19,633**	**-7,794**	**11,839**

MOVEMENT IN RESERVES STATEMENT (Continued)

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Movement in reserves during 2012/2013							
Surplus or (deficit) on provision of services	-1,210				-1,210		-1,210
Other Comprehensive Expenditure and Income					0	-3,742	-3,742
Total Comprehensive Expenditure and Income	-1,210	0	0	0	-1,210	-3,742	-4,952
Adjustments between accounting basis & funding basis under regulations (Note 5)	1,253		-549	24	728	-728	0
Net Increase/Decrease before Transfers to Earmarked Reserves	43	0	-549	24	-482	-4,470	-4,952
Transfers to/from Earmarked Reserves (Note 6)	-381	381	0	0	0	0	0
Increase/Decrease (movement) in Year	-338	381	-549	24	-482	-4,470	-4,952
Balance at 31 March 2013 carried forward	**450**	**2,817**	**15,855**	**29**	**19,151**	**-12,264**	**6,887**

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

2011/2012 Gross Expenditure £	2011/2012 Gross Income £	2011/2012 Net Expenditure £		Note	2012/2013 Gross Expenditure £	2012/2013 Gross Income £	2012/2013 Net Expenditure £
2,214,367	-6	2,214,361	Corporate & Democratic Core		2,116,283	-24,962	2,091,321
5,818,079	-4,916,639	901,440	Central Services to the Public		5,720,198	-5,008,138	712,060
2,889,162	-2,089,182	799,980	Cultural & Related Services		2,904,556	-1,768,393	1,136,163
4,734,873	-1,554,623	3,180,250	Environmental & Regulatory Services		4,637,802	-1,665,321	2,972,481
635,489	-690,579	-55,090	Highways, & Transport Services		417,749	-690,294	-272,545
19,345,520	-17,979,971	1,365,549	Housing Services		20,297,278	-18,958,221	1,339,057
1,949,478	-615,187	1,334,291	Planning Services		1,937,850	-873,085	1,064,765
156,291	-75,000	81,291	Non Distributed Costs		49,054	0	49,054
0	0	0	Exceptional Items		0	0	0
37,743,259	**-27,921,187**	**9,822,072**	**Total Cost of Continuing Operations excluding Operations transferred to Gloucestershire County Council**		**38,080,770**	**-28,988,414**	**9,092,356**
			Services Transferred				
10,953	-2,777	8,176	Concessionary Travel	**27**	8,675	-10,453	-1,778
37,754,212	**-27,923,964**	**9,830,248**	**Total Cost of Continuing Operations**		**38,089,445**	**-28,998,867**	**9,090,578**
1,485,152	-31,734	1,453,418	Other Operating Expenditure	**7**	1,591,927	-54,233	1,537,694
2,861,392	-2,578,844	282,548	Financing and Investment Income and Expenditure	**8**	2,740,882	-2,085,900	654,982
0	-10,261,654	-10,261,654	Taxation and Non-Specific Grant Income	**9**	9,108	-10,082,457	-10,073,349
		1,304,560	**(Surplus)/Deficit on Provision of Services**				**1,209,905**
		-2,487	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets				-22,001
		3,855,000	Actuarial (Gains)/Losses on Pensions Assets/Liabilities				3,764,000
		3,852,513	**Other Comprehensive Income and Expenditure**				**3,741,999**

5,157,073	**Total Comprehensive Income and Expenditure**	**4,951,904**

BALANCE SHEET

31 March 2012 £		Notes	31 March 2013 £
13,440,485	Property, Plant & Equipment	**10**	12,598,832
3,150,000	Investment Property	**12**	3,150,000
225,623	Intangible Assets	**13**	356,986
0	Non-Current Assets Held For Sale	**18**	0
125,429	Heritage Assets	**11**	125,429
442,027	Long Term Investments	**14**	387,413
141,847	Long Term Debtors		98,694
17,525,411	**Long Term Assets**		**16,717,354**
15,237,863	Short Term Investments	**14**	14,628,558
0	Current Assets Held For Sale	**18**	0
19,703	Inventories	**15**	20,141
2,216,850	Short Term Debtors	**16**	4,087,611
5,720,757	Cash & Cash Equivalents	**17**	2,370,217
23,195,173	**Current Assets**		**21,106,527**
2,513	Short Term Borrowing	**14**	2,513
3,271,851	Short Term Creditors	**19**	1,437,720
103,121	Provisions	**20**	385,092
3,377,485	**Current Liabilities**		**1,825,325**
250,809	Provisions	**20**	107,077
25,161,881	Other Long Term Liabilities		29,003,513
0	Capital Grants Receipts In Advance	**34**	0
90,539	Contributions Receipts In Advance	**34**	0
25,503,229	**Long-Term Liabilities**		**29,110,590**
11,839,870	**Net Assets**		**6,887,966**
788,495	General Fund Reserve		450,000
2,435,931	Earmarked Reserves		2,817,408
16,404,556	Capital Receipts Reserve		15,855,571
4,658	Capital Grants Unapplied		29,000
19,633,640	**Usable Reserves**	**21**	**19,151,979**
3,419,218	Revaluation Reserve		3,357,060
-23,547,000	Pensions Reserve		-27,514,000
12,147,944	Capital Adjustment Account		11,761,038
107,428	Deferred Capital Receipts		80,292
144,813	Financial Instruments Adjustment Account		120,678
41,327	Collection Fund Adjustment Account		32,219
-107,500	Short-Term Accumulating Compensated Absences Account		-101,300
-7,793,770	**Unusable Reserves**	**22**	**-12,264,013**
11,839,870	**Total Reserves**		**6,887,966**

CASH FLOW STATEMENT

2011/2012		Note	2012/2013
£			**£**
1,304,560	Net (surplus) or deficit on the provision of services		1,209,905
-3,211,790	Adjustments to net surplus or deficit on the provision of services for non-cash movements		-2,828,796
99,910	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		0
-1,807,320	**Net cash flows from Operating Activities**	**23**	**-1,618,891**
460,460	Investing Activities	**24**	-492,420
-1,260,516	Financing Activities	**25**	5,461,851
-2,607,376	**Net increase or decrease in cash and cash equivalents**		**3,350,540**
-3,113,381	Cash and cash equivalents at the beginning of the reporting period		-5,720,757
-5,720,757	**Cash and cash equivalents at the end of the reporting period**	**17**	**-2,370,217**

NOTES TO THE ACCOUNTS

1. Accounting Policies and Accounting Standards Issued, Not Adopted

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2012/2013 financial year and its position at the year-end of 31 March 2013. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013 and the Service Reporting Code of Practice 2012/2013, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.
The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Accruals of Expenditure and Income

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:
• Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
• Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
• 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 receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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 revenue and expenditure have 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

The Council deems cash and cash equivalents to include all short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
The Council defines 'readily convertible' to mean an investment which can be 'called' within 30 days and has insignificant withdrawal penalties.
Bank Overdrafts that are an integral part of the Council's cash management will be included within cash and cash equivalents.

1.4 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. 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 wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to 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.

1.4 Employee Benefits (Continued)

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for 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 Authority are members of the Local Government Pensions Scheme administered by Gloucestershire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

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

• Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on a 3.2% gilt yield plus 1.3% credit spread) as at 31 December 2012.

• The assets of the Gloucestershire County Council pension fund attributable to the council are included in the Balance Sheet at their bid value as required by IAS 19.

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

• Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the 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 – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

• Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

• Expected return on assets – the annual investment return on the fund assets attributable to the Authority, 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;

1.4 Employee Benefits (Continued)

• Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

• Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve;

• Contributions paid to the Gloucestershire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners 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 Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable 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 also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. However, the Council has a policy not to allow this.

1.5 Events After the Reporting Period

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 existed at the end of 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.

1.6 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

1.7 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are 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.

1.7 Financial Instruments (Continued)

For any borrowings that the Authority undertakes, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. This year the Authority has no borrowings.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the 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 future years. The Authority 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 or ten years (whichever is the lesser). 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

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or 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 future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Only investments which are not 'callable' within 30 days (and would incur penalties for early withdrawal) and are due within 12 months would be classified as short-term investments. All others are classified as cash equivalents (see policy 1.3).

1.7 Financial Instruments (Continued)

Available-for-sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

Instruments Entered Into Before 1 April 2006

The council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in Policy 1.19.

1.8 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

1.8 Government Grants and Contributions (Continued)

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

The policy of this Council is to recognise all grants straight away in the Comprehensive Income and Expenditure Account unless there are conditions attached to the grant that require repayment and the Council believes this is more than likely to occur based on previous experience.

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. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted 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.

1.9 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.10 Interests in Companies and Other Entities

The Authority has a controlling interest in a Trust which has the nature of subsidiary and requires it to prepare group accounts. The Council acts as management agents and deficit funds the Trust so all cash flows, income and expenditure is held in the Single Entity's accounts with no adjustments.

1.11 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO (first in, first out) costing formula.

1.11 Inventories and Long Term Contracts (Continued)

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

The Council currently has no long term contracts.

1.12 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 could be exchanged between knowledgeable parties at arm’s-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. 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.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.13 Leases

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. All other leases are classified as operating leases.

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

Arrangements that do not have the legal status of a lease but convey a 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.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease’s inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

• A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

• A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

1.13 Leases (Continued)

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment 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. A gain, representing the Authority's net investment in the lease, is 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 the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement 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 in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

1.13 Leases (Continued)

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.14 Non-Current Assets Held for Sale and Disposals

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. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

To be classed as 'held for sale' the following criteria must be met:

• The asset is available for immediate sale in the present condition subject to terms that are usual and customary for such assets;
• The sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;
• The asset must be actively marketed for a sale at a price that is reasonable in relation to the current value;
• The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current 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.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment 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 the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

1.15 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2012/2013* (S*e*RCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:
• Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
• Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.
These two cost categories are defined in S*e*RCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.16 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 Authority's financial position or financial performance. Where a change is made, 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.

1.17 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides are for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition at its current location for its intended use, including the purchase price and any dismantling and removal costs. Assets are then carried in the Balance Sheet using the following measurement bases:

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets 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.

1.17 Property, Plant and Equipment (Continued)

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

• Infrastructure, community assets and assets under construction – depreciated historical cost
• Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
• All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. [Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.]

Where decreases in value are identified, they are accounted for by:

• 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(s) in the Comprehensive Income and Expenditure Statement.

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

The Council operates a de minimis for capital purposes of £10,000 except where a specific government grant has been received or it is an enhancement of an existing asset.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be 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 shortfall.
Where impairment losses are identified, they are accounted for by:
• 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(s) in the Comprehensive Income and Expenditure Statement.
Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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 by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

1.17 Property, Plant and Equipment (Continued)

Depreciation is calculated on the following bases:
• Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
• Vehicles, plant, furniture and equipment – three to five years
• Infrastructure – as estimated by the valuer or Land drainage officer.

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

Componentisation

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

The authority has taken the view that 'significant' means:
• The cost of the component is more than 25% of the cost of the asset as a whole; and
• The cost of the component is more than £500,000.

However, if depreciating the single asset as opposed to the separate components will not result in a material mis-statement of either depreciation charges or the carrying amount of the asset then componentisation will not be required.

1.18 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:
• Depreciation attributable to the assets used by the relevant service
• Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
• Amortisation of intangible assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement [equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance [MRP], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.19 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority 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 in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

1.19 Provisions, Contingent Liabilities and Contingent Assets (Continued)

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority 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 authority. 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 disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority 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 authority.

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

1.20 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of 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 score against the Surplus or Deficit on the Provision of Services 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.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

1.21 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.22 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.23 Foreign Currency Translation

Where the Authority 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 reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.24 Heritage Assets

The Authority holds three classes of Heritage Assets: archaeological artefacts held at Tewkesbury Museum on loan, civic regalia held at the Council Offices in display cabinets and historical battle sites and monuments.

All of these are held for the objective of knowledge and culture. The museum exhibits and historical sites are to provide historical understanding and appreciation of the local area and the civic regalia is held for historical and cultural appreciation of the Borough.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment.

The accounting policies in relation to heritage assets include both tangible and intangible assets (which we currently do not have). The Authority's collections of heritage assets are accounted for as follows.

Archaeological Collection

The Holm Hill Archaeological Collection was uncovered when Tewkesbury Borough Council undertook some archaeological rescue excavations in 1974 and 1975 in preparation for building new offices.

The collection includes objects from five principal periods as listed:-

Period 1	Iron Age
Period 2	late Anglo-Saxon/Anglo Norman
Period 3	mid 11th to mid 14th century
Period 4	late medieval to 18th century
Period 5	modern (18th century to 1970s)

Items include pottery, weapons, knives, tools and coins.

The valuation obtained is for insurance purposes and the Officer in charge of the regalia reviews the values annually to ensure they are adequately insured. The Officer is responsible for getting the items revalued when they feel it is necessary.

Artefacts uncovered on the site of the old art deco Sabrina cinema (now the Roses Theatre site) and various other Borough sites over 40 years ago have been catalogued by Gloucestershire County Council this year with the aim of loaning them to Tewkesbury Museum for display. Among the artefacts catalogued are human bones and pottery but, according to the County Archaeologist, they have only archaeological value and no monetary value (due mainly to the fact they would be hard to put a reliable value on).

The Authority does not (normally) purchase any archaeological items and all items held have been excavated on our land.

Civic Regalia and similar items

The civic regalia are mostly displayed in glass cabinets near the Council Chamber for people to view and include sterling silver maces and pendants.

The valuation obtained is for insurance purposes and the Officer in charge of the regalia reviews the values annually to ensure they are adequately insured. The Officer is responsible for getting the items revalued when they deem necessary.

All the civic regalia has been purchased or acquired (mainly through the creation of Tewkesbury Borough Council from 3 constituent authorities).

Historic Battle Sites

The Authority has many sites and monuments on the English Heritage protected list, mostly relating to the 1471 Battle of Tewkesbury.

1.24 Heritage Assets (Continued)

There is no reliable way to measure the value of these assets due to the nature of them and so we do not recognise these on the balance sheet.

The Authority does not normally purchase such land.

Heritage Assets - general

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see the relevant note.

There is no intention to dispose of heritage assets but if the event occurred the proceeds would be accounted for in line with the general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (policies 1.14 and 1.17).

1.25 Other policies with limited impact

We have considered all accounting policies referred to in the Code and some do not impact on us at present but if that changes we will incorporate them into our accounting policies statement.

These are:

Acquired and Discontinued Operations - we have none.
Back pay arising from unequal pay claims - we have an equal pay strategy and so unlikely to be needed.
Borrowing costs - the decision whether to capitalise or expense borrowing costs on qualifying assets will be made when a project requiring borrowing is undertaken and so no policy has been set.
Business Improvement District schemes - we do not operate one.
Carbon Reduction Commitment schemes - we do not participate in this scheme.
Jointly Controlled Operations and Jointly Controlled Assets - we currently do not undertake such activities.
PFI schemes - we do not operate any PFI contracts.

1.26 Accounting Standards that have been issued but not yet adopted

The adoption of the 2011 amendments to IAS 19 Employee Benefits by the Code will result in a change of accounting policy. From 1 April 2013 there are new classes of components of defined benefit cost to be recognised in the financial statements.

The net interest on the net defined benefit liability (asset) is now included in the Surplus and Deficit on the Provision of Services and this can be viewed as comprising interest income on plan assets, interest cost on the defined benefit obligation and interest on the effect of the asset ceiling.

The remeasurements of the net defined benefit liability (asset) comprise: actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability.

The effect of the changes to IAS 19 on the Surplus and Deficit on the Provision of Services for the year ended 31 March 2013 will be an increase of approximately £214,000 and the effect on the liabilities for retirement benefits on application of the new assumptions would result in a loss of £6,559,000 and will be recognised in the Other Comprehensive Income and Expenditure. These will be shown as a prior period adjustment in the accounts for the year ended 31 March 2014.

1.26 Accounting Standards that have been issued but not yet adopted (Continued)

Amendments to IAS 1 Presentation of Financial Statements mean that items in the Surplus or Deficit on the Provision of Services are split into reclassifiable and non-reclassifiable groupings as at 1 April 2013. This will mainly affect available for sale assets which the authority does not have.

This is purely a presentational issue and will not impact on any of the reported amounts in the Comprehensive Income and Expenditure Statement.

The recognition criteria for assets under construction (of which we have none) and intangible assets have been clarified under the Code but it is unlikely this will make a material impact on the account. The date of this change is 1 April 2013.

The adoption of IFRS 7 Financial Instruments: Disclosures (Offsetting Financial Assets and Liabilities) issued in December 2011 will result in a change of accounting policy. This change will be effective from April 2013 but it is unlikely the effect will be material.

2. Critical Judgements in Applying Accounting Policy

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

• There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

• The Authority had £1m deposited with Landsbanki Islands hf which is in administration. A decision by the Icelandic Supreme Court (on 28 October 2011) ruled in favour of local authorities that deposits placed by UK wholesale depositors have priority status in the winding up of the Icelandic banks, Landsbanki and Glitnir. This means the values of the claims will be, at the very least, equal to the value of the original deposit plus interest accrued to our maturity date. These assumptions have been used when calculating the carrying value in the accounts.

• The Authority has the right to appoint the majority of delegates on the board of the Swimming Bath Trust and as management agents has control over the financial and operating policies of the swimming pool. Also, the Council deficit funds the operations of the pool. It has been determined that the Authority has control of the Trust and should be treated as a subsidiary.

• The decision whether the exposure to potential losses is to be accounted for as a provision or a contingent liability is made using professional judgements of those involved and Directors.

• The classification of a lease as operating or finance lease is taken by management and is based on the risks and rewards to the Council. The Council has reviewed all leases held and concluded that only the vehicle fleet lease with CP Davidson falls in the category of a finance lease.

• The Council's former insurers Municipal Mutual Insurance Limited ceased trading in 1992 and the Council became a party to the scheme of administration for liabilities outstanding at that time. Previously the administrators advised that the assets would at least match the liabilities and a solvent run off of the scheme could be expected. However the directors of MMI 'triggered' MMI's Scheme of Arrangement under section 425 of the Companies Act 1985 on 13 November 2012 and Ernst and Young LLP became responsible for the management of the MMI's business, affairs and assets in accordance with the terms of the Scheme. The claw back scheme to which Tewkesbury is subject provides for a maximum liability of £159,699. Ernst and Young have suggested an initial levy rate of 15% to achieve a solvent run off and will review these rates at least once a year. We have provided for the 15% levy in full in the short term and, in order to be prudent, have allowed a further 10% in long term provisions.

3. 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 Authority 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 in the Authority’s Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<table>
<tr><th>Item</th><th>Uncertainties</th><th colspan="2">Effect if Actual Results Differ from Assumptions</th></tr>
<tr><td>Property, Plant and Equipment</td><td>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 Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</td><td colspan="2">If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £10,799 for every year that useful lives had to be reduced.</td></tr>
<tr><td>Arrears</td><td>At 31st March 2013, the Authority had a balance on doubtful debts of £267,953 of which £252,995 related to a general provision. In the current economic climate it may be that the doubtful debts percentages used (which increase depending on age of debt) are too low and the provision may be insufficient.</td><td colspan="2">If collection rates deteriorate then a doubling of the current rate would result in another £253k to be set aside as an allowance.</td></tr>
<tr><td rowspan="6">Pensions Liability</td><td>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. The actuaries, Hymans Robertson, are engaged to provide the Authority with expert advice about the assumptions to be applied. Changes in assumptions can have a significant effect on the value of the retirement benefit obligation.</td><td colspan="2">The effects on the net pensions liability of changes in individual assumptions can be measured and the sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:</td></tr>
<tr><td>Change in assumptions at year ended 31 March 2013</td><td>Approx. % increase to Employer Liability</td><td>Approx. monetary amount (£'000)</td></tr>
<tr><td>0.5% decrease in Real Discount Rate</td><td>10%</td><td>6,062</td></tr>
<tr><td>1 year increase in member life expectancy</td><td>3%</td><td>1,873</td></tr>
<tr><td>0.5% increase in the Salary Increase Rate</td><td>3%</td><td>1,561</td></tr>
<tr><td>0.5% increase in the Pension Increase Rate (CPI)</td><td>7%</td><td>4,439</td></tr>
</table>

4. Material Items of Income and Expense

There are no items of material income and expense that are not identified elsewhere in the accounts.

5. Adjustments Between Accounting Basis and Funding Basis Under Regulations

2011/2012 Usable Reserves General Fund Balance £'000	2011/2012 Usable Reserves Capital Receipts Reserve £'000	2011/2012 Usable Reserves Capital Grants Unapplied £'000	2011/2012 Movement in Unusable Reserves £'000		2012/2013 Usable Reserves General Fund Balance £'000	2012/2013 Usable Reserves Capital Receipts Reserve £'000	2012/2013 Usable Reserves Capital Grants Unapplied £'000	2012/2013 Movement in Unusable Reserves £'000
				Adjustments primarily involving the Capital Adjustment Account: **Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:**				
-911			911	Charges for depreciation and impairment of non-current assets	-872			872
-6			6	Revaluation losses on Property Plant and Equipment	0			0
0			0	Movements in the market value of Investment Properties	0			0
-18			18	Amortisation of intangible assets	-27			27
-625			625	Capital grants and contributions applied	-497			497
0			0	Movement in the Donated Asset Account	0			0
-675			675	Revenue expenditure funded from capital under statute	-428			428
-118			118	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	-196			196
				Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
237			-237	Statutory provision for the financing of capital investment	261			-261
0			0	Capital expenditure charged against the General Fund and HRA balances	62			-62
				Adjustments primarily involving the Capital Grants Unapplied Account:				
630		-630		Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	521		-521	
		625	-625	Application of grants to capital financing transferred to the Capital Adjustment Account			497	-497

5. Adjustments Between Accounting Basis and Funding Basis Under Regulations (Continued)

2011/2012 Usable Reserves					2012/2013 Usable Reserves			
General Fund Balance £'000	**Capital Receipts Reserve £'000**	**Capital Grants Unapplied £'000**	**Movement in Unusable Reserves £'000**		**General Fund Balance £'000**	**Capital Receipts Reserve £'000**	**Capital Grants Unapplied £'000**	**Movement in Unusable Reserves £'000**
				Adjustments primarily involving the Capital Receipts Reserve				
100	-100			Transfer of cash sale proceeds credited as part of the gain/loss on disposal and other income to the Comprehensive Income and Expenditure Statement	172	-172		
	1,019		-1,019	Use of the Capital Receipts Reserve to finance new capital expenditure		728		-728
				Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals				
-24	24			Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-20	20		
	-32		32	Transfer from Deferred Capital Receipts Reserve upon receipt of cash		-27		27
				Adjustments primarily involving the Deferred Capital Receipts Reserve				
				Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				
				Adjustments primarily involving the Financial Instruments Adjustment Account				
35			-35	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-24			24
				Adjustments primarily involving the Pensions Reserve				
-1,728			1,728	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure	-1,917			1,917

				Statement				

5. Adjustments Between Accounting Basis and Funding Basis Under Regulations (Continued)

2011/2012 Usable Reserves General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000		2012/2013 Usable Reserves General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
1,702			-1,702	Employer's pensions contributions and direct payments to pensioners payable in the year	1,714			-1,714
				Adjustments primarily involving the Collection Fund Adjustment Account				
20			-20	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-9			9
				Adjustments primarily involving the Accumulated Absences Account:				
1			-1	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	7			-7
-1,380	**911**	**-5**	**474**	**Total Adjustments**	**-1,253**	**549**	**-24**	**728**

6. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/2013.

	Balance as at 31/03/2011 £	Transfers In/(Out) £	Balance as at 31/03/2012 £	Transfers In/(Out) £	Balance as at 31/03/2013 £
Mayors Charity Reserve	5,677	909	6,586	2,463	9,049
Horsford Reserve	18,461	-8,232	10,229	8,796	19,025
Funds held for third parties	411,890	-368,957	42,933	8,866	51,799
Funds held for third parties which the Council has discretion to utilise	0	74,388	74,388	-7,503	66,885
Funds for Forward Management	766,347	-639,244	127,103	311,912	439,015
Approved Projects Fund	329,799	-72,880	256,919	7,694	264,613
Service Specific funds	48,912	-40,390	8,522	9,983	18,505
Asset Maintenance Reserve	106,810	32,190	139,000	46,000	185,000
Planning Obligations & Commuted Sums	860,702	909,549	1,770,251	-6,735	1,763,517
Total	**2,548,598**	**-112,667**	**2,435,931**	**381,478**	**2,817,408**

7. Other Operating Expenditure

2011/2012 £		2012/2013 £
1,409,613	Parish Council Precepts	1,493,688
23,673	Payments to Government Housing Capital Receipts Pool	19,904
51,866	Gains/Losses on Disposal Of Non-Current Assets	78,335
-31,734	Other Income - Right to Buy Sales	-54,233
1,453,418		**1,537,694**

8. Financing & Investment Income & Expenditure

2011/2012 £		2012/2013 £
165,730	Finance Leasing Charges	141,909
677	Interest payable and Similar Charges	13
-66,982	Impairment of financial instruments	16,740
2,694,000	Pensions interest costs	2,580,000
-1,986,000	Expected return on pension assets	-1,680,000
-390,011	Interest receivable and similar income	-297,510
0	Changes in the fair value of investment properties	0
0	Gains/loss on the disposal of investment properties	0
-134,866	Gain/loss on trading accounts (not applicable to a service)	-106,170
282,548		**654,982**

9. Taxation and Non Specific Grant Income

2011/2012 £		2012/2013 £
-4,628,744	Council Tax Income	-4,730,419
-3,229,051	Non Domestic Rates	-3,732,425
-998,109	Revenue Support Grant	-72,352
-776,207	Other Non-Ring fenced Government Grants	-1,017,306
-629,543	Capital Grants and Contributions	-520,847
-10,261,654		**-10,073,349**

10. Property, Plant and Equipment

Movements in 2012/2013

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Plant, Property & Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation							
At 1 April 2012	**11,432**	**4,641**	**227**	**23**	**200**	**0**	**16,523**
Additions	0	205	0	0	0	0	**205**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	19	0	0	0	0	0	**19**
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	0	0	0	0	0	0	**0**
Derecognition-disposals	0	0	0	0	-200	0	**-200**
Reclassified to/from Held for Sale	0	0	0	0	0	0	**0**
Other movements in cost or revaluation	0	0	0	0	0	0	**0**
At 31 March 2013	**11,451**	**4,846**	**227**	**23**	**0**	**0**	**16,547**
Accumulated Depreciation and Impairment							
At 1 April 2012	**-722**	**-2,301**	**-56**	**0**	**-4**	**0**	**-3,083**
Depreciation charge	-244	-620	-7	0	0	0	**-871**
Depreciation written out to Revaluation Reserve	2	0	0	0	0	0	**2**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
Derecognition-disposals	0	0	0	0	4	0	**4**
At 31 March 2013	**-964**	**-2,921**	**-63**	**0**	**0**	**0**	**-3,948**
Net Book Value							
At 31 March 2013	**10,487**	**1,925**	**164**	**23**	**0**	**0**	**12,599**
At 31 March 2012	**10,710**	**2,340**	**171**	**23**	**196**	**0**	**13,440**

10. Property, Plant and Equipment (Continued)

Comparative Movements in 2011/2012

	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Plant, Property & Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation							
At 1 April 2011	**11,407**	**4,532**	**227**	**23**	**117**	**24**	**16,330**
Additions	10	111	0	0	0	183	**304**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	15	0	0	0	0	0	**15**
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	0	0	0	0	-7	0	**-7**
Derecognition-disposals	0	-2	0	0	-117	0	**-119**
Reclassified to/from Held for Sale	0	0	0	0	207	-207	**0**
Other movements in cost or revaluation	0	0	0	0	0	0	**0**
At 31 March 2012	**11,432**	**4,641**	**227**	**23**	**200**	**0**	**16,523**
Accumulated Depreciation and Impairment							
At 1 April 2011	**-485**	**-1,646**	**-49**	**0**	**-7**	**0**	**-2,187**
Depreciation charge	-244	-657	-7	0	-4	0	**-912**
Depreciation written out to Revaluation Reserve	6	0	0	0	0	0	**6**
Depreciation written out to the Surplus/Deficit on the Provision of Services	1	0	0	0	0	0	**1**
Derecognition-disposals	0	2	0	0	7	0	**9**
At 31 March 2012	**-722**	**-2,301**	**-56**	**0**	**-4**	**0**	**-3,083**
Net Book Value							
At 31 March 2012	**10,710**	**2,340**	**171**	**23**	**196**	**0**	**13,440**
At 31 March 2011	**10,922**	**2,886**	**178**	**23**	**110**	**24**	**14,143**

10. Property, Plant and Equipment (Continued)

Depreciation

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

- Other Land and Buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, Plant, Furniture & Equipment – 3-5 years
- Infrastructure – as estimated by the valuer or Land Drainage Officer

Capital Commitments

At 31 March 2013, although the Authority had not entered into any contracts for the construction or enhancement of Property, Plant and Equipment in 2013/2014, approval was given during 2012/2013 for contracts to be let in respect of enhancements to the Authority Head Quarters which are budgeted to cost £1,221k. There were no contractual commitments at 31 March 2012.

Effects of Changes in Estimates
In 2012/2013, the Authority made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out by external valuers by Jones Lang LaSalle (formerly King Sturge LLP). Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

A full revaluation of all assets was undertaken in 2009/2010 by Philip Schmid MRICS of Jones Lang LaSalle (formerly King Sturge LLP) in accordance with the Valuation Standards published by the Royal Institute of Chartered Surveyors. The Council will revalue 20% of assets every year so that a 5 yearly revaluation is maintained.

Valuation of Vehicles, Plant and Equipment are on a Depreciated Historic Cost basis as a proxy for fair value on the basis that they have short useful lives and/or low values. However a new vehicle finance lease which commenced in April 2010 was valued in accordance with the lower of the net present value of the minimum lease payments and the fair value of the vehicles.

An annual impairment review is also undertaken by Jones Lang LaSalle.

Community Assets and Infrastructure Assets are all valued at historic cost. All other Plant, Property and Equipment have been valued in accordance with the following schedule.

	Other Land & Buildings	**Vehicles, Plant & Equipment**	**Surplus Assets**	**TOTAL**
	£'000	**£'000**	**£'000**	**£'000**
Carried at historical cost	0	4,846	0	**4,846**
Valued at fair value as at:				
31 March 2013	250	0	0	**250**
31 March 2012	1,045	0	0	**1,045**
31 March 2011	1,177	0	0	**1,177**
31 March 2010	8,979	0	0	**8,979**
31 March 2009	0	0	0	**0**
Total Cost or Valuation	**11,451**	**4,846**	**0**	**16,297**

11. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority

	Civic Regalia	Holm Hill Archaeological Collection	Total Assets
	£000	**£000**	**£000**
Cost or Valuation			
At 1 April 2010	**110**	**33**	**143**
Additions	0	0	**0**
Disposals	0	0	**0**
Revaluations	0	0	**0**
Impairment Losses/(reversals) recognised in the Revaluation Reserve	0	0	**0**
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	**0**
Depreciation	0	0	**0**
At 31 March 2011	**110**	**33**	**143**
	£000	**£000**	**£000**
Cost or Valuation			
At 1 April 2011	**110**	**33**	**143**
Additions	0	0	**0**
Disposals	0	0	**0**
Revaluations	0	5	**5**
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-23	0	**-23**
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	**0**
Depreciation	0	0	**0**
At 31 March 2012	**87**	**38**	**125**
Cost or Valuation			
At 1 April 2012	**87**	**38**	**125**
Additions			
Disposals			
Revaluations	0	0	**0**
Impairment Losses/(reversals) recognised in the Revaluation Reserve	0	0	**0**
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	**0**
Depreciation	0	0	**0**
At 31 March 2013	**87**	**38**	**125**

It is not practicable to disclose the two previous years to those already shown above as the valuation history is not sufficiently detailed enough to provide further information about the assets.

All the heritage assets shown in the balance sheet are items that the Council has held for many years and none have been disposed of in the past five years. The only impairment recognised is shown in the table above.

11. Heritage Assets (Continued)

Civic Regalia

The civic regalia reported in the balance sheet are at insurance valuation which is based on market values. The values are checked by the relevant Officer annually to ensure we are adequately insured and new valuations are obtained when the Officer feels it is needed.

The main items to note in this collection are a pair of sterling gilt maces in bespoke cases valued at £43k, a 9ct gold and enamel mayoral chain valued at £21k and a 9ct gold and enamel mayoral badge of office valued at £13k.

Holm Hill Archaeological Collection

The Holm Hill collection is held at insurance valuation and is valued by a specialist archaeological consultant, with the latest valuation being in February 2012.

The valuer noted that a duck-shaped weight valued at £1,050 was a unique and interesting piece in the collection. Other items to note include a gold brooch valued at £5,800 and 13th-15th Century floor tiles valued at £6,750.

12. Investment Properties

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

2011/2012		**2012/2013**
£		**£**
-136,516	Rental income from investment property	-108,390
1,650	Direct operating expenses arising from investment property	2,220
-134,866	**Net gain/(loss)**	**-106,170**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

2011/2012		**2012/2013**
£		**£**
3,150,000	**Balance 1 April**	**3,150,000**
	Additions:	
0	Purchases	0
0	Construction	0
0	Subsequent expenditure	0
0	Disposals	0
0	Net gains/losses from fair value adjustments	0
	Transfers:	
0	to/from Inventories	0
0	to/from Property, Plant and Equipment	0
	Other changes	
3,150,000	**Balance 31 March**	**3,150,000**

There were no impairments identified in the valuation of the investment properties for the year 2012/2013.

13. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are:

	Useful Life
Civica financial system	10 years
Civica Icon cash system	10 years
Civica Icon telephone & e-payments system	10 years
IDOX estate management system	10 years
IDOX Uniform Document Management/Redaction system	10 years
IDOX Public Access system	10 years
Northgate Revenues Council Tax New Burdens modules	10 years

The carrying amount of intangible assets is amortised on a straight-line basis. During 2012/2013 the Civica Icon telephone and e-payments system, the IDOX estate management system and the IDOX document management/redaction system were brought into use and amortised in the year.

During 2012/2013 further software was purchased comprising of a new Idox public access system and additional Northgate revenues council tax new burdens modules. These assets will be brought into use during 2013/2014 and so will be amortised from that year onwards.

The movement on Intangible Asset balances during the year is as follows:

2011/2012 £ Software		**2012/2013 £ Software**
	Balance 1 April	
144,457	Gross carrying amounts	243,783
0	Accumulated amortisation	18,160
144,457	**Net Carrying Amount 1 April**	225,623
	Additions:	
99,326	Purchases	158,328
18,160	Amortisation for the period	26,965
225,623	**Net Carrying Amount 31 March**	**356,986**
	Comprising:	
243,783	Gross carrying amounts	402,111
18,160	Accumulated amortisation	45,125

14. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-Term		Current	
	31/03/2013	31/03/2012	31/03/2013	31/03/2012
	£'000	£'000	£'000	£'000
Investments				
Loans and receivables	387	442	16,999	20,959
Total investments	**387**	**442**	**16,999**	**20,959**
Debtors (less any impairments)				
Loans and receivables	99	142		
Financial assets carried at contract amounts	0	0	789	544
Total debtors	**99**	**142**	**789**	**544**
Borrowings				
Financial liabilities at amortised cost			3	3
Total borrowings	**0**	**0**	**3**	**3**
Other Long Term Liabilities				
PFI and finance lease liabilities	1,335	1,596		
Total other long term liabilities	**1,335**	**1,596**		
Creditors				
Financial liabilities carried at contract amount	0	0	778	562
Total creditors	**0**	**0**	**778**	**562**

Income, Expense, Gains and Losses

	2012/2013			2011/2012		
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	0	0	**0**	0	1	**1**
Impairment losses/(reversal)	0	17	**17**	0	-67	**-67**
Total expense in Surplus or Deficit on the Provision of Services	**0**	**17**	**17**	**0**	**-66**	**-66**
Interest income	0	-270	**-270**	0	-347	**-347**
Interest income accrued on impaired financial assets	0	-28	**-28**	0	-43	**-43**

Total income in Surplus or Deficit on the Provision of Services	**0**	**-298**	**-298**	**0**	**-390**	**-390**
Net gain/(loss) for the year	**0**	**-281**	**-281**	**0**	**-456**	**-456**

14. Financial Instruments (Continued)

Fair Values of Assets and Liabilities

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

• no early repayment or impairment is recognised

• where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value

• The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Currently we have no investments oustanding for greater than a year, apart from Landsbanki (see below), and so the fair value is assumed to equate the carrying value.

The Landsbanki investment (initial deposit of £1m) is shown at its carrying value on the balance sheet (£387k long term and £56k short term) which has been calculated in accordance with CIPFA's LAAP Bulletin 82 Update 7. Payments have already been received from Landsbanki and we expect to recover 100% of our investment, subject to potential exchange rate fluctuations, over the forthcoming years. The amount held in Icelandic Krona (ISK) is held in an escrow account as on 13th March 2012 the Icelandic parliament passed law no. 17/2012 to alter Iceland's currency control restrictions, introducing special provisions applicable to non-Icelandic parties. Consent from the Icelandic Central Bank will now be required under this new law in order to pay priority creditors the ISK element of the distribution. This is being treated as a separate short term investment (£8,224).

The fair value of this investment is £486,586 which has been determined by discounting the same cash flows at current interest rates for an equivalent investment. The carrying value is £451,782 which is lower due to a fall in interest rates since the investment was made.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

15. Inventories

The Council maintains inventories in relation to Cascades consumables and franking machine credit.

	Consumable Stores	
	2012/2013	**2011/2012**
	£	**£**
Balance 1 April	**19,703**	**24,362**
Purchases	118,052	127,784
Recognised as an expense in the year	-117,614	-132,443
Balance 31 March	**20,141**	**19,703**

16. Debtors

The Balances outstanding at 31 March are summarised as follows:

	2012/2013 £	2011/2012 £
Central government bodies	1,297,007	81,587
Other local authorities	1,447,453	1,198,786
NHS bodies	2,963	15,308
Public corporations and trading funds	58,284	7,783
Other entities and individuals	1,563,741	1,324,387
Gross Debts	**4,369,448**	**2,627,851**
less Impairment Allowance	-281,837	-411,001
Total Net Debtors	**4,087,611**	**2,216,850**

17. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents at 31 March is made up of the following elements:

	2012/2013 £	2011/2012 £
Cash held by the Authority	136,987	-11,554
Bank current accounts	-153,309	49,028
Short-term deposits	2,386,539	5,683,283
Total Cash and Cash Equivalents	**2,370,217**	**5,720,757**

18. Assets Held for Sale

	Current 2012/2013 £	2011/2012 £
Balance 1 April	**0**	**8000**
Assets newly classified as held for sale:		
• Property, Plant and Equipment	0	0
• Intangible Assets	0	0
• Other assets/liabilities in disposal groups	0	0
Revaluation losses	0	0
Revaluation gains	0	0
Impairment losses	0	0
Assets declassified as held for sale:		
• Property, Plant and Equipment	0	0
• Intangible Assets	0	0
• Other assets/liabilities in disposal groups	0	0
Assets sold	0	-8,000
Transfers from non-current to current	0	0
Balance 31 March	**0**	**0**

There were no Non-Current Assets Held for Sale by the council during this period.

19. Creditors

The balances outstanding at 31 March are summarised as follows:

	2012/2013 £	2011/2012 £
Central government bodies	158,066	2,203,309
Other local authorities	256,107	265,359
NHS bodies	0	15,000
Public corporations and trading funds	1,622	23,027
Other entities and individuals	1,021,925	765,156
Total	**1,437,720**	**3,271,851**

20. Provisions

20.1 Short Term Provisions

	Outstanding Legal Cases £	Injury and Damage Compensation Claims £	Other Provisions £	Total £
Balance at 1st April 2012	**38,000**	**0**	**65,121**	**103,121**
Additional provisions made in 2012/2013	44	0	381,092	**381,136**
Amounts used in 2012/2013	-3,542	0	-63,165	**-66,707**
Unused amounts reversed in 2012/2013	-31,458	0	-1,000	**-32,458**
Balance at 31 March 2013	**3,044**	**0**	**382,048**	**385,092**

20.2 Long Term Provisions

	Outstanding Legal Cases £	Injury and Damage Compensation Claims £	Other Provisions £	Total £
Balance at 1st April 2012	**30,000**	**30,000**	**190,809**	**250,809**
Additional provisions made in 2012/2013	0	0	0	**0**
Amounts used in 2012/2013	0	0	0	**0**
Unused amounts reversed in 2012/2013	0	0	-143,732	**-143,732**
Balance at 31 March 2013	**30,000**	**30,000**	**47,077**	**107,077**

Description of main provisions

Outstanding Legal Cases

Two legal cases concerning VAT are currently being defended by Her Majesty's Revenue and Customs through the EU. The cases concern car parking and compound interest claims for the successful Fleming case. In both cases the council has utilised specialist VAT advisors and the provision reflects the level of charge anticipated on the conclusion of the cases. The resolution is not expected within the near future. Fuller details of the cases and the contingent asset associated with the cases are detailed in a later note.

A class action on land charges has been undertaken against a number of councils including TBC. Whilst the action is currently on hold pending negotiations between the plaintiffs, defendants and the government, the council will still be liable for a contribution to the legal case being led through the Local Government Association.

Injury and Damage Compensation Claims

This relates to a tribunal decision for compensation which does not become payable for several years.

Other Provisions

There is one significant provision relating to the administration of Municipal Mutual Insurance which went into administration in 1992. Following the ruling of the supreme court in relation to mesothelioma claims the MMI scheme administrators have indicated there will be an initial clawback of 15% as there will not be a solvent run off of the company. Therefore a short term provision of £23,950 has been made with a further £15,967 (10%) set aside as a long term provision to cover any further clawback. This will be kept under review as further information becomes available.

20. Provisions (Continued)

There are a number of redundancy provisions within the short term provisions to reflect the impact of the management restructure approved prior to 31 March 2013 which will take effect in 2013/2014. They cover 8 staff and total £333,842.

21. Usable Reserves

Movements in the Authority's reserves are detailed in the Movement in Reserves Statement and Notes 6, 21 and 22.

2011/2012			**2012/2013**
£		**Note**	**£**
788,495	General Fund Reserve	***21.1***	450,000
2,435,931	Earmarked Reserves	***6***	2,817,408
16,404,556	Capital Receipts Reserve	***21.2***	15,855,571
4,658	Capital Grants Unapplied	***21.3***	29,000
19,633,640	**Total Usable Reserves**		**19,151,979**

21.1 General Fund Reserve

The General Fund Reserve is to provide the Council with day-to-day cash flow cover for our revenue account because inevitable there is a timing mismatch between money being paid out and the money coming in. The level of working balance required for this authority has been assessed as £450,000. Monies in excess of this are available to support additional revenue expenditure.

2011/2012		**2012/2013**
£		**£**
600,000	**Balance at 1 April**	**788,495**
-1,304,560	Surplus or (deficit) on provision of services	-1,209,905
1,380,132	Adjustments between accounting basis & funding basis under regulations	489,932
112,923	Transfers to/from Earmarked Reserves	381,478
788,495	**Balance at 31 March**	**450,000**

21.2 Capital Receipts Reserve

The Capital Receipts Reserve represents resources available to the Council for capital expenditure. The Reserve is held pending expenditure through the Capital Programme. Whilst they are held, the balances are invested in cash deposits and produce a revenue stream which supports the Council's base budget

2011/2012	**2012/2013**
£	**£**

17,315,429	**Balance at 1 April**	**16,404,556**
132,377	Capital receipts received	199,434
-1,079,025	Capital receipts applied to finance capital expenditure	-728,515
59,448	Reversal of Landsbanki Impairment	0
-23,673	Payments to Government for Mortgage Pooling	-19,904
16,404,556	**Balance at 31 March**	**15,855,571**

21. Usable Reserves (Continued)

21.3 Capital Grants Unapplied

The Capital Grants Unapplied Account represents resources available to the Council for capital expenditure. The Reserve is held pending expenditure through the Capital Programme. Whilst they are held, the balances are invested in cash deposits and produce a revenue stream which supports the Council's base budget

2011/2012 £		**2012/2013 £**
0	**Balance at 1 April**	**4,658**
629,543	Capital grants received	520,847
-624,885	Capital grants applied to finance capital expenditure	-496,505
4,658	**Balance at 31 March**	**29,000**

22. Unusable Reserves

2011/2012 £			**2012/2013 £**
3,419,218	Revaluation Reserve	***22.1***	3,357,060
12,147,944	Capital Adjustment Account	***22.2***	11,761,038
144,813	Financial Instruments Adjustment Account	***22.3***	120,678
-23,547,000	Pensions Reserve	***22.4***	-27,514,000
107,428	Deferred Capital Receipts Reserve	***22.5***	80,292
41,327	Collection Fund Adjustment Account	***22.6***	32,219
-107,500	Accumulated Absences Account	***22.7***	-101,300
-7,793,770	**Total Unusable Reserves**		**-12,264,013**

22.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment, Heritage Assets and Intangible Assets. The balance is reduced when assets with accumulated gains are:
- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2011/2012 £		**2012/2013 £**
3,507,626	**Balance at 1 April**	**3,419,218**

32,487	Upward revaluation of assets	22,001
-30,000	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
-82,895	Difference between fair value depreciation and historical cost depreciation	-84,159
-8,000	Accumulated gains on assets sold or scrapped	0
3,419,218	**Balance at 31 March**	**3,357,060**

22. Unusable Reserves (Continued)

22.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of Non-Current Assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on Donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2011/2012 £		2012/2013 £
12,469,452	**Balance at 1 April**	**12,147,944**
-1,300,035	Revenue Expenditure Financed by Capital Under Statute	-924,181
-911,291	Charges for depreciation and impairment of non-current assets	-871,915
-7,699	Revaluation losses on Property, Plant and Equipment	-350
-18,160	Amortisation of intangible assets	-26,965
-109,866	Amounts of non-current assets written off on disposal or sale	-196,400
82,895	Difference between fair value depreciation and historical cost depreciation	84,159
1,703,910	Use of the Capital Receipts Reserve and Capital Grants to finance new capital expenditure	1,225,021
237,404	Statutory provision for the financing of capital investment charged against the General Fund	261,225
0	Capital Expenditure charged against the General Fund	62,500
1,334	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0
12,147,944	**Balance at 31 March**	**11,761,038**

22.3 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage discounts received on the early redemption of loans. Discounts are credited to the

Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the income is posted back to the General Fund Balance in accordance with statutory arrangements for easing the burden on council tax. In the Authority's case, this period is ten years.

22. Unusable Reserves (Continued)

2011/2012 £		2012/2013 £
168,949	**Balance at 1 April**	**144,813**
-24,136	PWLB Discount Release	-24,135
0	Impairment of financial Instruments	0
0	Capitalisation of accumulated impairment	0
144,813	**Balance at 31 March**	**120,678**

22.4 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 provisions. The Authority 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 any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pay 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 Authority 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.

2011/2012 £		2012/2013 £
-19,666,000	**Balance at 1 April**	**-23,547,000**
-3,855,000	Actuarial gains or losses on pensions assets and liabilities	-3,764,000
-1,728,000	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-1,917,000
1,702,000	Employer's pensions contributions and direct payments to pensioners payable in the year	1,714,000
-23,547,000	**Balance at 31 March**	**-27,514,000**

22.5 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2011/2012 £		2012/2013 £
139,570	**Balance at 1 April**	**107,428**
-32,142	Transfer to the Capital Receipts Reserve upon receipt of cash	-27,136
107,428	**Balance at 31 March**	**80,292**

22. Unusable Reserves (Continued)

22.6 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2011/2012 £		2012/2013 £
20,964	**Balance at 1 April**	**41,327**
20,363	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-9,108
41,327	**Balance at 31 March**	**32,219**

22.7 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2011/2012 £'000		2012/2013 £'000
-107,900	**Balance at 1 April**	**-107,500**
107,900	Settlement or cancellation of accrual made at the end of the preceding year	107,500
-107,500	Amounts accrued at the end of the current year	-101,300
-107,500	**Balance at 31 March**	**-101,300**

23. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2011/2012 £'000		2012/2013 £'000
	Specific Inflows	
-4,525	Taxation	-4,183
-29,752	Grants	-27,135
0	Housing Rents	0
-3,589	Sale of Goods and rendering of services	-4,714
-343	Interest received	-257
0	Dividends received	0
	Specific Outflows	
9,330	Cash paid to and on behalf of Employees	8,747
17,452	Housing Benefit Paid Out	18,489
1,410	Precepts Paid	1,494
24	Payments to the Capital Receipts Pool	18
0	Interest paid	0
6,404	Cash paid to suppliers of goods and services	6,170
1,782	Other net operating payments/(receipts)	-247
-1,807	Net cash flows from Operating Activities	**-1,619**

24. Cash Flow Statement – Investing Activities

2011/2012 £'000		2012/2013 £'000
391	Purchase of property, plant and equipment, investment property and intangible assets	340
41,500	Purchase of short-term and long-term investments	41,500
0	Other payments for investing activities	0
-132	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-146
-41,299	Proceeds from shot-term and long-term investments	-42,186
0	Other receipts from investing activities	0
460	**Net cash flows from investing activities**	**-492**

25. Cash Flow Statement – Financing Activities

2011/2012 £'000		2012/2013 £'000
0	Cash receipts of short- and long-term borrowing	0
279	Other receipts from financing activities	0
237	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	261
0	Repayments of short- and long-term borrowing	0
-1,777	Other payments for financing activities	5,201
-1,261	**Net cash flows from financing activities**	**5,462**

26. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Executive on the basis of budget reports analysed across subjectively. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

• No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
• The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
• Expenditure on some support services is budgeted for centrally and not charged to services.
• In 2011/2012 benefit costs and income were shown as a net figure for reporting purposes.

	2012/2013			
Analysis Level	**Full Year Budget £**	**Profiled Q4 Budget £**	**Actual £**	**Savings / (Deficit) £**
Employees	9,278,617	9,278,617	9,088,992	189,625
Premises	917,678	801,598	720,525	81,073
Transport	1,316,206	1,316,206	1,270,093	46,113
Supplies & Services	3,041,391	3,041,391	3,148,444	-107,053
Income	-7,403,384	-6,703,484	-6,193,066	-510,418
TOTAL	**7,150,508**	**7,734,328**	**8,034,988**	**-300,660**

Note: Included in income is £134k expenditure which is the net of Transfer Payments (£21.7m) and the associated government grants (£21.6m). These have been grossed back up for the reconciliation below.

	2011/2012			
Analysis Level	**Full Year Budget £**	**Profiled Q4 Budget £**	**Actual £**	**Savings / (Deficit) £**
Employees	9,331,131	9,331,131	9,328,742	2,389
Premises	856,150	856,150	775,043	81,107
Transport	1,311,350	1,311,350	1,256,153	55,197
Supplies & Services	3,266,530	3,266,530	3,237,363	29,167
Income	-7,244,233	-7,244,233	-6,660,593	-583,640
TOTAL	**7,520,928**	**7,520,928**	**7,936,708**	**-415,780**

Reconciliation of Subjective Analysis to Cost of Services in the Comprehensive Income and

Expenditure Statement

This reconciliation shows how the figures in the subjective analysis above relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2012/2013 £'000	2011/2012 £'000
Net expenditure in the subjective Analysis	8,035	7,937
Corporate Amounts included in subjective analysis	292	339
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	764	1,554
Cost of Services in Comprehensive Income and Expenditure Statement	**9,091**	**9,830**

26. Amounts Reported for Resource Allocation Decisions

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2012/2013	Subjective Analysis	Corporate Amounts reported to Committee	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	5,865	-137	-	662	0	9,536	**15,926**	1,843	**17,769**
Surplus or deficit on associates and joint ventures	-	0	-	-	-	-	**0**	-	**0**
Interest and investment income	297	-297	-	-	0	-	**0**	298	**298**
Income from council tax	-	0	-	0	-	-	**0**	4,730	**4,730**
Government grants and contributions	31	0	0	23,134	-	-	**23,165**	5,343	**28,508**
Total Income	**6,193**	**-434**	**0**	**23,796**	**0**	**9,536**	**39,091**	**12,214**	**51,305**
			-						
Employee expenses	9,089	0	-	-266	-	0	**8,823**	0	**8,823**
Other service expenses	5,139	-142	-	23,264	-261	343	**28,343**	2,724	**31,067**
Support Service recharges	-	0	-	-	-	9,193	**9,193**	-	**9,193**
Depreciation, amortisation and impairment	-	0	0	1,823	-	-	**1,823**	17	**1,840**
Interest Payments	-	0	-	0	-	-	**0**	.	**0**
Precepts & Levies	-	0	-	0	-	-	**0**	1,494	**1,494**
Payments to Housing Capital Receipts Pool	-	0	-	-	-	-	**0**	20	**20**
Gain or Loss on Disposal of Fixed Assets	0	0	-	0	-	-	**0**	78	**78**
Total expenditure	**14,228**	**-142**	**0**	**24,821**	**-261**	**9,536**	**48,182**	**4,333**	**52,515**
(Surplus) or deficit on the provision of services	**8,035**	**292**	**0**	**1,025**	**-261**	**0**	**9,091**	**-7,881**	**1,210**

26. Amounts Reported for Resource Allocation Decisions (Continued)

2011/2012	Subjective Analysis £'000	Corporate Amounts reported to Committee £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I&E £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	5,677	-330	-	1,327		9,534	**16,208**	168	**16,376**
Surplus or deficit on associates and joint ventures	-		-	-	-	-	**0**	-	**0**
Interest and investment income	414	-414	-	-	-	-	**0**	390	**390**
Income from council tax	-		-	-	-	-	**0**	4,629	**4,629**
Government grants and contributions	22,262		-	-	-	-	**22,262**	5,633	**27,895**
Total Income	**28,353**	**-744**	**0**	**1,327**	**0**	**9,534**	**38,470**	**10,820**	**49,290**
			-						
Employee expenses	9,329		-	-389	-		**8,940**	708	**9,648**
Other service expenses	26,960	-404	-	2,332	-	-	**28,888**	166	**29,054**
Support Service recharges	-		-	-	-	9,554	**9,554**	-	**9,554**
Depreciation, amortisation and impairment	-		-	918	-	-	**918**	-67	**851**
Interest Payments	-		-	-	-	-	**0**	1	**1**
Precepts & Levies	-		-		-	-	**0**	1,410	**1,410**
Payments to Housing Capital Receipts Pool	-		-	-	-	-	**0**	24	**24**
Gain or Loss on Disposal of Fixed Assets	1	-1	-	-	-	-	**0**	52	**52**
Total expenditure	**36,290**	**-405**	**0**	**2,861**	**0**	**9,554**	**48,300**	**2,294**	**50,594**
(Surplus) or deficit on the provision of services	**7,937**	**339**	**0**	**1,534**	**0**	**20**	**9,830**	**-8,526**	**1,304**

27. Acquired, Discontinued and Transferred Operations

There were no material operations, which fell into the categories of acquired or discontinued operations in either 2011/2012 or 2012/2013.
However the statutory function of Concessionary Travel for the elderly and disabled was transferred by Government directive to the County Council from 1 April 2011. This is therefore shown as a separate item within the Comprehensive Income and Expenditure Statement. There were some residual costs and income relating to concessionary fares in 2011/2012 and 2012/2013 due to the final tie up of the scheme.

28. Trading Operations

The Council has let two retail units at Tweed Road Clevedon since 2006/2007. Market rents are charged for these units which are expected to contribute a revenue trading surplus annually.

	2012/2013 £	2011/2012 £
Retail Units - Cleeve Road, Clevedon		
Turnover	-108,390	-136,516
Expenditure	2,220	1,650
(Surplus)/Deficit	**-106,170**	**-134,866**
Cumulative surplus for last three years	**-363,039**	**-377,898**
Total Trading Operations	**-106,170**	**-134,866**

29. Agency Services

The Authority provides payroll services for the Tewkesbury Museum and Wheatpieces Parish Council involving the payment of around £19,000 to employees and £1,500 to Her Majesty's Revenue and Customs. The two organisations pay a management fee of £200 each.

The Council has an agency arrangement with Gloucestershire County Council for the enforcement of on street parking and with Cheltenham Borough Council for the provision of legal services.

On Street Parking

The agreement requires that any deficit on the on street parking agency account is met by the Borough Council, with surpluses shared 50/50 with the County Council once any set up costs have been repaid to this Council. The agreement was terminated by the County Council effective 31 March 2013.

A summary of the deficits in respect of the activity, which is included in the Income and Expenditure Account is as follows:

	2012/2013 £	2011/2012 £
Direct Staffing Costs	85,377	127,217
Supplies & Services	6,526	7,837
Agency & Contracted Services	2,418	4,339
Overhead Charges	42,623	46,483
Bad Debt Provision	0	171,514
Parking Income	-94,269	-104,880
Net Deficit	**42,675**	**252,510**

29. Agency Services (Continued)

Legal Shared Service

The agreement which commenced on 30th November, 2009 requires that Cheltenham Borough Council reimburses this Council for all costs incurred in providing a legal service and 50% of the initial set up costs and agreed other one off costs. In 2011/2012 a restructure agreed by both Councils incurred additional one off costs in order to provide future savings.

A summary of the expenditure incurred in respect of the activity, which is not included in the income and Expenditure Account is as follows:

	2012/2013	**2011/2012**
	£	**£**
Employee Costs	475,507	470,424
Transport Costs	6,563	7,858
Supplies & Services	89,151	69,293
Agency & Contracted Services	1,927	7,304
Share of Set up & one off Costs	0	48,580
Income	-93,005	-111,824
Total Amount Reimbursed	**480,143**	**491,635**

30. Pooled Budgets

Section 31 of the Health Act 1999 enable establishment of joint working arrangements between Local Authorities and NHS bodies with pooled funding arrangements. Such arrangements must be disclosed. The Council does not have any such pooling arrangements

31. Members' Allowances

The allowances paid under The Local Authorities (Members Allowances) Amendment Regulations were as follows:

	2012/2013	**2011/2012**
	£	**£**
Allowances	325,143	323,617
Mileage & Subsistence	12,600	12,722
Other Expenses	600	467
Total Reimbursement	**338,343**	**336,806**

The above figures include a basic allowance for each member of £7,200 (2011/2012 £7,200)

32. Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

Post Title	Note	Year	Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Compensation for loss of Office £	Pension Contributions £	Total Remuneration £
Current Posts								
Chief Executive		2012/2013	110,000	0	0	0	16,170	126,170
		2011/2012	107,500	0	0	0	15,802	123,302
Borough Solicitor	1	2012/2013	75,000	0	57	0	11,025	86,082
		2011/2012	75,000	0	0	0	11,025	86,025
Director of Resources	2	2012/2013	65,726	0	0	74,370	9,662	149,758
		2011/2012	64,246	0	0	0	9,444	73,690
Director of Community	2	2012/2013	63,726	0	0	67,218	9,368	140,312
		2011/2012	62,246	0	0	0	9,150	71,396
Director of Development	2	2012/2013	59,266	0	0	60,599	8,712	128,577
		2011/2012	57,806	0	0	0	8,497	66,303
Total		**2012/2013**	**373,718**	**0**	**57**	**202,187**	**54,937**	**630,899**
		2011/2012	**366,798**	**0**	**0**	**0**	**53,918**	**420,716**

Notes

1. The Borough Solicitor provides services for both the Authority and Cheltenham Borough Council. She is formally employed by the Authority and Cheltenham Borough is recharged 35% of her salary and other remuneration.

2. A management restructure was approved by the Authority prior to 31 March 2013 which will result in the deletion of these posts during 2013/2014. Provision was made within the accounts for the cost of compensation for loss of office in accordance with proper accounting practices and has been included in the above figures accordingly.

32. Officers' Remuneration (Continued)

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts

Remuneration Band		2012/2013 Number of Employees Total	2011/2012 Number of Employees Total
£50,000	£54,999	3	6
£55,000	£59,999		
£65,000	£69,999		
£70,000	£74,999		
£75,000	£79,999		
£80,000	£84,999	1	
£85,000	£89,999		
£90,000	£94,999		1
		4	**7**

The numbers of exit packages including senior employees with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
£	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012
0 - 20,000	0	1	1	1	1	2	12,762	10,554
20,001 - 40,000	1	4	2	2	3	6	78,221	157,045
40,001 - 60,000	0	0	1	1	1	1	40,672	48,461
60,001 - 80,000	1	0	2	0	3	0	202,187	0

Total	**2**	**5**	**6**	**4**	**8**	**9**	**333,842**	**216,060**

33. Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2012/2013 £	2011/2012 £
Fees payable to Grant Thornton and the Audit Commission with regard to external audit services carried out by the appointed auditor.	58,995	90,459
Fees payable to Grant Thornton and the Audit Commission in respect of statutory inspection.	0	0
Fees payable to Grant Thornton and the Audit Commission for the certification of grant claims and returns.	14,650	28,500
Fees payable in respect of other services provided by the appointed auditor.	0	0
	73,645	**118,959**

Grant Thornton were appointed as auditors for the 2012/2013 year onwards.

34. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/2013:

	2012/2013 £	2011/2012 £
Credited to Taxation and Non Specific Grant Income		
National Non Domestic Rates Grant	3,732,425	3,229,051
Revenue Support Grant	72,352	998,109
Performance Reward Grant	0	170,160
Homes Bonus Grant	937,413	526,818
Council Tax Freeze Grant	79,893	79,229
Capital Grants		
Disabled Facilities Grants	491,847	465,581
Performance Reward Grant	0	72,926
Environment Agency - Flood Relief Grants	29,000	91,036
Total	**5,342,930**	**5,632,910**
Credited to Services		
Local Taxation Administration Grants	212,127	129,562
Housing Benefit Administration & Associated Grants	485,759	500,320
Home Improvements Agency Grant	0	3,272
Housing Benefit Grant	18,276,393	17,292,388
Environment Agency - Contribution to Flood Prevention	2,000	24,640
National Grid - Contribution to Flood Prevention Scheme	0	10,000
Council Tax Benefit Grant	4,222,836	4,265,978
Homelessness Grant	50,000	80,000

34. Grant Income (Continued)

	2012/2013	2011/2012
	£	£
Cheltenham BC - Contribution to Housing Enabling	0	5,697
Glos. CC & Glos. Police Safer & Stronger Communities	17,937	23,916
Cheltenham BC - Contribution to Council Tax Leaflet	0	2,233
Electoral Commission - AV Referendum Contribution	0	55,469
Big Lottery Fund - Play Rangers	0	26,505
Winchcombe Town - Contribution to Winchcombe TIC	30,000	28,862
Glos. CC - Waste Incentive Improvement Payment	100,000	100,000
Glos. CC - Youth Offer Grants	50,000	58,850
GDA - Future Jobs Fund	0	1,231
Glos. CC / Forest of Dean DC- Contribution to Drainage	42,165	56,000
Zurich - Risk Management Contribution	5,300	5,300
PCT - Health & Wellbeing Contribution	0	20,000
Tewkesbury Town - Public Conveniences Costs	8,000	0
Tewkesbury School - Extended Sports Activities	0	2,170
New Burdens Community Right to challenge	8,547	0
New Burdens Assets of Community Value	4,873	0
Town partnership Grant	10,000	0
Gypsy & traveller Accommodation Assessment Grant	25,000	0
NHS - Olympic legacy grant	15,000	0
Swimming baths trust - Equipment grant	1,800	0
Electoral Commission - Police & Crime Commissioner Elections	95,372	0
Planning Obligations Contributions	941,004	865,423
Open Space Commuted Sums	0	336,423
Total	**24,604,113**	**23,894,239**
Grand Total	**29,947,043**	**29,527,149**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	2012/2013	2011/2012
	£	£
Capital Grants Receipts in Advance	0	0
Revenue Contributions In Advance	0	90,539
Total	**0**	**90,539**

The Revenue Contributions in Advance are planning obligation payments from developers where a condition exists that would require repayment if the money is not spent within a specified timescale. They are provided for specified purposes as follows:

	2012/2013	2011/2012
	£	£
Community Facilities	0	32,953
Open Space Development	0	2,254
Public Art	0	55,000
Dog Bins & Signage	0	332
	0	**90,539**

35. 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 of the accounts 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.

Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 34.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2012/2013 is shown in Note 31. Details of transactions involving Members of the Council are recorded in the Register of Members' Interest, which is open to public inspection. All contracts and payments were made in accordance with the Council's Contract Procedure Rules.

Any grants paid to organisations were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants.

During the year we had an arrangement to share our Monitoring Officer with Cheltenham Borough Council. As this is a senior role with independent statutory powers a related party has been declared below.

a Other Public Bodies

The Borough Council collects precepts on behalf of Gloucestershire County Council, Gloucestershire Police Authority and the Town and Parish Councils within the Borough area.

Precepts for the County and the Police Authority are shown in the Collection Fund on page 84. Parish Precepts are shown in the Comprehensive Income and Expenditure Account on page 15.

Some Tewkesbury Borough Councillors are also members of these bodies – declarations made by Members are shown below:

		No. of Members	Payments other than precepts (Inc. VAT) £
Gloucestershire County Council		11	508,628
Stroud District Council		1	4,685
Parish Councils:	Bishop's Cleeve	1	94,647
	Brockworth	3	97,089
	Churchdown	5	25,254
	Highnam and Hawbridge	1	3,400
Other public bodies:	Police Authority	3	2,790

b Roses Theatre Trust

A Tewkesbury Borough Councillor is on the Board of the Trust. Payments made to the Trust were:

	2012/2013	2011/2012
	£	£
Revenue Grant	15,000	24,000
Capital Grant	2,322	9,800
Other Payments	0	0
Total	**17,322**	**33,800**

35. Related Party Transactions (Continued)

c Tewkesbury Swimming Baths Trust

The Trust has 19 members of which Tewkesbury Borough Council can elect 10. Deficit funding for the Trust was:

	2012/2013	2011/2012
	£	£
Deficit funding	198,306	240,051

d General Related Parties

Individual Borough Councillors declared the following related parties to the Director of Resources:

Party	No. of Members	Payments 2012/2013
		£
Brockworth Community Project	1	13,000
Cleeve Common Board of Conservators	1	27,366
Cotswold AONB	1	5,227
Gloucestershire Aviation Collection t/a Jet Age Museum	1	27,000
Priors Park Neighbourhood Project	2	2,206
Cheltenham Citizens Advice Bureau	1	53,620
Tewkesbury School	1	5,000
Gloucestershire Rural Community Council	1	4,000
Alderman Knight School	1	2,212
Lower Severn Internal Drainage Board	1	4,554
GL3 Hub	3	8,550

e Officers

The following related parties were declared by Senior Officers of Tewkesbury Borough Council:

Party	No. of Officers	Payments 2012/2013
		£
Gloucestershire County Council	1	508,628
Cheltenham Borough Council	1	200,208

Entities Controlled or Significantly Influenced by the Authority

The Council deficit funds the Swimming Bath Trust (see details above) and has the majority of votes on the Board. This means we effectively control the Trust and have prepared Group accounts (see pages 90 to 98 for further details).

Although we give grants to various other organisations we don't have any significant influence over any of them.

36. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2012/2013 £	2011/2012 £
Opening Capital Financing Requirement	**1,595,882**	**1,833,286**
Capital Investment		
Property Plant & Equipment	205,010	304,549
Investment Properties	0	0
Intangible assets	158,329	99,326
Revenue Expenditure Funded from Capital Under Statute	924,181	1,300,035
	1,287,520	1,703,910
Sources of finance		
Capital receipts	-728,515	-1,079,025
Government grants and other contributions	-496,505	-624,885
Sums set aside from revenue:	0	0
Direct Revenue Contributions	-62,500	0
Minimum Revenue Provision	-261,225	-237,404
	-1,548,745	-1,941,314
Closing Capital Financing Requirement	**1,334,657**	**1,595,882**
Explanation of movements in year		
Increase in underlying need to borrowing (supported by Government financial assistance)	0	0
Increase in underlying need to borrowing (unsupported by Government financial assistance)	0	0
Minimum Revenue Provision - Finance lease	-261,225	-237,404
Assets acquired under finance leases	0	0
Increase/(decrease) in Capital Financing Requirement	**-261,225**	**-237,404**

See pages 88 to 89 for the Capital Expenditure and Financing Statement.

37. Leases

Authority as Lessee

Finance Leases

The Council acquired a vehicle fleet on 1 April 2010 under a finance lease with C P Davidson.

The assets acquired under this lease are carried as Property, Plant & Equipment in the Balance Sheet at the following amounts:

	31 March 2013	31 March 2012
Vehicles, Plant, Furniture & Equipment	1,170,881	1,463,601
	1,170,881	**1,463,601**

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2013	31 March 2012
Finance lease liabilities (net present value of minimum lease payments):		
Current	287,436	261,225
Non-Current	1,047,220	1,334,656
Finance costs payable in future years	277,881	419,790
Minimum lease payments	**1,612,537**	**2,015,671**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/2013	31/03/2012	31/03/2013	31/03/2012
	£'000	£'000	£'000	£'000
Not later than one year	403,134	403,134	287,436	261,225
Later than one year and not later than five years	1,209,403	1,612,537	1,047,220	1,334,656
Later than five years	0	0	0	0
	1,612,537	**2,015,671**	**1,334,656**	**1,595,881**

37. Leases (Continued)

Operating Leases

The Authority has a number of operating leases. The Primary leases involved are:

Land	Land for Bishops Walk Car Park
	Land at Cheltenham BC's depot for a base for direct service operations
Equipment	Ricoh Photocopiers & Printers lease
	Danwood Photocopiers & Printers lease

The future minimum lease payments due under leases in future years are:

	31 March 2013 £	**31 March 2012 £**
Not later than one year	74,071	75,034
Later than one year and not later than five years	195,165	218,204
Later than five years	157,500	187,500
	426,736	**480,738**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The expenditure charged to the Comprehensive Income & Expenditure Account during the year in relation to these leases was:

	2012/2013 £	**2011/2012 £ Restated**
Minimum Lease Payments	76,334	89,369
Contingent Rents	0	0
	76,334	**89,369**

Authority as Lessor

The Authority leases out land and buildings under operating leases for the following purposes:

- For the provision of community services such as sports facilities, recreational and holiday facilities. The primary examples are:

  The Roses Theatre
  Holiday Caravan Site
  Bowling Club & Green
  Land for Cricket & Rugby Clubs
  Golf Clubhouse & Car Parking

- For economic development purposes to provide suitable accommodation for business (e.g. Lower Lode Depot)

37. Leases (Continued)

- For income generation purposes (e.g. two industrial units at Clevedon and office space within the Council Offices)

The future minimum lease payments receivable under leases in future years are:

	31 March 2013 £	31 March 2012 £
Not later than one year	192,287	219,439
Later than one year and not later than five years	710,663	798,068
Later than five years	764,718	905,354
	1,667,668	**1,922,861**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2012/2013 contingent rents of £41,580. were received by the Authority (£118,042 in 2011/2012)

The figures include leases starting after 31st March 2013 which were signed before the accounts were completed.

39. Termination Benefits

The Authority undertook a management restructure during 2012/2013 and in accordance with proper accounting practices provided for the termination of a number of employees who will actually terminate during 2013/2014. The total provided for was £333,842 (£216,060 in 2011/2012) – see Note 32 for the number of exit packages and total cost per band. The Council has a policy of not providing enhancements to pensions (i.e. added years). The following gives a further breakdown of the terminations provided for in the year

	No. of Staff £	Redundancy £	Pension Added Years £	Total £
Management Structure	8	333,842	0	333,842
Total	**8**	**333,842**	**0**	**333,842**

39. Impairment Losses

There were no impairment losses in relation to Plant, Property and equipment recognised by the authority in 2012/2013 (also none in 2011/2012)

40. Defined Benefit Pension Schemes

40.1 Participation in Pension Schemes

Employees of Tewkesbury Borough Council are admitted to the Gloucestershire County Council Pension Fund ("the Fund"), which is administered by Gloucestershire County Council under the Regulations governing the Local Government Pension Scheme, a defined benefit scheme. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make payments that needs to be disclosed at the time that employees earn their future entitlement.

40. Defined Benefit Pension Schemes (Continued)

40.2 Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

a). Comprehensive Income and Expenditure Statement	**2012/2013 £'000**	**2011/2012 £'000**
Cost of Services:		
- Current service cost	966	953
- Past service cost	34	0
- Curtailment and settlements	17	67
Financing and Investment Income and Expenditure		
- Interest cost	2,580	2,694
- Expected return on assets in the scheme	-1,680	-1,986
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**1,917**	**1,728**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
- Actuarial gains and losses	-3,764	-3,854
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**-1,847**	**-2,126**

b). Movement in Reserves Statement	**2012/2013 £'000**	**2011/2012 £'000**
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	-1,917	-1,728
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to scheme	-1,714	-1,702

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains and losses on pensions assets and liabilities line was at 31 March 2013 a loss of £20.353K and at 31 March 2012 was a loss of £16.589K.

40. Defined Benefit Pension Schemes (Continued)

40.3 Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities:

	2012/2013 £000	2011/2012 £000
Opening balance at 1 April	**54,120**	**49,303**
Current service cost	966	953
Interest cost	2,580	2,694
Contributions by scheme participants	341	354
Actuarial gains and (losses)	6,476	2,785
Benefits paid	-2,041	-1,961
Unfunded Benefits paid	-74	-75
Past service costs	34	0
Curtailment Costs	17	67
Closing balance at 31 March	**62,419**	**54,120**

Reconciliation of fair value of the scheme assets:

	2012/2013 £000	2011/2012 £000
Opening balance at 1 April	**30,573**	**29,637**
Expected rate of return	1,680	1,986
Actuarial gains and losses	2,712	-1,070
Employer contributions	1,640	1,627
Contributions by scheme participants	341	354
Contributions in respect of Unfunded Benefits	74	75
Benefits paid	-2,041	-1,961
Unfunded Benefits paid	-74	-75
Closing balance at 31 March	**34,905**	**30,573**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy.

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31 March 2012 for the year to 31 March 2013, or date of joining the fund if later). The expected returns on assets assumption as at 31 March 2013 has been set equal to the discount rate (as per the forthcoming revised version of IAS 19).

The actual return on scheme assets in the year was £4,399,000 (2011/2012: £924,000).

40. Defined Benefit Pension Schemes (Continued)

40.4 Scheme history

	31st March 2013 £'000	31st March 2012 £'000	31st March 2011 £'000	31st March 2010 £'000	31st March 2009 £'000
Present value of defined benefit obligation	-62,419	-54,120	-49,303	-63,626	-38,841
Fair value of assets	34,905	30,573	29,637	28,834	20,190
Surplus/(deficit) in the scheme	-27,514	-23,547	-19,666	-34,792	-18,651

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £27,514k has a substantial impact on the net worth of the authority as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before they fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2014 is £1,706k.

40.5 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The figures disclosed below have been derived by suitable approximation methods from the full actuarial valuation of the Fund carried out by Hymans Robertson LLP as at 31st March 2010. The next formal valuation will be as at 31st March 2013.

In assessing liabilities for retirement benefits in the previous period the actuary made assumptions as detailed above. For this period's accounts the actuary has used different assumptions; application of these new assumptions has resulted in a gain/ (loss) of (£6,559,000), in relation to the change in financial assumptions and a gain/ (loss) of £0 in relation to change in demographic assumptions (including mortality). These losses are recognised in the Comprehensive Income and Expenditure Account.

The principal assumptions used by the actuary have been:

	2012/2013 £000	2011/2012 £000
Long-term expected rate of return on assets in the scheme:		
Equity investments	4.5%	6.2%
Bonds	4.5%	3.9%
Property	4.5%	4.4%
Cash	4.5%	3.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	21.7	21.7

• Women	23.6	23.6
Longevity at 65 for future pensioners:		
• Men	23.5	23.5
• Women	25.8	25.8
Rate of inflation	2.8%	2.5%
Rate of increase in salaries	4.6%	4.3%
Rate of increase in pensions	2.8%	2.5%
Rate for discounting scheme liabilities	4.5%	4.8%

40. Defined Benefit Pension Schemes (Continued)

40.6 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.

40.7 History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/2013 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	31st March 2013 £'000	**31st March 2012 £'000**	**31st March 2011 £'000**	**31st March 2010 £'000**	**31st March 2009 £'000**
Difference between the expected and actual return on assets	2,712	-1,070	-1,210	6,977	-7,638
Value of assets	34,905	30,573	29,637	28,834	20,190
Percentage of Assets	**7.8%**	**-3.5%**	**-4.1%**	**24.2%**	**-37.8%**
Experience Gains/(Losses) on liabilities	83	-805	4,323	-40	-36
Total present value of liabilities	62,419	54,120	49,303	63,626	38,841
Percentage of the total present value of liabilities	**0.1%**	**-1.5%**	**8.8%**	**-0.1%**	**-0.1%**

41. Contingent Liabilities

A class action in respect of recovery of charges for personal searches going back to 2005 was taken out against all Authorities responsible for the Land Charge service. The court action was stayed for the LGA appointed solicitors acting for all councils to negotiate with the claimants and the Government. These are still ongoing. The potential liability for this council is estimated to be approximately £100K. A reserve of £35K representing a grant from the Government has been established and a provision for legal fees has been made. No further provision has been made as any further costs are expected to be recovered from the Government as Councils were instructed to charge by statute.

42. Contingent Assets

Following on from an earlier European Court judgement a VAT tribunal has ruled that local government off street parking is non-business and therefore not subject to VAT. Customs and Excise have decided to appeal this decision but the Council has submitted a claim totalling £824,343 which will be repaid if Customs and Excise lose its appeal.

Following the decision on reclaiming VAT resulting from the Fleming v Customs & Excise case a settlement based on simple interest was agreed and included in the 2008/2009 accounts as an adjusting post balance sheet event. However an appeal for compound interest has been lodged with the Customs but this is expected to be at least 2 to 3 years before the case is decided. The level of the claim is expected to be in the region of £300,000.

Note 43. Nature and extent of risks arising from financial instruments

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

• **Credit risk -** the possibility that other parties might fail to pay amounts due to the authority
• **Liquidity risk -** the possibility that the authority might not have funds available to meet its commitments to make payments
• **Market risk -** the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates, inflation rates and stock market movements

Note 43. Nature and extent of risks arising from financial instruments (Continued)

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

There is an overarching Risk Management Strategy. The strategy was approved at Executive Committee on 5th December 2012 (previous one 9th June 2010) and the directorate risk registers go quarterly to Overview and Scrutiny. The adequacy of the Council's risk management arrangements will be reviewed by the corporate governance group on an annual basis and may also be subject to review by the Performance and Audit team. The Audit Committee will also receive progress reports on how the actions within the Annual Governance Statement are being progressed to mitigate the significant governance issues identified.

Risk management is carried out by the Treasury Officer under policies approved by the Executive Committee within the Treasury Management Strategy. The Treasury Management Policy and Strategy covers all areas of risk management, including liquidity, interest rates and credit. The latest Treasury Management Strategy went to Council on 21st February 2013 and can be found using the following web link:

Tewkesbury Borough Council - Agenda for Council on February 21st 2013

The strategy for the previous year can be found using the link below:
Tewkesbury Borough Council - Agenda for Council on February 1st 2012

The Treasury Management policy was last approved by Council on 13th April 2010 and can be found here:
Current Treasury Management Policy
An update to the policy was taken to Council on 23 February 2012 and can be found here:
Update to policy.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. The authority has a policy of not lending more than £3m to one organisation at any one time except our current account provider. A group of banks under the same ownership are treated as a single organisation for limit purposes.

Specified Investments

Specified investments are those expected to offer relatively high security and high liquidity, and can be entered into with the minimum of formalities. The CLG Guidance defines specified investments as those:

- Denominated in pound sterling,
- Due to be repaid within 12 months of arrangement,
- Not defined as capital expenditure by legislation, and
- Invested with one of:
    - The UK Government,
    - A UK local authority, parish council or community council, or
    - A body or investment scheme of "high credit quality".

Note 43. Nature and extent of risks arising from financial instruments (Continued)

The Council defines the following as being of “high credit quality” for making specified investments, subject to the monetary and time limits shown.

		Cash Limit	Time Limit
Banks and other organisations whose lowest published long-term credit rating from Fitch, Moody’s and Standard & Poor’s is:	AAA	£3M each	5 years
	AA+		4 years
	AA-		3 years
	A+		2 years
	A-		1 year
The Council’s current account bank (Barclays PLC)		£10M	next day
Banks and building societies whose lowest published long-term credit rating is no lower than BBB+ or equivalent		£2M each	1 year
UK building societies not meeting the above criteria with minimum asset size of £500m		£2M each	6 months
UK building societies not meeting the above criteria with minimum asset size of £250m		£1M each	6 months
Money market funds[1] and similar pooled vehicles holding the highest possible credit ratings		£3M each	1 year
UK Central Government (irrespective of credit ratings)		unlimited	unlimited
UK Local Authorities[2] without credit ratings		£3M each	25 years
Organisations and pooled funds which do not meet the above criteria, subject to an external credit assessment and a specific recommendation from the Council’s treasury management adviser		£1M each	3 months
		£500,000 each (smaller limit)	1 year
		£100,000 each	5 years

[1] as defined in the Local Authorities (Capital Finance and Accounting) Regulations 2003

[2] as defined in the Local Government Act 2003, and similar authorities in Scotland

The Council uses long-term credit ratings from the three main rating agencies Fitch Ratings Ltd, Moody’s Investors Service Inc. and Standard & Poor’s Financial Services LLC to assess the risk of investment default. The lowest available credit rating will be used to determine credit quality.

Current account bank

Following an independent review of banking arrangements in 2011, as advised the Council renegotiated a contract with the existing provider, Barclays Bank PLC. The limit applied to the Council’s current account bank is £10million to allow for levels which will fluctuate with daily cash flow movements.

Building societies

UK building societies without credit ratings will be considered to be of “high credit quality”, but subject to a lower cash limit and shorter time limit than rated societies. The Council takes additional comfort from the building societies’ regulatory framework and insolvency regime where, in the unlikely event of a building society liquidation, the Council’s deposits would be paid out in preference to retail depositors. The Government has announced plans to amend the building society insolvency regime alongside its plans for wide ranging banking reform, and investments in lower rated and unrated building societies will therefore be kept under continuous review.

However, no investments will be made with building societies that hold a long-term credit rating lower than BBB or equivalent, due to the increased likelihood of default implied by this rating.

Note 43. Nature and extent of risks arising from financial instruments (Continued)

Money market funds

Money market funds are pooled investment vehicles consisting of instruments similar to those used by the Council. They have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager. Fees of between 0.10% and 0.20% per annum are deducted from the interest paid to the Council.

Collateralised investments

Where the Council makes an investment with an organisation that is secured on collateral in a third party (e.g. a reverse repo or a collateralised deposit), the time limit may be extended to match the limit given above for that third party. However, the investment will still count against the cash limit of the organisation receiving the funds.

Non-specified Investments

Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any with low credit quality bodies, nor any that are defined as capital expenditure by legislation (such as company shares or corporate bonds).

Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement. The maximum duration of the investment will depend upon its lowest published long-term credit rating.

The total limit on long-term cash investments and the total limit on non-specified investments is £8m.

Foreign Countries
Investments in foreign countries will be limited to those that hold a minimum AA sovereign credit rating from all three major credit rating agencies and to a maximum of £2 million per foreign country. Further sovereign credit rating limits are imposed dependant on the time limit of investments as shown in the table below.

Lowest sovereign rating	Time limit
AAA	5 years
AA+	1 year
AA	3 months

Customers
Customers are assessed, taking into account their financial position (if the contract value is substantial), past experience and other factors. A credit checking agency is used to check substantial creditors before

contracts are awarded.

The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions.

Note 43. Nature and extent of risks arising from financial instruments (Continued)

If these restrictions mean that insufficient commercial organisations of "high credit quality" are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

The Council has no reason to expect any losses from counterparties in relation to deposits and has unallocated revenue reserves of £450k (working balance) to cover investment losses.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and write offs over the last five financial years. We have no evidence to suggest that market conditions are any different to the estimated default level.

	Rating	Amount outstanding at 31st March 2013 £'000	Historical experience of default (adj. for market conditions) %	Estimated maximum exposure to default and uncollectability at 31st March 2013 £'000	Estimated maximum exposure to default and uncollectability at 31st March 2012 £'000
Customers		534	0.55	3	2

The authority does not generally allow credit for customers such that £206k of the £519k balance (after allowing for specific provision) is past its due date for payment (allowing 30 days for payment). The past due can be analysed by age as follows.

	31st March 2013 £'000	31st March 2012 £'000
Less than three months	103	35
Three to six months	17	32
Six Months to one year	33	32
More than one year	53	33
TOTAL	**206**	**132**

Liquidity Risk

The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. As the authority has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. With total investments of £15m, of which nearly all except the Landsbanki one are maturing in less than a year (and cash and cash equivalents of £2.4m) the Council has no significant liquidity risk.

The strategy is to ensure that funds are not lent out for too long a period which could harm liquidity. The policy is:

Principal sums invested for periods longer than 364 days	2013/14	2014/15	2015/16
Limit on principal invested beyond year end	£8M	£6M	£4M

Note 43. Nature and extent of risks arising from financial instruments (Continued)

The maturity analysis of financial liabilities is as follows:

	31st March 2013 £'000	31st March 2012 £'000
Less than one year	3	3
More than five years	0	0
TOTAL	**3**	**3**

All trade and other payables are due to be paid back in less than one year.

Market Risk

Interest rate risk

The authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- Borrowings at fixed rates - the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The authority has a number of strategies for managing interest rate risk. Policy is to aim to manage its exposure to fluctuations in interest rates with a view to containing interest costs, or securing interest revenues, in accordance with the amounts set in its budgetary arrangements.

The Treasury Management Officer has a benchmark of the level of investment income they aim to achieve within a year and this is monitored on a monthly basis. Also, the Officer regularly calculates the anticipated level of interest receivable in the year (and future years) based on current interest rate estimates.

According to this assessment strategy, at 31 March 2013, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest receivable on investments held at year end	98
Impact on Surplus or Deficit on the Provision of Services	**98**
Decrease in fair value of fixed rate investment assets	47
Impact on Other Comprehensive Income and Expenditure	**47**

The impact of a 1% fall in interest rates would be the same but with the movements being reversed.

The Council uses fixed rate investments to ensure more certainty in investment income to aid the budget.

Note 43. Nature and extent of risks arising from financial instruments (Continued)

Price Risk

The authority does not invest in shares at present and has no shareholdings as at 31st March 2013. Therefore, the authority is not exposed to any fluctuations in share prices.

Foreign Exchange Risk

The authority has some financial assets denominated in foreign currencies and thus has a small exposure to loss arising from movements in exchange rates. The impaired Landsbanki investment is due to be repaid in British pounds, Icelandic Krona, US dollars and Euros. The amount of exchange rate gains recognised in the accounts this year is £544.

Legal and Regulatory Risk Management

The authority will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. The authority recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the authority.

Credit and Counterparty Risk Management

The authority regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with which funds may be deposited. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

Inflation Risk Management

The authority will manage its exposure to fluctuations in interest rates with a view to containing interest costs, or securing interest revenues, in accordance with the amounts set in its budgetary arrangements.

44. Heritage Assets: Further Information

Assets shown in the Balance Sheet

Civic Regalia

The civic regalia consist of the gold mayoral chains, pendants, sterling gilt maces in bespoke cases and other civic items of importance.

Holm Hill Archaeological Collection

This collection contains items that were discovered when excavating the site of the former Holm Castle in 1974-1975. It is currently on display in Tewkesbury Museum and is on loan from the Council.

The collection includes objects such as coins, tiles, pottery, metalwork and stone masonry from the five principal periods as listed:

Period 1 - Iron Age
Period 2 - late Anglo-Saxon/Anglo Norman
Period 3 - mid 11th to mid-14th century
Period 4 - late medieval to 18th century
Period 5 - modern (18th century to 1970s)

44. Heritage Assets: Further Information (Continued)

Assets not shown in the Balance Sheet

Archaeological artefacts from the Sabrina cinema

A collection of work, mainly from the Sabrina cinema site, has been catalogued by Gloucestershire County Council thanks to a one off grant from English Heritage. The collection is from work carried out by the Borough archaeologist from 1972-1976 and is the remains of an archive that has mostly been on loan to Tewkesbury Museum since 2009.

Correspondence with the archaeologist who carried out the work has ascertained that the collection would be extremely difficult to value due to the nature of the artefacts and that it only has an archaeological importance.

Considering all the information above these artefacts are not included in the Balance Sheet.

Battle Trail Sites

The Battle of Tewkesbury was the climax of the War of the Roses between the Yorkists and the Lancastrians. It is one of 43 battles listed on the English Heritage Battlefields Register which aims to protect them and promote a better understanding of their significance.

The battle site consists of various plots of land and the battle trail is a tourist attraction for the Borough (a map can be obtained from the Tourist Information Centre). The main battle field next to the Council Offices is the site for the annual Mediaeval Festival which re-enacts the famous battle and contains an Information Plinth with details of some of the events of 4th May 1471 and the characters involved.

The site of the late Holme Castle is now marked by a monument which is sited on the King George's playing field and contains 4 plaques which commemorate the events of the historic battle during the War of the Roses.

Queen Margaret's Camp is the other main site which includes a moated site with what survives of an associated system of water management features. Although uncertain what significance this site has within the battle of 1471 some believe Queen Margaret set up camp here the night before the battle commenced.

Other Display Items

John Moore (1907 to 1967) was a local writer and naturalist who wrote about the countryside and was considered Gloucestershire's most famous author of the twentieth century.

John Moore's widow donated a collection of items relating to John Moore including pictures and silverware which is on display outside the Council Chamber.

Tewkesbury became twinned with Miesbach, Bavaria in Germany in 1982. Displayed in the Mayor's parlour is a silver cup and scroll to commemorate this event.

Large and small Battle of Tewkesbury commemorative swords are also displayed in the cabinet outside the Council Chamber.

45. Trust Funds

The Authority acts as sole trustee for one trust fund and as one of several trustees for another trust.

Sole Trustee

The Horsford Trust

This Trust is managed by the Council as well but under the strict guidelines of a Charity Commission scheme that was set up by the late benefactor Fanny Horsford.

45. Trust Funds (Continued)

There are no formal records of assets and liabilities as the charity falls under the threshold for the Charity Commission so only an annual return including income and expenditure is required.

	2012/2013 £'000	**2011/2012 £'000**
Income	11	7
Expenditure	2	15

Reserve held on behalf of the Trust is carried in our balance sheet. In 2012/2013 it was £19,025 (£10,229 in 2011/2012).

In this case the funds do not represent the assets of the Authority and therefore they have not been included only as a third party reserve in the balance sheet.

One of several trustees

Tewkesbury Swimming Bath Trust

The Trust was set up in 1968 by trust deed and our Councillors make up the majority of the board.

The Trust was established 'to provide and maintain a swimming bath for the use of the inhabitants of the beneficial area'. Cascades Leisure Centre is owned by the Trust (the building only) and run by the Council on behalf of the Trust (under a management agreement). More information can be found in the group accounts.

	2012/2013 £'000	**2011/2012 £'000**
Income	832	762
Expenditure	816	766
Assets	1,435	1,439

Liabilities	59	79

47. Events After the Balance Sheet Date
The Statement of Accounts was authorised for issue by the Director of Resources on 26 June 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

When the new arrangements for the retention of business rates come into effect on 1 April 2013, the authority will assume liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts that were paid over to the government in respect of 2012/2013 and prior years. Previously, such amounts would not have been recognised as income by the authority, but would have been transferred to the government.

When the authority assumes these liabilities on 1 April 2013, the authority will recognise a provision for its respective share of the liability as at 1 April 2013. As this liability does not exist at the Balance sheet date, the authority has not amended the 2012/2013 financial statements and therefore reports this as a non-adjusting post balance sheet event. This authority's share of the estimated liability on 1 April 2013 is £629,075.

THE COLLECTION FUND

Income and Expenditure Account

2011/2012 £			**Note**	**2012/2013 £**
	Income			
42,090,809	Council Tax		**2**	42,454,723
	Transfer from General Fund:			
4,240,693	Council Tax Benefits		**2**	4,191,044
0	Transitional Relief			0
0	Discounts for Prompt Payment			0
46,331,502				**46,645,767**
32,395,786	Business Rates			33,134,104
	Contributions:			
	Adjustments in respect of previous years			
0	Collection Fund Deficit			0
0	Community Charges			0
78,727,288	**Total Income**			**79,779,871**
	Expenditure			
45,730,436	Precepts and Demands		**2**	46,186,117
	Business Rates:			
32,181,474	Payment to National Pool			32,772,788
126,588	Cost of Collection Allowance			125,663
32,308,062				**32,898,451**
	Bad and Doubtful Debts:			
73,223	Write Offs	Council Tax		37,079

87,724		Business Rates		235,653
28,000	Allowances for Impairment	Council Tax		20,000
0		Business Rates		0
188,947				**292,732**
	Contributions:			
300,100	Previous Years Estimated Collection Fund Surplus		**5**	500,000
78,527,545	**Total Expenditure**			**79,877,300**
199,743	**Surplus/(Deficit)**			**-97,429**
	Movement of Fund Balance		**5**	
213,849	Balance at 1st April			413,592
199,743	Surplus/(Deficit)			-97,429
413,592	**Balance as at 31st March**			**316,163**

NOTES TO THE COLLECTION FUND

1. General

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions in relation to Business Rates, Council Tax and any residual Community Charge. It illustrates how these have been distributed to preceptors or the General Fund. The Collection Fund is consolidated with other accounts of the Council.

2. Council Tax

2.1 Council Tax Property Valuations

Residential properties are classified by the District Valuer into eight bands based on their estimated value at 1st April 1991. Each band has a multiplier on which the eventual tax is set. The only exception is where properties have been adapted for physically disabled residents where a special band has been introduced. The valuation banding and multipliers are as follows:

Band	Range of Values	Multiplier
Z	Adapted Property Band	5/9
A	Up to and including £40,000	6/9
B	£ 40,001 to £52,000	7/9
C	£ 52,001 to £68,000	8/9
D	£ 68,001 to £88,000	1
E	£ 88,001 to £120,000	11/9
F	£120,001 to £160,000	13/9
G	£160,001 to £320,000	15/9
H	More than £320,000	18/9

2.2 Council Tax Base

Once the number of properties in each band is known the tax base can be calculated. This is done by converting the number of properties in each Band to a Band D equivalent by applying the appropriate multiplier after allowing for exemptions, single person discounts and projected losses on collection.

For 2012/2013 the tax base was £32,163.24 compared to £31,895.81 in 2011/2012.

The 2012/2013 base was calculated as follows:

Band	Number of Chargeable Dwellings	Multiplier	Band D Equivalents
Z	23.5	5/9	13.10
A	4,889.70	6/9	3,259.80
B	5,203.40	7/9	4,047.10
C	8,812.15	8/9	7,833.00
D	4,921.65	9/9	4,921.70
E	4,232.25	11/9	5,172.80
F	2,666.80	13/9	3,852.00
G	1,673.55	15/9	2,789.30
H	160.85	18/9	321.70
Total Band D Equivalents			32,210.50
Collection Rate			98.50%
Chargeable Band D Equivalents			31,727.34
Armed Forces class 'O' contributions in lieu of Council Tax			435.9
Council Tax Base 2012/2013			32,163.24

2.3 Council Tax Level

The Council Tax levels set by the Authority are required to cover the demands made by Gloucestershire County Council, Gloucestershire Police Authority, Tewkesbury Borough Council and individual Parishes.

The Precept made by each of these authorities on the Collection Fund is analysed below:

	2012/2013	2011/2012
	£	£
Gloucestershire County Council	35,074,013	34,782,381
Police Authority	6,422,677	6,369,274
Tewkesbury Borough Council	3,195,739	3,169,168
Total for Parishes	1,493,688	1,409,613
	46,186,117	**45,730,436**

The Council set an average council tax level for 2012/2013 at Band D of £1,435.99, including Parish precepts, compared to £1,433.74 in 2011/2012. This is broken down as follows:

	2012/2013	2011/2012
	£	£
Gloucestershire County Council	1,090.50	1,090.50
Police Authority	199.69	199.69
Tewkesbury Borough Council	145.80	143.55
	1,435.99	**1,433.74**

The tax level for Parish budgets ranged from nil to £77.96

	2012/2013	2011/2012
	£	£
Council Tax Debit	51,961,582	51,540,808
Ministry of Defence contributions in lieu	464,049	591,203
Transitional Relief	0	0
Less:		
Discounts	3,962,636	3,956,590

Exemptions	1,817,228	1,843,919
Council Tax Benefits	4,191,044	4,240,693
Income due from Council Taxpayers	**42,454,723**	**42,090,809**

3. Transfers from the General Fund

Reductions to Council Tax bills for people on low incomes and in receipt of Council Tax Benefit and for backdated Transitional Relief are charged to the General Fund and are reimbursed by Central Government.

4. Income from Business Ratepayers

The Council collects Non-Domestic (Business) Rates for its area. These are based on local rateable values set by the District Valuer £83,404,623 at 31st March 2013 (£84,021,474 at 31st March 2012), multiplied by a uniform rate in the pound set by Central Government. In 2012/2013 the government provided a reduced rate for businesses with small rateable values of less than £18,000 (£18,000 in 2011/2012). For 2012/2013 this was set at 45.0p (2011/2012 42.6p), with the standard rate in the pound being 45.8p (2011/2012 43.3p) for the year. The total amount less certain relief's and other deductions is paid to a Central Pool (the NNDR Pool) which is managed by Central Government. The Government in turn distributes the money in the pool to authorities as part of the overall formula grant distribution.

5. Movements on Fund Balance

When setting the Council Tax and previously the Community Charge, the levels were based on estimated numbers of properties/chargepayers, discounts and losses on collection. At the year end this is matched against actual performance and may result in a surplus or deficit on the fund.

	Community Charge £	**Council Tax £**	**Total £**
Balance at 1st April 2012	***0***	***413,592***	***413,592***
Income 2012/2013	0	46,588,688	46,588,688
Precepts 2012/2013	0	46,186,117	46,186,117
Surplus Distributed 2012/2013	**0**	**500,000**	**500,000**
Balance at 1st April 2013	0	316,163	316,163
Committed Distribution 2013/2014	0	210,000	210,000
Balances for distribution 2013/2014	**0**	**106,163**	**106,163**

The surplus on Community Charge is payable to Tewkesbury Borough Council and must be used to reduce future Council Tax levels.

The surplus or deficit on the Council Tax is shared between Gloucestershire County Council, Gloucestershire Police Authority and Tewkesbury Borough Council in proportion to the level of their respective precepts in the preceding financial year. It is also only available to reduce or increase future Council Tax Levels set by each authority.

CAPITAL EXPENDITURE & FINANCING STATEMENT

	2012/2013 Actual £'000	2011/2012 Actual £'000
Property Plant & Equipment		
Public Conveniences	0	183
Asset Enhancement Fund	0	10
Garden & Domestic Waste Bins	61	34
IT Hardware & Associated Software	35	78
Telephony Project	90	0
Grounds Maintenance - Tractor	19	0
Asset Disposal Costs	0	1
	205	**306**
Intangible Assets		
Finance System	0	37
ICT Strategy & Equipment	8	62
Northgate additional modules	92	0
IDOX additional modules	58	0
	158	**99**
Revenue Expenditure Funded from Capital Under Statute		
Twyning Village Hall	0	135
Innsworth Play Park	0	61
Boys Brigade	10	10
Gretton Village Hall	0	4
Disabled Facilities Grants	704	690
Decent Homes Grant	0	88
Priors Park Community Hall, Breakfast & Afterschool Club	7	54
Churchdown Skate Park	0	91
Roses Theatre	2	10
Bishops Cleeve Tithe Barn	3	12
Highnam Parish Council Footpath	0	2
Individual Property Flood Relief Grants	0	93
Minsterworth Village Hall	0	1
Badgeworth Bell	0	5
Winchcombe Artificial Pitch	0	17
Tewkesbury Sea Cadets	0	24
Wormington Church Hall Toilets	0	1
Severn Area Rescue Association	9	1
King John's Island Slipway	9	0
Tewkesbury RFC	7	0
Jet Age Museum	27	0
Priors Park MUGA	5	0
Down Hatherley Village Hall	27	0
Tewkesbury Abbey Clock	4	0
Gotherington Village Hall	19	0
Twyning Sports Club	3	0
Apperley Cricket Club	9	0
Brockworth Play Area and MUGA	46	0
Shurdington Social Centre solar panels	7	0
Deerhurst Parish Council tennis court resurfacing	6	0
Southam Village Hall - kitchen refurbishment	6	0
Cheltenham RFC floodlights project	12	0
Highnam Play Park Improvement	3	0

	925	**1,299**
Total Capital Expenditure	**1,288**	**1,704**

CAPITAL EXPENDITURE & FINANCING STATEMENT (Continued)

Methods of Finance	**Total £000's**	**Total £000's**
Specified Capital Grants	496	625
Capital Receipts	729	1,079
Revenue	63	0
	1,288	**1,704**

GROUP MOVEMENT IN RESERVES STATEMENT

This statement combines the authority only reserves along with separate columns to show the Council's share of the Group reserves along with the Minority Interest. The Authority's own Statement can be found on pages 13 to 14.

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Council's share of Reserves of Subsidiaries £000	Total Reserves Attributable to Council £000	Minority Interest £000	Total Reserves £000
Balance at 31 March 2011	**600**	**2,549**	**17,315**	**0**	**20,464**	**-3,467**	**16,997**	**645**	**17,642**	**581**	**18,223**
Movement in reserves during 2011/2012											
Surplus or (deficit) on provision of services	-1,305				-1,305		-1,305	-36	-1,341	-32	-1,373
Other Comprehensive Expenditure and Income					0	-3,853	-3,853	0	-3,853	0	-3,853
Total Comprehensive Expenditure and Income	**-1,305**	**0**	**0**	**0**	**-1,305**	**-3,853**	**-5,158**	**-36**	**-5,194**	**-32**	**-5,226**
Adjustments between accounting basis & funding basis under regulations (Note 5)	1,380	0	-911	5	474	-474	0	0	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**75**	**0**	**-911**	**5**	**-831**	**-4,327**	**-5,158**	**-36**	**-5,194**	**-32**	**-5,226**
Transfers to/from Earmarked Reserves (Note 6)	113	-113	0	0	0	0	0	0	0		0
Increase/Decrease (movement) in Year	**188**	**-113**	**-911**	**5**	**-831**	**-4,327**	**-5,158**	**-36**	**-5,194**	**-32**	**-5,226**
Balance at 31 March 2012	**788**	**2,436**	**16,404**	**5**	**19,633**	**-7,794**	**11,839**	**609**	**12,448**	**549**	**12,997**

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Council's share of Reserves of Subsidiaries £000	Total Reserves Attributable to Council £000	Minority Interest £000	Total Reserves £000
Movement in reserves during 2012/2013											
Surplus or (deficit) on provision of services	-1,210				-1,210		-1,210	-36	-1,246	-32	-1,278
Other Comprehensive Expenditure and Income					0	-3,742	-3,742	0	-3,742	0	-3,742
Total Comprehensive Expenditure and Income	**-1,210**	**0**	**0**	**0**	**-1,210**	**-3,742**	**-4,952**	**-36**	**-4,988**	**-32**	**-5,020**
Adjustments between accounting basis & funding basis under regulations (Note 5)	1,253	0	-549	24	728	-728	0	0	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**43**	**0**	**-549**	**24**	**-482**	**-4,470**	**-4,952**	**-36**	**-4,988**	**-32**	**-5,020**
Transfers to/from Earmarked Reserves (Note 6)	-381	381	0	0	0	0	0	0	0	0	0
Increase/Decrease (movement) in Year	-338	381	-549	24	-482	-4,470	-4,952	-36	-4,988	-32	-5,020
Balance at 31 March 2013	**450**	**2,817**	**15,855**	**29**	**19,151**	**-12,264**	**6,887**	**573**	**7,460**	**517**	**7,977**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2011/2012 Gross Expenditure £	2011/2012 Gross Income £	2011/2012 Net Expenditure £		Note	2012/2013 Gross Expenditure £	2012/2013 Gross Income £	2012/2013 Net Expenditure £
2,214,367	-6	2,214,361	Corporate & Democratic Core		2,116,284	-24,962	2,091,322
5,818,079	-4,916,639	901,440	Central Services to the Public		5,720,199	-5,008,138	712,061
3,809,916	-2,941,886	868,030	Cultural & Related Services		3,804,264	-2,600,051	1,204,213
4,734,873	-1,554,623	3,180,250	Environmental & Regulatory Services		4,637,802	-1,665,321	2,972,481
635,489	-690,579	-55,090	Highways, & Transport Services		417,749	-690,294	-272,545
19,345,520	-17,979,971	1,365,549	Housing Services		20,297,278	-18,958,221	1,339,057
1,949,478	-615,187	1,334,291	Planning Services		1,937,850	-873,085	1,064,765
156,291	-75,000	81,291	Non Distributed Costs		49,054	0	49,054
0	0	0	Exceptional Items		0	0	0
38,664,013	**-28,773,891**	**9,890,122**	**Total Cost of Continuing Operations excluding Operations transferred to Gloucestershire County Council**		**38,980,480**	**-29,820,072**	**9,160,408**
			Services Transferred				
10,953	-2,777	8,176	Concessionary Travel	**27**	8,675	-10,453	-1,778
38,674,966	**-28,776,668**	**9,898,298**	**Total Cost of Continuing Operations**		**38,989,155**	**-29,830,525**	**9,158,630**
1,485,152	-31,734	1,453,418	Other Operating Expenditure	**7**	1,591,927	-54,233	1,537,694
2,861,392	-2,578,844	282,548	Financing and Investment Income and Expenditure	**8**	2,740,882	-2,085,900	654,982
0	-10,261,654	-10,261,654	Taxation and Non-Specific Grant Income	**9**	9,108	-10,082,457	-10,073,349
		1,372,610	**(Surplus)/Deficit on Provision of Services**				**1,277,957**
		-2,487	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets				-22,001
		3,855,000	Actuarial (Gains)/Losses on Pensions Assets/Liabilities				3,764,000
		3,852,513	**Other Comprehensive Income and Expenditure**				**3,741,999**
		5,225,123	**Total Comprehensive Income and Expenditure**				**5,019,956**

31 March 2012 £	GROUP BALANCE SHEET	Group Note	Single Entity Note	31 March 2013 £
14,597,335	Property, Plant & Equipment	**5 & 9**	**10**	13,687,632
3,150,000	Investment Property		**12**	3,150,000
225,623	Intangible Assets		**13**	356,986
0	Non-Current Assets Held For Sale		**18**	0
125,429	Heritage Assets		**11**	125,429
442,028	Long Term Investments		**14**	387,413
141,847	Long Term Debtors			98,694
18,682,262	**Long Term Assets**			**17,806,154**
15,237,863	Short Term Investments		**14**	14,628,557
0	Current Assets Held For sale		**18**	0
19,703	Inventories		**15**	20,141
2,216,850	Short Term Debtors		**16**	4,087,611
5,720,757	Cash & Cash Equivalents		**17**	2,370,217
23,195,173	**Current Assets**			**21,106,527**
2,513	Short Term Borrowing		**14**	2,513
3,271,851	Short Term Creditors		**19**	1,437,720
103,121	Provisions		**20**	385,092
3,377,485	**Current Liabilities**			**1,825,325**
250,809	Provisions		**20**	107,077
25,161,881	Other Long Term Liabilities			29,003,514
0	Capital Grants Receipts In Advance		**34**	0
90,539	Contributions Receipts In Advance		**34**	0
25,503,229	**Long-Term Liabilities**			**29,110,591**
12,996,721	**Net Assets**			**7,976,766**
788,495	General Fund Reserve			450,000
482,903	General Fund Reserve (Group)	**1**		454,497
2,435,931	Earmarked Reserves			2,817,409
16,404,556	Capital Receipts Reserve			15,855,571
4,658	Capital Grants Unapplied			29,000
20,116,543	**Usable Reserves**		**21**	**19,606,476**
3,419,218	Revaluation Reserve			3,357,060
125,966	Revaluation Reserve (Group)	**1**		118,556
-23,547,000	Pensions Reserve			-27,514,000
12,147,944	Capital Adjustment Account			11,761,038
107,428	Deferred Capital Receipts			80,292
144,814	Financial Instruments Adjustment Account			120,678
41,327	Collection Fund Adjustment Account			32,219
-107,500	Short-term Accumulating Compensated Absences Account			-101,300
547,981	Minority interest	**1**		515,747
-7,119,822	**Unusable Reserves**		**22**	**-11,629,710**

12,996,721	Total Reserves	7,976,766

NOTES TO THE GROUP ACCOUNTS

1. Summary of Group Movements in the Movement in Reserves Statement

	Group Reserves Attributable to the Authority			Minority Interest Share of Subsidiary Reserves £	Total Group Reserves £
	Usable Reserves £	Unusable Reserves £	TOTAL £		
Balance at 1st April 2011	**511,308**	**133,376**	**644,684**	**580,216**	**1,224,900**
(Surplus)/Deficit on Provision of Services	-35,816	0	**-35,816**	-32,234	**-68,050**
Other Comprehensive Income and Expenditure	0	0	**0**	0	**0**
Transfer between Revaluation Reserve (Group) and General Fund (Group)*	7,410	-7,410	**0**	0	**0**
Balance at 31st March 2012	**482,902**	**125,966**	**608,868**	**547,982**	**1,156,850**
(Surplus)/Deficit on Provision of Services	-35,816	0	-35,816	-32,234	-68,050
Other Comprehensive Income and Expenditure	0	0	**0**	0	**0**
Transfer between Revaluation Reserve (Group) and General Fund (Group)*	7,410	-7,410	**0**	0	**0**
Balance at 31st March 2013	**454,496**	**118,556**	**573,052**	**515,748**	**1,088,800**

* This is to transfer the difference between historical cost depreciation and current value depreciation in line with the Authority's accounting policies.

2. Analysis of Minority Interest Shares in the Group Comprehensive Income and Expenditure Statement

Attributable shares of income and expenditure:

2011/2012				2012/2013		
Authority £	Minority Interests £	Total £		Authority £	Minority Interests £	Total £
35,816	32,234	**68,050**	(Surplus)/Deficit on Provision of Services	35,816	32,234	**68,050**
0	0	**0**	Other Comprehensive Income and Expenditure	0	0	**0**
35,816	**32,234**	**68,050**	**Total Comprehensive Income and Expenditure**	**35,816**	**32,234**	**68,050**

3. General Issues

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013 requires the preparation of group accounts where "the authority has interests in subsidiaries, associates and/or jointly controlled entities, subject to consideration of materiality".

It was identified that the Borough Council had a significant influence over the operating and financial policies of Tewkesbury Swimming Bath Trust with a majority of voting rights. Also, the Borough Council meets the full deficit of the operation of the leisure centre and is subject to the majority of risks and rewards. The activities of the leisure centre contribute to the objectives within the Council's Cultural Strategy. Therefore, group accounts have been prepared assuming the Swimming Bath Trust is a subsidiary.

Tewkesbury Swimming Bath Trust is a registered charity; the Borough Council has the right to appoint 10 of the 19 delegates on the Trust's Board. The principal activity of the Trust is to provide and maintain a swimming bath for the use of the inhabitants of the Borough of Tewkesbury. The operating and financial policies of the Trust are set in accordance with the decisions of the Borough Council as management agents of the pool. The financial statements of the Trust have been prepared in accordance with the Charities Act 1993, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed.

The statements on pages 90 to 93 have been prepared on the basis of a full consolidation consisting of the Group Comprehensive Income and Expenditure account, Group Balance Sheet and Group Movement in Reserves Statement for the Borough Council and its subsidiary Tewkesbury Swimming Bath Trust in 2012/2013 and the comparative figures for 2011/2012. The statements are produced under IFRS.

4. Accounting Policies

Accounting policies are in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013 supported by International Financial Reporting Standards (IFRS) and are in line with the single entity accounts.

All the Swimming Bath Trust assets and liabilities are already accounted for within Tewkesbury Borough Council's single entity accounts and so adjustments for these are made during consolidation. The only asset that is consolidated into the Group Account is the swimming pool building (see below). The items under 'Plant and Machinery' in the Trust accounts are small value items that fall under revenue expenditure in the Council's accounting policies and so are adjusted for in consolidation and not brought into the Long Term Assets in the Consolidated Balance Sheet.

The performance of the leisure centre is reported to the Members as part of their quarterly monitoring of budgets.

5. Fixed Assets in Single Entity Statements

	TBC	SBT	SBT after aligning policies	Group	
	£'000	£'000	£'000	£'000	
Other Land and Buildings	10,487	1,361	1,089	11,576	Note 1
Vehicles, Plant and Equipment	1,925	25	0	1,925	Note 2
Other Property, Plant and Equipment	187	0	0	187	
	12,599	**1,386**	**1,089**	**13,688**	

Note 1 - The SBT asset in 'Other Land & Buildings' is the swimming pool. This is used in the provision of the leisure centre and is not on the fixed asset register of Tewkesbury Borough Council. It belongs to the charitable trust.

Note 2 - The SBT assets in Vehicles, Plant and Equipment are eliminated on consolidation as they are considered revenue expenditure by Tewkesbury Borough Council.

6. Notes to the Group Comprehensive Income and Expenditure Statement

The Group Comprehensive Income and Expenditure Statement has been prepared by combining the council's share (10/19) of the Trust's deficit with the Council's Comprehensive Income and Expenditure Statement. The Council includes all income and expenditure of the Swimming Bath Trust within 'Cultural and Related Services' in their Comprehensive Income and Expenditure Statement (see page 15).

The Trust's accounts provide depreciation at a different rate to the Council's policy and have therefore been adjusted accordingly. The depreciation charged by the Swimming Bath Trust has been reversed out and depreciation in line with Tewkesbury Borough Council's Accounting Policies has been charged. This resulted in an adjustment of £68,050 in the year.

There is no goodwill as the group did not arise through a purchase.

7. Notes to the Group Balance Sheet

The Swimming Bath Trust was established on 30 July 1968 by trust deed but the initial trustees were only registered with the Official Custodian of Charities on 31 July 1978, which included Tewkesbury Borough Council.

The Borough completely funds the operating expenditure of the Trust and owns the land on which the building currently stands. The value of the deficit funded in 2012/2013 was £198,306 (£240,051 in 2011/2012) The Council's share of the Trust's assets and liabilities can be seen in the group accounts on pages 90 to 93

The accounts of Tewkesbury Swimming Bath Trust for the year ended 31 March 2013 can be obtained from Andorran Ltd, Cheltenham. The accounts used for consolidation are the draft version.

The Profit and Loss Account and Minority Interest are all made up of assets and no liabilities. The movement in these balances for this year and last year can be shown as follows:

2011/2012

	Gross Expenditure (£)	Gross Income (£)	Net Expenditure (£)
Movement on Profit and Loss Reserve	436,607	-400,792	35,815
Movement on Profit and Loss Reserve - Minority Interest	392,947	-360,712	32,235
TOTAL OF GROUP	**829,554**	**-761,504**	**68,050**

	Opening Balance (£)	Closing Balance (£)	Movement (£)
Movement in Revaluation Reserve - group	133,376	125,966	7,410
Movement in Revaluation Reserve - Minority Interest	120,038	113,369	6,669
TOTAL OF GROUP	**253,414**	**239,335**	**14,079**

2012/2013

	Gross Expenditure (£)	Gross Income (£)	Net Expenditure (£)
Movement on Profit and Loss Reserve	473,531	-437,715	35,816
Movement on Profit and Loss Reserve - Minority Interest	426,177	-393,943	32,234
TOTAL OF GROUP	**899,708**	**-831,658**	**68,050**

	Opening Balance (£)	Closing Balance (£)	Movement (£)

Movement in Revaluation Reserve - group	125,966	118,556	7,410
Movement in Revaluation Reserve - Minority Interest	113,369	106,700	6,669
TOTAL OF GROUP	**239,335**	**225,256**	**14,079**

8. Group Cash Flow Statement

All income and expenditure relating to the Trust goes through the Borough accounts and so the cash flow will be identical to the Borough's own cash flow (see page 17). This is due to the fact that Tewkesbury Borough are delegated management agents for the swimming bath.

9. Group Plant, Property and Equipment

	Other Land & Buildings	All Other PPE	SBT	Group PPE
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2012	**11,432**	**5,091**	**1,361**	**17,884**
Additions	0	205	0	205
Revaluation increases/(decreases) recognised in the Revaluation Reserve	19	0	0	19
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	0	0	0	0
Derecognition-disposals	0	-200	0	-200
Reclassified to/from Held for Sale	0	0	0	0
Other movements in cost or revaluation	0	0	0	0
At 31 March 2013	**11,451**	**5,096**	**1,361**	**17,908**
Accumulated Depreciation and Impairment				
At 1 April 2012	**-722**	**-2,361**	**-204**	**-3,287**
Depreciation charge	-245	-627	-68	-940
Depreciation written out to Revaluation Reserve	3	0	0	3
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0
Derecognition-disposals	0	4	0	4
At 31 March 2013	**-964**	**-2,984**	**-272**	**-4,220**
Net Book Value				
At 31 March 2013	**10,487**	**2,112**	**1,089**	**13,688**
At 31 March 2012	**10,710**	**2,730**	**1,157**	**14,597**

Comparative Movements in 2011/2012

	Other Land & Buildings	All Other PPE	SBT	Group PPE
	£000	**£000**	**£000**	**£000**
Cost or Valuation				
At 1 April 2011	**11,407**	**4,923**	**1,361**	**17,691**
Additions	10	295	0	305
Revaluation increases/(decreases) recognised in the Revaluation Reserve	15	-8	0	7
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	0	0	0	0
Derecognition-disposals	0	-119	0	-119
Reclassified to/from Held for Sale	0	0	0	0
Other movements in cost or revaluation	0	0	0	0
At 31 March 2012	**11,432**	**5,091**	**1,361**	**17,884**
Accumulated Depreciation and Impairment				
At 1 April 2011	**-485**	**-1,702**	**-136**	**-2,323**
Depreciation charge	-244	-667	-68	-979
Depreciation written out to Revaluation Reserve	7	0	0	7
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0
Derecognition-disposals	0	8	0	8
At 31 March 2012	**-722**	**-2,361**	**-204**	**-3,287**
Net Book Value				
At 31 March 2012	**10,710**	**2,730**	**1,157**	**14,597**
At 31 March 2011	**10,922**	**3,221**	**1,225**	**15,368**

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF TEWKESBURY BOROUGH COUNCIL

Opinion on the financial statements

We have audited the financial statements of Tewkesbury Borough Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013.

This report is made solely to the members of Tewkesbury Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Director of Resources Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the financial position of Tewkesbury Borough Council as at 31 March 2013 and of its expenditure and income for the year then ended;
- Give a true and fair view of the financial position of the Group as at 31 March 2013 and of its expenditure and income for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- In our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- We issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- We designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- We exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- Securing financial resilience; and
- Challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Tewkesbury Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of Tewkesbury Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Peter A. Barber
Associate Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

Date

GLOSSARY OF FINANCIAL TERMS

Accounting Policies

The specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

Accruals

Money which is owed by/to the Council as at 31st March.

Actuarial Gains and Losses

These comprise:
- Experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), and
- The effects of changes in actuarial assumptions.

Audit Commission

An independent body, whose objectives are to appoint external auditors to local authorities and help them bring about improvements in efficiency, directly through the auditing process and through the "value for money" studies which the Commission carries out.

Capital Receipts

Capital money received from the sale of land or other assets, which is available to finance other items of capital spending.

Capital Expenditure

The acquisition of assets which have a long-term value to the authority in the provision of its services (e.g. land), purchasing existing buildings or erecting new ones, purchasing furniture, equipment, etc.

Cash Equivalents

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Creditor

Where money is due to a third party at year end for goods or services that have been received on or before 31st March, but not yet paid for.

CIPFA

The Chartered Institute of Public Finance and Accountancy. This is the professional body for accountants working in local government and 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. Members of the Institute are entitled to the letter CPFA after their names, and membership is by examination. CIPFA is an entirely privately funded body.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

Contingent Liability

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control, or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Control

The ability of the reporting authority to direct the operating and financial policies of another entity with a view to gaining future economic benefits or service potential from its activities.

Current Service Cost

The increase in the present value of a defined benefit obligation (liabilities) resulting from employee service in the current period.

Depreciation

This is a charge made to the Income and Expenditure account each year that reflects the reduction in an asset used in the delivery of a service.

Dominant Influence

Influence that can be exercised by the reporting authority to exercise the operating and financial policies desired by the reporting authority, notwithstanding the rights or influence of any other party.

Entity

A body corporate, partnership, trust, unincorporated association, or statutory body that is delivering a service, or carrying on a trade or business, with or without a view to profit.

External Audit

The independent examination of the accounts of local authorities. This is carried out on behalf of the Audit Commission by either the District Auditor or a private firm of auditors.

Fair Value

The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction.

Financial Regulations

A formal code of procedures to be followed in the financial management of the Council.

Financial Year

The financial year runs from 1st April to 31st March.

General Fund (GF)

The fund from which the expenditure of district councils is financed.

Government Guidelines

These are contained in white papers, circulars or letters from Central Government. They give advice to local authorities of the current and future expenditure levels forecast nationally for different public sector services. They are advisory or for information only, i.e. they are not mandatory.

Gross Expenditure

The cost of providing the Councils services before deduction of Government grants or other sources of income.

Group

A reporting authority and its subsidiary entities.

Housing Benefits

Introduced in the Social Security and Housing Benefits Act 1982 - a system of financial assistance towards the rent and rates of those in financial need. Costs incurred by Councils are partly reimbursed by direct grant from Central Government.

Housing Subsidy

Subsidies payable by Central Government to reduce housing costs.

Interest on Revenue Balances (or interest receipts)

The day to day cash flow of the authority is invested when it is in surplus, and borrowing is required when it is in deficit. The interest earned on any net surplus over the year is given one or other of these names.

Internal Audit

A continuous review maintained by the Corporate Head of Financial Services and Resources over all functions of the Council to ensure, among other things, the correctness of all income and expenditure.

IFRS

International Financial Reporting Standards advise the accounting treatment and disclosure requirements of transactions so that an authority's accounts 'present fairly' the financial position of the authority.

Inventories

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:

- Goods or other assets purchased for resale
- Consumable stores
- Raw materials and components purchased for incorporation into products for sale

Liability

A present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the authority of resources embodying economic benefits or service potential.

Material

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements.

Minority Interest

The interest in a subsidiary entity included in the consolidation that is attributable to the proportion of the stake holding on behalf of persons other than the reporting authority.

Minimum Revenue Provision

MRP is the minimum amount which must be charged each year in order to provide for the repayment of loans and other amounts borrowed by the authority.

National Non-Domestic Rates (NNDR)

Local tax for businesses based on value of business properties.

Past Service Cost

The increase in the present value of the defined benefit liability (obligation) for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits.

Precept

The amount each authority (the County Council, Police Authority, District and Parishes) requests from the council taxpayer to meet its income and expenditure plans.

Prior Period Adjustments

Prior period adjustments are required when an error is material.

Prospective Application

Applying a change to transactions, other events and conditions from the date of change of estimate.

Provision

A liability of uncertain timing or amount.

P.W.L.B.

Public Works Loan Board

Recoverable Amount

The higher of fair value less costs to sell of an asset and its value in use.

Reserve

Where money is available for a specific purpose but no commitment has been made on or before the 31st March, a reserve can be set up to carry the money forward to the next year when the money can be used for the specific purpose for which it was intended. When expenditure takes place the reserve is credited to the relevant year after the calculation of the Net Cost of Services.

Retrospective Application

Applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.

Revenue Support Grant (RSG)

A grant paid by Central Government, to local authorities, in aid of revenue. This is not paid for specific services.

Revenue Expenditure

The day to day running costs which consist principally of salaries and wages, general running expenses and capital financing costs.

Shared Services

Shared Services are where two or more authorities have arranged under an agency agreement for one authority to provide the service on behalf of all authorities covered by the agreement.

Significant Influence

The power to participate in the financial and operating policy decisions of an authority, but not control those policies.

Specific Grants

Government grants to local authorities in aid of particular projects or services, e.g. housing benefit grant, magistrates courts grant, police grant.

Standing Orders

The set of rules adopted by the Council which establish the procedures by which the Council should operate. In particular, there will be financial standing orders and financial regulations to govern financial administration, e.g. the tendering procedures.

Subsidiary

An entity is a subsidiary of the reporting authority if:
- The authority is able to exercise control over the operating and financial policies of the entity, and
- The authority is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.

Support Services

Those services which provide the administrative and financial back-up to the direct delivery of services.

Uniform Business Rate

Every business in the country is charged a set rate in the pound, which is determined by Central Government. The money collected is redistributed to authorities per head of population.

Useful Life

The period which an asset is expected to be available for use by an entity.

Value in Use
- Of a non-cash generating asset - the present value of the asset's remaining service potential.
- Of a cash generating asset - the present value of the future cash flows expected to be derived

Vested Employee Benefits
Employee benefits that are not conditional on future employment.