



Financial Statements for the year ended 31 March 2018

Finance and Asset Management
Simon Dix
Head of Service

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STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council 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 council, that officer is the Head of Finance and Asset Management.
- b. Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- c. Approve the financial statements.

The Head of Finance and Asset Management's Responsibilities

The Head of Finance and Asset Management is responsible for the preparation of the council's 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 (the Code).

In preparing this financial statements, the Head of Finance and Asset Management 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 Head of Finance and Asset Management 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.

I certify that the financial statements on pages 2 to 70 is the relevant financial statements for the audit certificate and opinion and presents a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31st March 2018.



S J Dix

Head of Finance and Asset Management.

Date: 25.05.18

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

Councillor H McLain

Date:

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2016/2017 (restated)*			2017/2018				
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
260	0	260	Chief Executive Unit		297	0	297
6,188	-2,074	4,114	Community Services		6,958	-2,887	4,071
21,562	-19,855	1,707	Corporate Services		21,425	-19,145	2,280
877	-256	621	Democratic Services		947	-290	657
106	0	106	Deputy Chief Executive Unit		133	0	133
3,686	-2,817	869	Development Services		3,109	-3,171	-62
2,661	-1,428	1,233	Finance and Asset		2,572	-1,436	1,136
1,633	-1,280	353	One Legal		1,826	-1,315	511
36,973	-27,710	9,263	Total Cost of Continuing Operations		37,267	-28,244	9,023
1,710	-802	908	Other Operating Expenditure	13	1,812	-318	1,494
968	-1,099	-131	Financing and Investment Income and Expenditure	14	1,729	-1,621	108
13,231	-24,945	-11,714	Taxation and Non-Specific Grant Income and Expenditure	15	386	-12,739	-12,353
15,909	-26,846	-10,937			3,927	-14,678	-10,751
		-1,674	(Surplus)/Deficit on Provision of Services				-1,728
		-2,466	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets				-404
		3,111	Actuarial (Gains)/Losses on Pensions Assets/Liabilities				-2,328
		645	Other Comprehensive Income and Expenditure				-2,732
		-1,029	Total Comprehensive Income and Expenditure				-4,460

* restated due to change in services during the year. The Revenues and Benefits service has been incorporated into Corporate Services

MOVEMENT IN RESERVES STATEMENT

	General Fund	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Movement in reserves during 2017/2018							
Balance at 1 April 2017 brought forward	450	7,594	3,107	172	11,323	-1,394	9,929
Total Comprehensive Income & Expenditure	1,728	0	0	0	1,728	2,732	4,460
Adjustments between accounting basis & funding basis under regulations (Note 11)	838	0	-1,265	-35	-462	462	0
Increase/Decrease (movement) in Year	2,566	0	-1,265	-35	1,266	3,194	4,460
Transfers to/from Earmarked Reserves (Note 12)	-2,466	2,466	0	0	0	0	0
Balance at 31 March 2018 carried forward	550	10,060	1,842	137	12,589	1,800	14,389

MOVEMENT IN RESERVES STATEMENT (continued)

	General Fund	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Balance £'000	£'000	£'000	£'000	£'000	£'000	£'000
Movement in reserves during 2016/2017							
Balance at 1 April 2016 brought forward	<u>450</u>	<u>9,386</u>	<u>5,658</u>	<u>26</u>	<u>15,520</u>	<u>-6,620</u>	<u>8,900</u>
Total Comprehensive Income & Expenditure	1,674	0	0	0	1,674	-645	1,029
Adjustments between accounting basis & funding basis under regulations (Note 11)	-3,466	0	-2,551	146	-5,871	5,871	0
Increase/Decrease (movement) in Year	<u>-1,792</u>	<u>0</u>	<u>-2,551</u>	<u>146</u>	<u>-4,197</u>	<u>5,226</u>	<u>1,029</u>
Transfers to/from Earmarked Reserves (Note 12)	<u>1,792</u>	<u>-1,792</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Balance at 31 March 2017 carried forward	<u>450</u>	<u>7,594</u>	<u>3,107</u>	<u>172</u>	<u>11,323</u>	<u>-1,394</u>	<u>9,929</u>

BALANCE SHEET

31/03/2017 £'000		Notes	31/03/2018 £'000
	Property, Plant & Equipment		
22,652	Other Land & Buildings	16	22,655
233	Infrastructure Assets	16	224
2,752	Vehicles, Plant, Furniture & Equipment		2,713
22	Community Assets	16	22
5	Assets Under Construction	16	1,117
25,664			26,731
19,552	Investment Property	18	32,489
218	Heritage Assets	17	218
259	Intangible Assets		277
45,693			59,715
0	Long Term Investments	19	2,004
411	Long Term Debtors		364
46,104	Total Long Term Assets		62,083
	Current Assets		
6,033	Short Term Investments	19	11,281
2,879	Short Term Debtors	20	2,976
10,863	Cash & Cash Equivalents	21	1,598
19,775	Current Assets		15,855
	Current Liabilities		
15,015	Short Term Borrowing	19	21,032
6,734	Short term Creditors	22	9,289
1,506	Provisions	23	2,015
23,255	Current Liabilities		32,336
42,624	Total Assets Less Current Liabilities		45,602
	Long-Term Liabilities		
1,947	Provisions	23	2,317
30,748	Net Pensions Liability		28,896
32,695	Long-Term Liabilities		31,213
9,929	Net Assets		14,389
	Usable Reserves		
450	General Fund Reserve		550
7,594	Earmarked Reserves	12	10,060
3,107	Capital Receipts Reserve	MIRS	1,842
172	Capital Grants Unapplied	MIRS	137
11,323	Usable Reserves		12,589
	Unusable Reserves		
7,242	Revaluation Reserve	25.1	7,616
-30,704	Pensions Reserve	25.3	-28,883
23,533	Capital Adjustment Account	25.2	23,527
8	Deferred Capital Receipts		2
24	Financial Instruments Adjustment Account		0
-1,405	Collection Fund Adjustment Accounts	25.4	-228
-90	Short-term Accumulating Compensated Absences Account		-94
-2	Available for sale Adjustment Account		-140
-1,394	Unusable Reserves		1,800
9,929	Total Reserves		14,389

CASH FLOW STATEMENT

2016/2017		Note	2017/2018
£'000			£'000
-1,674	Net (surplus) or deficit on the provision of services		-1,728
-4,793	Adjustments to net surplus or deficit on the provision of services for non-cash movements	26	1,550
0	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		0
-6,467	Net cash flows from Operating Activities		-178
23,875	Investing Activities	27	20,415
-22,190	Financing Activities	28	-10,972
-4,782	Net increase or decrease in cash and cash equivalents		9,265
-6,081	Cash and cash equivalents at the beginning of the reporting period		-10,863
-10,863	Cash and cash equivalents at the end of the reporting period	21	-1,598

1. Accounting Policies and Accounting Standards Issued, Not Adopted

1.1 General Principles

The financial statements summarises the council's transactions for the 2017/2018 financial year and its position at the year-end of 31 March 2018. The council is required to prepare annual financial statements by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Finance Act 2003.

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

The council prepares its financial statements on the basis that it remains a going concern; that assumes that the functions of the council will continue in operational existence.

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 council 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 council.
- Revenue from the provision of services is recognised when the council 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 council.
- 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

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are highly liquid investments that can be 'called' within 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.4 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 council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the 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.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. 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 council 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 council.

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 council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, (see relevant note for further details)
- 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.

Post Employment Benefits (continued)

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

- Service cost comprising

- 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
- net interest on the net defined benefit liability, i.e. net interest expense for the council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Post Employment Benefits (continued)

- Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- 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 council 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 financial statements are 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 financial statements are adjusted to reflect such events; and
- Those that are indicative of conditions that arose after the reporting period – the financial statements are 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 financial statements.

1.6 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the council 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.

For the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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 council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid 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 council 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 council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Loans and Receivables

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).

Available-for-sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the council 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 council.

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

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

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Available-for-sale Assets (continued)

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).

1.7 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 Council when there is reasonable assurance that:

- the Council 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.

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-ring-fenced 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.

1.8 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council 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 Council.

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 council 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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets

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.

1.9 Interests in Companies and Other Entities

The council does not have any material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and would require it to prepare group accounts. In the council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

1.10 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.

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.

1.11 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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.

Investment property (continued)

Rentals received in relation to investment properties are credited to the Comprehensive Income and Expenditure Account 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.

1.12 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 council 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 council 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).

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 council at the end of the lease period).

The council 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.

The council as Lessor (continued)

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting 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 council as Lessor

Finance Leases

Where the council 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 council'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.

Operating Leases

Where the council 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 or a rent free period). 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.

1.13 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 council'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.

1.14 Overheads and Support Services

The costs of overheads and support services are not shown within the service segments in the Comprehensive Income and Expenditure Account as we do not report this in our management reports throughout the year. Therefore the full cost principles detailed in the CIPFA *Service Reporting Code of Practice 2017/2018* (SeRCOP) are no longer used within the financial statements.

1.15 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance. Where a change 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.

1.16 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 Property, Plant and Equipment 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.

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 council). 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 council.

Measurement (continued)

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

Current Value (Existing Use)	<ul style="list-style-type: none">• Where there is no market-based evidence of fair value because of the specialist nature of an asset, it is an estimate of the amount that would be paid for the asset in its existing use;• Includes assets held such as car parks, properties and offices.
Depreciated Replacement Cost	<ul style="list-style-type: none">• Represents the current cost of replacing an asset with its modern equivalent less deductions for physical deterioration and all relevant forms of obsolescence• Includes assets held such as cemetery and theatre.
Market Value	<ul style="list-style-type: none">• Items which are not held primarily for delivery of council services and which are valued at the price that would be received to sell an asset in on the open market;• Includes investment properties.
Depreciated historic cost	<ul style="list-style-type: none">• Represents the cost of bringing the asset into operational use less an adjustment for depreciation. Used where a reliable estimate of its current fair value can not be made;• Infrastructure, community assets and assets under construction.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end. The council has a policy to revalue all its assets at year end to ensure their current value is reflected in the financial statements. 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).

Depreciation is calculated on a straight line basis over the following time periods:

- Dwellings and other buildings - the useful economic life (UEL) of the property as estimated by the valuer;
- Vehicles, plant, furniture and equipment - 5 to 7 years, which is deemed a reasonable estimation of the UEL of these types of assets;
- Infrastructure - over the UEL of the individual assets as estimated by the valuer or Project Officer.
- These assets have an estimated UEL of between 30 - 60 years
- Specialist equipment - depreciated over the useful economic life (UEL) of the asset as estimated by a suitably qualified person.
- solar panels are being depreciated over 25 years

Revaluation gains are also depreciated. 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 council 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 misstatement of either depreciation charges or the carrying amount of the asset then componentisation will not be required.

1.17 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 council 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 council in accordance with statutory guidance (England and Wales). 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.

This will be the first year we have to charge MRP. Any negative Capital Financing Requirement (CFR) balance brought forward will be used to reduce the in year charge so long as the amount is not material and does not reduce the MRP charge to below zero.

1.18 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the council 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 council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation. They 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.

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 council settles the obligation.

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the financial statements.

Contingent Assets

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

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

1.19 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 such as, financial instruments, retirement and employee benefits and do not represent usable resources for the council.

1.20 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 council 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.

1.21 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.

1.22 Heritage Assets

Heritage assets are held by the council for the objective of contributing to 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.

Where Heritage Assets have been recognised in the Balance Sheet, the measurement basis (including the treatment of revaluation gains and losses) is in accordance with the council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets, and are accounted for as follows.

The council does not, normally, purchase heritage assets

Where heritage assets have been donated they are initially carried at cost. Where there is not readily identifiable evidence of cost, the council will ask an expert (in that field) to provide an estimate of the value of those assets. Where a reliable estimate of value cannot be made (due to unique nature of heritage assets) the council's policy is to not to disclose a value in the Balance Sheet but to disclose a note in the financial statements to explain the assets held.

Subsequently to initial disclosure, the council uses insurance valuations of the assets as an estimation of the carrying value of these assets. Our Insurance schedule is updated annually and the officer responsible for the assets held assesses whether this valuation is adequate.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, 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 council's general policies on impairment.

The council does not, normally, 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.

1.23 council tax and Non-Domestic rates (NDR)

Billing authorities like Tewkesbury Borough council act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be more or less than predicted.

The council tax and business rates (NNDR) income recognised in the Comprehensive Income and Expenditure Account is the council's share of accrued council tax and business rates recognised in the Collection Fund.

The transactions contained within the Collection Fund are prescribed by legislation and we (as a billing authority) have no discretion to deviate from this at all.

This means:

- the transactions included within the Collection Fund are limited to cash flows (as statute dictates) whereas the income is recognised on a full accruals basis in the Comprehensive income and Expenditure statement (including our share of the year's surplus or deficit on the Collection Fund whereas in reality this is distributed in the following year).
- the year end surplus/deficit on the Collection Fund is based on estimates made in January.

The difference between the Collection Fund figures and those required in the financial statements are taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

2. Accounting Standards Issued, Not Adopted

The 2017/18 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified. The Code also requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The standards that may be relevant for additional disclosures that will be required in the 2017/18 and 2018/19 financial statements in respect of accounting changes that are introduced in the 2018/19 Code are:

- 1) IFRS 9 Financial Instruments
- 2) IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15
- 3) amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for
- 4) amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

The transitional reporting requirements for IFRS 9 and IFRS 15 have been adopted such that the preceding year is not restated. Appendix C in the Code confirms that there is no requirement to provide financial information relating to the impact of IFRS 9 for the 2017/18 year in the 2017/18 financial statements

The other narrow scope amendments and IFRIC included in the consultation on the 2018/19 Code listed below:

- 1) IAS 40 Investment Property: Transfers of Investment Property
 - 2) Annual Improvements to IFRS Standards 2014-2016 Cycle, and
 - 3) IFRIC 22 Foreign Currency Transactions and Advance Consideration
- were not adopted by the EU in time for inclusion in the 2018/19 Code and therefore they have been rolled forward into the development programme for the 2019/20 Code.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council 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:

Local Government Funding

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

Provisions - Municipal Mutual Insurance

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 £169,775. Ernst and Young suggested an initial levy rate of 15% to achieve a solvent run off and this was increased to 25% on 1 April 2016. We have provided for an additional 10% in long term provisions as we have not had any confirmation that this would be the final payment.

Provisions - Business Rates Appeals

The level of provision for business rate appeals under the business rate retention scheme (2010 list) has been calculated using historic appeals information. Those on the list at 31 March 2017 with a code of grounds where we have statistical information relating to the success and outcome of past appeals have been calculated using the average success rate and rateable value lost. The appeals relating to Virgin Media are treated separately as these are unique cases that were heard as part of a special programme and we will use a variety of sources to determine a suitable appeals provision, e.g. 1 April 2017 rating list figures.

The 2017 rating list has introduced a new appeals scheme called 'Check, Challenge, Appeal' due to many appeals previously being made speculatively and with little supporting information. This means that the ratepayer has to go through 2 stages before they get a chance to appeal and this can take many months. At the end of March there were no businesses who had made it to the Challenge stage giving us no indication of the level of provision to make against the 2017 list for appeals not yet lodged. When setting the 2016/17 multiplier for the new 2017 list an allowance of 4.7% was made by the Ministry of Housing, Communities and Local Government to provide for future appeal loss. Therefore we will be providing 4.7% of the gross rates payable for the 2017-18 financial year.

Local Government Pension Scheme

IAS 19 disclosures include information on the assets that make up the Local Government Pension Scheme for the Council as required under 6.4.3.42 (8) of the Code of Practice. We have taken the decision to disclose, in summary, the categories that the Pension Fund have invested in. The Council does not directly influence the activities of the Fund and as the fund assets do not impact on the revenue account it is our decision that the disclosure is sufficient in line with section 6.4.3.42 (2) of the Code of Practice. Should further information be required on the categories of pension assets and the decision making on the strategy for investment then we would direct the query to the Pension Fund administrators.

Consideration of Group Accounts

The council joined a Local Authority owned company, Ubico Ltd, on the 1 April 2015. This company provides a range of environmental services for the council. The company is owned by 7 local government authorities. Each council has one share interest in Ubico Ltd.

We are required to consider whether the council has an interest in this company and whether the council should produce group accounts.

Our conclusion is that Ubico Ltd represents a separate vehicle. However when considering joint arrangements, under IFRS12, our assessment is that on the test of whether there is joint control per section 9.1.2.10 of the code, there is no evidence to support this.

We have then considered whether under IAS28, that we have significant influence, per 9.1.2.22 of the Code. This is due to their being 7 equal shareholders, which means our interest in Ubico is below the 20% threshold which is an indication of holding significant influence. Other factors which we have considered include representation on the board, participation in policy making, material transactions and management influence. Our judgement is that there is no persuasive evidence that the council has a significant level of control over the strategic direction and operation of Ubico Ltd. Therefore group accounts do not need to be produced.

The council has accounted for the cost incurred in operating a service contract with Ubico Ltd and also the interest the council has as a shareholder, however the council's statements do not reflect any interest in assets and liabilities that we have in the company.

Ubico Ltd's statement of accounts are available from Companies House.

Purchase of waste and recycling fleet

The council has to make judgements whether a lease is an operating lease or a finance lease and has assessed the following:

- all the investment properties recently purchased included tenant with lease terms remaining of between 6 and 9 years. The authority has decided that, on the balance of the risk and rewards, they should all be classified as operating leases.
- The council purchased a new fleet of vehicles in 2017, which it leases to Ubico. The vehicles are on our balance sheet as operational assets as we retain the majority of the risks and rewards of ownership therefore the lease to Ubico is classed as an operating lease.

Purchase of investment properties

A decision has been made to classify the following Plant, Property and Equipment bought this year as investment properties:

- E1 and E2 The Chase, Foxholes Business Park, Hertford, Hertfordshire, SG13 7NN was purchased for £3.9m and was acquired for the in situ tenants with lease end dates ranging from 2024 to 2026.
- SPL House, Poole Hall Industrial Estate, Ellesmere Port CH66 1ST was purchased for £3.77m with sitting tenants whose next lease break clause comes in 2027.
- Unit 10 Kennet Way, Canal Road Industrial Estate, Trowbridge, BA14 8RN cost £5.9m and the current tenants have a lease in place until 2027.

There are no service related provisions in any of the contracts and they are held purely for the capital appreciation and revenue return.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year (due to assumptions/judgements) are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. In 2017/2018 there was a depreciation charge of £1,022k and depreciation adjustment of £396k (due to in year revaluations). A large change in valuation or useful life could increase or decrease the depreciation charge quite substantially.
Assets under construction	Assets that are still under construction as at the balance sheet date are held at cost based on a valuation certificate provided by a quantity surveyor. The quantity surveyor is employed by the council to oversee the work of the contractor. Whilst we are satisfied that this represents the cost of the work done to date, the final valuation of resulting asset could potentially be different from this cost.	If the valuation of the asset is different from the cost then this will potentially be reflected in the CIES. However, any such charges will only be realised as a cost to the general fund if the asset were to be sold.
Fair Value measurement	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model).</p> <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's external valuer).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 18 and 19.</p>	<p>The council uses market rental and sales values, along with other inputs to measure the fair value of some of its investment properties</p> <p>The significant unobservable inputs used in the fair value measurement include comparative information based on limited rental evidence based on rental value and yields.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.</p>

Business Rates	<p>Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against business rates charged to businesses in 2017/2018 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2018.</p> <p>Appeals provision required relating to periods prior to the 1st April 2017 has been estimated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date, up to and including 31 March 2017.</p> <p>For appeals relating to the new valuation list from the 1st April 2017 there is no historical data about successful appeals. Therefore we have followed national guidance based on figures published by DCLG that a rate of 4.70% of the rateable value is a reasonable estimate of likely appeal costs.</p>	<p>The appeals provision has been calculated using historic data for appeal success per category of appeal (as provided by the Valuation Office - VOA). Using this data we have extrapolated an appeals figure assuming the success rate is representative of what will happen in future. There is a likelihood that some appeals will be settled differently to anticipated which could cause a large refund of previous years' rates. The provision this year is £3.96m (our share only). If successful appeals are significantly different from expectations the impact will be on short term cash flows, and that the council will not achieve its budgeted income from business rates in that year.</p>	
Arrears	<p>At 31 March 2017, the Council had a balance on doubtful debts of £1,320k of which £1,278k related to a general provision. Housing benefit general provision is being maintained at 100% due to the level of debts increasing, increased pressure on those on benefits and the future introduction of Universal Credit.</p>	<p>If collection rates deteriorate then our revenue reserves would be impacted but we feel that the level of provision helps mitigate this potential risk.</p>	
Pensions Liability	<p>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 council 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.</p>	<p>The effects on the scheme liabilities of changes in individual assumptions can be measured and the sensitivities regarding the principal assumptions are set out below:</p>	
	Change in assumptions at year ended 31 Mar 2018	Approx. % increase to Employer Liability	Approx. monetary amount (£'000)
	0.5% decrease in Real Discount Rate	10%	7,604
	0.5% increase in the Salary Increase Rate	1%	1,005
	0.5% increase in the Pension Increase Rate	8%	6,510

EXPENDITURE AND FUNDING ANALYSIS

2016/2017 (restated)			2017/2018		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 11)	Net Expenditure in the CIES	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 11)	Net Expenditure in the CIES
£'000	£'000	£'000	£'000	£'000	£'000
240	20	260	249	48	297
3,319	795	4,114	2,781	1,290	4,071
1,521	186	1,707	1,924	356	2,280
611	10	621	632	25	657
98	8	106	112	21	133
488	381	869	-434	372	-62
2,575	-1,342	1,233	2,235	-1,099	1,136
258	95	353	258	253	511
9,110	153	9,263	7,757	1,266	9,023
1,703	-795	908	1,808	-314	1,494
-517	386	-131	-1,525	1,633	108
-8,504	-3,210	-11,714	-10,606	-1,747	-12,353
-7,318	-3,619	-10,937	-10,323	-428	-10,751
1,792	-3,466	-1,674	-2,566	838	-1,728
9,836			8,044		
-1,792			2,566		
8,044			10,610		
450			550		
7,594			10,060		
8,044			10,610		

Chief Executive Unit	
Community Services	
Corporate Services	
Democratic Services	
Deputy Chief Executive Unit	
Development Services	
Finance and Asset	
One Legal	
Total Cost of Continuing Operations	
Other Operating Expenditure	
Financing and Investment Income and Expenditure	
Taxation and Non-Specific Grant Income and Expenditure	
(Surplus)/Deficit on Provision of Services	
Opening General Fund Balance	
Less surplus or (deficit) on General Fund Balance in year	
Closing General Fund Balance at 31 March	
Closing Balance made up of	
General Fund Balance	
Earmarked Reserves (note 12)	

6. Expenditure and Funding Analysis detail

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement 2017/2018	Adjustment for Capital Purposes £'000	Net Change to the Pensions Adjustment £'000	Other Differences £'000	Total Adjustments £'000
Chief Executive Unit	1	-49	0	-48
Community Services	-1,092	-198	0	-1,290
Corporate Services	-19	-337	0	-356
Democratic Services	-1	-24	0	-25
Deputy Chief Executive Unit	0	-21	0	-21
Development Services	-36	-336	0	-372
Finance and Asset	-377	1,505	-29	1,099
One Legal	0	-253	0	-253
Total Cost of Continuing Operations	-1,524	287	-29	-1,266
Other Operating Expenditure	314	0	0	314
Financing and Investment Income and Expenditure	-700	-794	-139	-1,633
Taxation and Non-Specific Grant Income and Expenditure	470	0	1,277	1,747
Difference between General Fund surplus or deficit and CIES surplus on the provision of services	-1,440	-507	1,109	-838

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement 2016/2017 (restated)	Adjustment for Capital Purposes £'000	Net Change to the Pensions Adjustment £'000	Other Differences £'000	Total Adjustments £'000
Chief Executive Unit	0	-20	0	-20
Community Services	-726	-69	0	-795
Corporate Services	-51	-135	0	-186
Democratic Services	-1	-9	0	-10
Deputy Chief Executive Unit	0	-8	0	-8
Development Services	-261	-120	0	-381
Finance and Asset	-300	1,667	-25	1,342
One Legal	0	-95	0	-95
Total Cost of Continuing Operations	-1,339	1,211	-25	-153
Other Operating Expenditure	795	0	0	795
Financing and Investment Income and Expenditure	561	-952	5	-386
Taxation and Non-Specific Grant Income and Expenditure	497	0	2,713	3,210
Difference between General Fund surplus or deficit and CIES surplus on the provision of services	514	259	2,693	3,466

7. Segmental Income

It is a requirement to disclose material sources of income for each service area.
A review of the income received has identified the following:-

	2016/2017 £'000	2017/2018 £'000
Revenues from external customers		
Rents, Lettings, Wayleaves, Easements	-674	-1,781
Development Services - Planning Fees	-1,026	-808
One Legal - recharges for services to other LA's	-774	-778

Income from Grants and Contributions is disclosed on Note 33.
No other material sources of income has been identified.

8. Expenditure & Income Analysed By Nature

	2016/2017 £'000	2017/2018 £'000
Expenditure		
Employee Benefits	8,215	9,211
Other Services	41,357	27,656
Support Service Recharge	0	0
Capital Adjustments resulting in a loss	1,584	2,455
Interest Payments	16	60
Precepts and Levies	1,703	1,808
Payments to Housing Capital Receipts Pool	7	4
Gain on Disposal of Assets	0	0
Total Expenditure	52,882	41,194
Income		
Fees, Charges & Other Service Income	-6,891	-9,212
Interest & Investment Income	-269	-361
Capital adjustments resulting in a gain	-1,009	-42
Council Tax, Non-Domestic Rates & District Rates	-19,724	-7,472
Government Grants & Contributions	-26,663	-25,835
Total Income	-54,556	-42,922
Surplus/Deficit	-1,674	-1,728

9. Material Items of Income and Expense

There are no items of material income and expense that are not identified elsewhere in the accounts. For the purpose of this note the Council considers material items to be those greater than £750,000.

10. Events After the Balance Sheet Date

The council took out a loan from the Public Works Loan Board (PWLB) for £11m. This represents long term borrowing that the council has entered into, as part of its wider treasury management strategy. This long term borrowing was used to replace short term borrowing by the end of May 2018 that is already shown in the balance sheet.

The council had an offer accepted on the 23rd May 2018 for an office unit in Warwickshire. This property is worth approximately £4m and will be added to our investment portfolio in 2018/2019 as part of our commercial property acquisition strategy.

11. Adjustments Between Accounting Basis and Funding Basis Under Regulations

2016/2017 Usable Reserves				2017/2018 Usable Reserves		
General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000		General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000
Adjustments to revenue reserves						
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure statement are different from revenue for the year calculated in accordance with statutory requirements</i>						
260	0	0	Pensions costs (transferred to (or from) the Pensions Reserve)	-507	0	0
-24	0	0	Financial instruments (transferred to the Financial Instruments Adjustment Account)	-24	0	0
5	0	0	Available for Sale (transferred from the Available for sale Adjustments Account)	-137	0	0
2,713	0	0	Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	1,178	0	0
-2	0	0	Holiday pay (transferred to the Accumulated Absences Reserve)	-5	0	0
-398	0	0	Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the capital adjustment account)	-1,783	0	0
2,554	0	0	Total Adjustments to revenue resources	-1,278	0	0
Adjustments between revenue and capital resources						
802	-802	0	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	318	-318	0
-7	7	0	Payments to the government housing receipts pool (funding by a transfer from the Capital receipts Reserve)	-4	4	0
0	0	0	Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	98	0	0
-41	0	0	Capital Expenditure financed from revenue balances (transfers to the Capital Adjustment Account)	63	0	0
754	-795	0	Total adjustments between revenue and capital resources	475	-314	0
Adjustments to capital resources						
0	3,357	0	Use of the Capital Receipts Reserve to finance capital expenditure	0	1,585	0
158	0	-147	Receipt and Application of capital grants to finance capital expenditure	-35	0	35
0	-11	0	Cash payments in relation to deferred capital receipts	0	-6	0
158	3,346	-147	Total adjustments to capital resources	-35	1,579	35
3,466	2,551	-147	Total adjustments	-838	1,265	35

12. Movements in 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 2017/2018.

	Balance 31/03/2016 £'000	Movement 2016/2017 £'000	Balance 31/03/2017 £'000	Movement 2017/2018 £'000	Balance 31/03/2018 £'000
Asset Management Reserve****	336	186	522	635	1,157
Borough Regeneration Reserve	11	-4	7	0	7
Business Rates Reserve*	4,098	-2,608	1,490	-854	636
Business Support Reserve	107	125	232	-12	220
Business Transformation Reserve	231	91	322	34	356
Community Support Reserve	118	9	127	-13	114
Development Management Reserve	467	-363	104	134	238
Development Policy Reserve	317	-20	297	228	525
Elections Reserve	64	-1	63	6	69
Flood Support and Protection Reserve	255	-211	44	-30	14
Health & Leisure Development reserve	34	-6	28	-26	2
Horsford Reserve	39	9	48	5	53
Housing & Homeless Reserve	40	-22	18	413	431
IT reserve	0	15	15	3	18
Mayors Charity Reserve	7	1	8	-2	6
MTFS Equalisation Reserve***	747	421	1,168	-302	866
Organisational Development Reserve	27	-13	14	117	131
Planning Obligations Reserve**	2,441	267	2,708	1,401	4,109
Risk Management Reserve	26	-18	8	-3	5
Transport Initiatives Reserves	0	342	342	178	520
Uncommitted Reserve	0	0	0	47	47
Waste & Recycling Development Reserve	21	8	29	507	536
Totals	9,386	-1,792	7,594	2,466	10,060

Material Reserves

* The Business Rates Reserve is required due to the accounting requirements of the retained business rates legislation. The financial statements reflect the position estimated prior to the start of the financial year rather than the true year end position. In 2017/2018 the impact of appeals on valuation assessments during the year means that the true position is significantly different than that reflected in the accounts and therefore the equivalent level of reserve is required. It is a technical accounting reserve and is not available for any other purpose.

** The Planning Obligations Reserve represents those sums received from developers which have to be used for the purposes specified in the section 106 agreements and again cannot be used for any other purpose.

*** The MTFS Equalisation Reserve is monies which have been set aside to protect budgets against the impact of future reductions in grants and funding from central government as well as other pressures on revenue budgets.

**** The Asset Management Reserve is monies set aside to fund projects in relation to the council's property. Currently, the reserves are being used to support the council office refurbishment and to support and maintain the commercial properties purchased.

13. Other Operating Expenditure

2016/2017 £'000		2017/2018 £'000
1,703	Parish Council Precepts	1,808
7	Payments to Government Housing Capital Receipts Pool	4
-443	Gains/Losses on Disposal Of Non-Current Assets	-42
-359	Other Income - Right to Buy Sales	-276
908		1,494

14. Financing & Investment Income & Expenditure

2016/2017 £'000		2017/2018 £'000
15	Interest payable and Similar Charges	60
-115	Interest receivable and similar income	-193
952	Net interest on the net defined benefit liability	794
-561	Income and expenditure in relation to changes in investment properties fair value	700
-417	Income and expenditure in relation to investment properties	-1,392
-5	Movement on available for sale investments	139
-131		108

15. Taxation and Non Specific Grant Income and Expenditure

2016/2017 £'000		2017/2018 £'000
-5,127	Council Tax Income	-5,489
-1,366	Non-domestic rates income and expenditure	-1,596
-887	Revenue Support Grant	-515
-3,837	Other Non-Ring fenced Government Grants	-4,283
-497	Capital Grants and Contributions	-470
-11,714		-12,353

16. Property, Plant and Equipment

Movements in 2017/2018

	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Plant, Property & Equipment £'000
Cost or Valuation							
At 1 April 2017	22,652	6,042	327	22	0	5	29,048
Additions	0	578	0	0	0	1,112	1,690
Revaluation increases/(decreases) recognised in the Revaluation Reserve	8	0	0	0	0	0	8
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	-5	0	0	0	0	0	-5
Derecognition-disposals	0	-245	0	0	0	0	-245
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 2018	22,655	6,375	327	22	0	1,117	30,496
Accumulated Depreciation and Impairment							
At 1 April 2017	0	-3,290	-94	0	0	0	-3,384
Depreciation charge	-396	-617	-9	0	0	0	-1,022
Depreciation written out to Revaluation Reserve	396	0	0	0	0	0	396
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0
Derecognition-disposals	0	245	0	0	0	0	245
At 31 March 2018	0	-3,662	-103	0	0	0	-3,765
Net Book Value							
At 31 March 2018	22,655	2,713	224	22	0	1,117	26,731
At 31 March 2017	22,652	2,752	233	22	0	5	25,664

16. Property, Plant and Equipment (continued)

Movements in 2016/2017

	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Plant, Property & Equipment £'000
Cost or Valuation							
At 1 April 2016	13,151	3,111	283	23	0	7,370	23,938
Additions	22	2,931	0	0	0	373	3,326
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,105	0	0	0	0		2,105
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	-2	0	0	0	0	0	-2
Derecognition-disposals	0	0	0	0	0	0	0
Reclassified to/from Held for Sale	0	0	0	0	0	0	0
Other movements in cost or revaluation	7,376	0	44	-1	0	-7,738	-319
At 31 March 2017	22,652	6,042	327	22	0	5	29,048
Accumulated Depreciation and Impairment							
At 1 April 2016	0	-2,752	-86	0	0	0	-2,838
Depreciation charge	-361	-538	-8	0	0	0	-907
Depreciation written out to Revaluation Reserve	361	0	0	0	0	0	361
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	0	0	0
At 31 March 2017	0	-3,290	-94	0	0	0	-3,384
Net Book Value							
At 31 March 2017	22,652	2,752	233	22	0	5	25,664
At 31 March 2016	13,151	359	197	23	0	7,370	21,100

16. 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 – 5 - 7 years
- Photovoltaic Solar Panels – 25 years
- Infrastructure – as estimated by the valuer or project officer

Capital Commitments

At 31 March 2018, the council has a material capital contracts for the refurbishment of the council offices which is worth approximately £2.1m. The works were in progress as at the 31st March and is shown in the Assets under construction section of this note. The works are due to be completed by September 2018.

Effects of Changes in Estimates

In 2017/2018, the council made no changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

During 2014/2015 financial year the council undertook a tender exercise and appointed Wilks Head and Eve LLP as our external valuers for a 5 year period until 2020. The contract requires that all its Property, Plant and Equipment, required to be measured at current value, is revalued annually as at the 31 March. Valuations of land and buildings have been carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Valuation of Vehicles, Plant and Equipment are on a Depreciated Historic Cost basis as a proxy for current value on the basis that they have short useful lives and/or low values.

An annual impairment review has not been required as all relevant assets have been valued as at the 31 March. The council has provided the valuers with information regarding the known condition of the assets as at that date, to inform the valuation process.

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

	Other Land & Buildings	Vehicles, Plant & Equipment	Community and Infrastructure Assets	Assets under Construction	TOTAL
	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	0	6,375	349	0	6,724
Carried at cost incurred to date	0	0	0	1,117	1,117
Valued at current value	22,655	0	0	0	22,655
Total Cost or Valuation	22,655	6,375	349	1,117	30,496

17. Heritage Assets

The council has disclosed Heritage Assets at a carrying value of £217,929 in the Balance Sheet.

Below is a description of both the assets disclosed on the Balance Sheet as well as those Heritage Assets which the council has ownership of but not disclosed on the Balance Sheet

Archaeological artefacts

The Holm Archaeological Collection is made up of a number of items uncovered when the council undertook some archaeological rescue excavations in the 1970's when preparing to build on the site of the Council Offices. These items are held at Tewkesbury Museum on loan. These assets are disclosed on the Balance Sheet.

A collection of work, uncovered on the site of the old art deco Sabrina cinema (now the Roses Theatre site) has been catalogued by Gloucestershire County Council, thanks to an one off grant from English Heritage. These items have been deposited with the Tewkesbury Museum to add to their collections.

The council also has a range of artefacts discovered on various other Borough sites over 40 years ago. The collection is from work carried out by the Borough archaeologist from 1972-1976. The archive 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.

These sites and items do not have a value and so are only disclosed in this note and do not have a carrying value in the Balance Sheet.

Civic Regalia and Other Display Items

All the civic regalia has been purchased or acquired (mainly through the creation of Tewkesbury Borough Council from 3 constituent authorities). The civic regalia are mostly displayed in the council offices for people to view and include sterling silver maces and pendants. These have been disclosed in the Balance Sheet.

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.

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 but have no value either.

Arrivall Sculptures

The council took ownership of two custom built sculptures on 4th May 2014, named 'The Arrivall'. These 18ft wooden sculptures were commissioned by Tewkesbury Battlefield Society and depict a scene from a battle during the 'War of the Roses'. They were donated to the council, who will be responsible for the maintenance of these in the future. These assets are disclosed on the Balance Sheet.

18. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income

2016/2017 £'000		2017/2018 £'000
-410	Rental income from investment property	-1,404
1	Direct operating expenses arising from investment property	12
-409	Net (gain)/loss	-1,392

Rental Income has increased from the previous year due to the purchase of 3 investment properties in the year with a total capital purchase of £13,638k.

There are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal. The council 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:

2016/2017 £'000		2017/2018 £'000
3,533	Balance 1 April	19,552
	Additions:	
15,140	Purchases	13,638
0	Construction	0
0	Subsequent expenditure	0
	Disposals:	
561	Net gains/losses from fair value adjustments	-701
	Transfers:	
0	to/from Inventories	0
318	to/from Property, Plant and Equipment	0
19,552	Balance 31 March	32,489

Fair Value Hierarchy

Details of the council's investment properties and information about the fair value hierarchy as at the year end are as follows:

	Quoted prices in active markets for identical assets (level 1)	Other significant observable inputs (level 2)	Significant unobservable inputs (Level 3)	Fair Value as at the 31 March
Land	0	1,617	0	1,617
Commercial Units	0	30,410	0	30,410
Other	0	0	462	462
Total as at 31 March 2018	0	32,027	462	32,489

There were no transfers between Levels 1 and 2 during the year.

18. Investment Properties (continued)

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

Land, Industrial and Retail assets have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the locality. Market conditions for these asset types are such that the levels of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy.

Significant Unobservable Inputs – Level 3

Golf Club and sports club land assets have been based on a comparable approach either by estimated market rental values as the majority of these assets are let at sub-market or subsidised passing rents. We have had to draw on a number of our own assumptions and utilised third party resources in order to value these assets. These assets are therefore categorised as Level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements (and there is no reasonably available information that indicates that market participants would use different assumptions)

Highest and Best Use of Investment Properties

In estimating the fair value of the council's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties

Reconciliation of Fair Value Measurements (using Significant Unobservable Inputs) Categorised within

The value of assets categorised within Level 3 as at the 31 March 2018 is £461,600 (value as at 31 March 2017 was £469,500). There has been no change in the assets identified in this category.

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3

	Valuation technique used to measure fair value	Unobservable Inputs	Range	Sensitivity
Golf Club	Comparative based on limited rental evidence	Rental Value	£30 - £60 psm	Changes in rental growth, yields, occupancy will result in a lower or higher fair value
		Yields	10% - 14%	
Sports Club Land	Comparative based on limited rental evidence	Rental Value	£1,000 - £2,000 per pitch	Changes in rental growth, yields, occupancy will result in a lower or higher fair value
		Yields	8% - 12%	

Valuation Process for Investment Properties

The fair value of the council's investment property is measured annually at each reporting date. All valuations are carried out by the council's external valuer in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The council's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

19. Financial Instruments

Categories of Financial Instruments

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

	Long-Term		Current	
	31/03/2017 £'000	31/03/2018 £'000	31/03/2017 £'000	31/03/2018 £'000
<u>Investments</u>				
Investments				
Loans and receivables	0	2,004	6,033	8,016
Available-for-sale financial assets	0	0	0	3,265
Cash Equivalent Investments				
Loans and receivables	0	0	6,902	1,643
Available-for-sale financial assets	0	0	3,998	0
Total investments	0	2,004	16,933	12,924
<u>Debtors (less any impairments)</u>				
Loans and receivables	411	364	0	0
Financial assets carried at contract amounts	0	0	2,001	2,566
Total debtors	411	364	2,001	2,566
<u>Borrowings</u>				
Financial liabilities at amortised cost	0	0	15,015	21,032
Total borrowings	0	0	15,015	21,032
<u>Creditors</u>				
Financial liabilities carried at contract amount	0	0	3,165	562
Total creditors	0	0	3,165	562

Income, Expense, Gains and Losses

	2016/2017			2017/2018		
	Financial Assets - Available for sale £'000	Financial Assets: Loans and receivables £'000	TOTAL £'000	Financial Assets - Available for sale £'000	Financial Assets: Loans and receivables £'000	TOTAL £'000
Surplus or Deficit on the Provision of Services						
Interest expense	0	15	15	0	60	60
	0	15	15	0	60	60
Interest income	-26	-89	-115	-94	-99	-193
	-26	-89	-115	-94	-99	-193
Surplus or Deficit arising on revaluation of financial assets						
Gains on revaluation	5	0	0	139	0	139
Total Charged to Other CIES	5	0	5	139	0	139
Net gain/(loss) for the year	-21	-74	-95	45	-39	6

19. 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 £2m investment outstanding for greater than a year. The investment is with a Housing association at a fixed rate of interest for the period of the investment until February 2020. As this is not a tradable investment the fair value is assumed to equate the carrying value.

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

Some of the council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Financial assets measured at fair value

Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31/3/2018 £'000
Available for sale:			
CCLA Property Fund	Level 1	Multiply the price by the number of units held, using the bid price where quoted	3,265
Equity Shares in Ltd Company	Untradeable Shares	Historic Cost of Share Capital	0

There have been no transfers between input levels 1 and 2 during the year and there have been no change in the valuation technique used during the year for financial instruments.

The council does not hold any financial assets which are carried at fair value categorised within level 3 of the fair value hierarchy

The council also has an equity share in a limited company, UBICO Ltd. This is a teckal company owned by 7 Local Authorities. Each Local Authority has a £1 share capital equity in the company. The Shareholder agreement is that each interested body has an equal share interest. This interest can not be traded and can only be realised on dissolving our interest in the company. Therefore it has no fair value and is held as a long term investment at historic cost.

20. Short Term Debtors

The balances outstanding at 31 March are summarised as follows:

	2016/2017 £'000	2017/2018 £'000
Central government bodies	1,250	466
Other local authorities	614	753
NHS bodies	0	2
Public corporations and trading funds	0	3
Other entities and individuals	2,277	3,158
Gross Debts	4,141	4,382
less Impairment Allowance	-1,262	-1,406
Total Net Debtors	2,879	2,976

21. Cash and Cash Equivalents

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

	2016/2017 £'000	2017/2018 £'000
Cash held by the council	286	252
Bank current accounts	-323	-297
Short-term deposits	10,900	1,643
Total Cash and Cash Equivalents	10,863	1,598

22. Short Term Creditors

The balances outstanding at 31 March are summarised as follows:

	2016/2017 £'000	2017/2018 £'000
Central government bodies	2,444	6,116
Other local authorities	735	1,550
Other entities and individuals	3,555	1,623
Total	6,734	9,289

23. Provisions

23.1 Short Term Provisions

	Outstanding Legal Cases	Other Provisions	Total
	£'000	£'000	£'000
Balance at 1st April 2017	8	1,498	1,506
Additional provisions made	251	1,728	1,979
Amounts used	3	1,449	1,452
Unused amounts reversed	0	18	18
Balance at 31 March 2018	256	1,759	2,015

23.2 Long Term Provisions

	Outstanding Legal Cases	Other Provisions	Total
	£'000	£'000	£'000
Balance at 1st April 2017	10	1,937	1,947
Additional provisions made	0	2,259	2,259
Amounts used	0	1,879	1,879
Unused amounts reversed	10	0	10
Balance at 31 March 2018	0	2,317	2,317

Description of main provisions

Outstanding Legal Cases

There are several ongoing cases concerning VAT are currently being defended by Her Majesty's Revenue and Customs through the EU. The cases concern interest claims for the successful Fleming case and on Royal Mail fees.

In all 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.

Other Provisions

There is a 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 made an initial clawback of 15% (£23,954) and a subsequent clawback of a further 10% as there will not be a solvent run off of the company. Since there may be further clawback in the future £15,967 (10%) has been set aside as a long term provision to cover this possibility. This will be kept under review as further information becomes available

The Executive Committee agreed on the 12 October 2016 to transfer deed of covenant for land at Queens Road to Severn Vale Housing Association as part of the wider Priors Park Community Project. The cost of the purchase has been split over seven years. As part of the agreement the council will grant fund the cost of purchasing the Deeds, as at the 31 March 2018 the grant due was £52,600.

23. Provisions (continued)

There is a provision of £3,963k at the 31 March 2018 relating to business rate appeals apportioned to the council. The appeals are from a range of organisations that have submitted appeals to the Valuation Office agency.

A provision of £250k has been included at 31 March 2018, which is to cover any ongoing legal costs incurred as part of the councils statutory responsibility to investigate a fatality in a retail premises in Tewkesbury Borough.

24. Usable Reserves

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement and Notes 5 and 11 and 12

25. Unusable Reserves

25.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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.

2016/2017 £'000		2017/2018 £'000
4,866	Balance at 1 April	7,242
2,466	Upward revaluation of assets & reversal of previous impairment losses	404
0	Downward revaluation of assets and impairment losses not charged to	0
-47	Difference between fair value depreciation and historical cost	-30
-43	Accumulated gains on assets sold, scrapped or transferred	0
<u>7,242</u>	Balance at 31 March	<u>7,616</u>

25.2 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 council 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 council.

25. Unusable Reserves (continued)

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.

2016/2017 £'000		2017/2018 £'000
20,514	Balance at 1 April	23,533
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</i>		
-908	Charges for depreciation and impairment of non-current assets	-1,022
-2	Revaluation losses on Property, Plant and Equipment	0
-49	Amortisation of intangible assets	-56
-339	Revenue expenditure funded from capital under statute from Capital Grants	-505
-285	Revenue expenditure funded from capital under statute from Capital Receipts	-28
47	Adjusting amounts written out of the Revaluation Reserve	30
<i>Capital financing applied in the year:</i>		
3,357	Use of the Capital Receipts Reserve to finance new capital expenditure	1,700
350	Application of grants to capital financing from the Capital Grants Unapplied Account	390
0	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	99
244	Capital expenditure charged against the General Fund	91
561	Movements in the market value of Investment and donated properties debited or credited to the Comprehensive Income and Expenditure Statement	-705
43	Transferred Asset balance from Revaluation reserve	0
23,533	Balance at 31 March	23,527

25.3 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 council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council 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 council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2016/2017 £'000		2017/2018 £'000
-27,853	Balance at 1 April	-30,704
-3,111	Remeasurements of the net defined benefit liability/(asset)	2,328
260	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	-507
<u>-30,704</u>	Balance at 31 March	<u>-28,883</u>

25.4 Collection Fund Adjustment Account

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

2016/2017 £'000		2017/2018 £'000
-4,118	Balance at 1 April	-1,405
2,713	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements.	1,177
<u>-1,405</u>	Balance at 31 March	<u>-228</u>

26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2016/2017 £'000		2017/2018 £'000
-94	Specific Inflows	-171
0	Interest received	43
	Interest paid	

26. Cash Flow Statement – Operating Activities (continued)

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

2016/2017 £'000		2017/2018 £'000
-908	Depreciation	-1,022
565	Impairment & downward valuations	-842
-49	Amortisation	-56
28	Increase in impairment for bad debts	-145
-6,740	Increase in creditors	-48
2,701	Increase in debtors	5,019
-13	Increase in Inventories	0
216	movement in pension liability	-476
802	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	0
-1,395	Other non-cash items charged to the net surplus or deficit on the provision of services	-880
-4,793		1,550

27. Cash Flow Statement – Investing Activities

2016/2017 £'000		2017/2018 £'000
20,648	Purchase of property, plant and equipment, investment property and intangible assets	12,894
13,002	Purchase of short-term and long-term investments	30,404
-772	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	117
-9,003	Proceeds from short-term and long-term investments	-23,000
23,875	Net cash flows from investing activities	20,415

28. Cash Flow Statement – Financing Activities

2016/2017 £'000		2017/2018 £'000
-16,000	Cash receipts of short- and long-term borrowing	-42,000
-7,192	Other receipts from financing activities	-5,071
1,002	Repayments of short- and long-term borrowing	36,000
0	Other payments for financing activities	99
-22,190	Net cash flows from financing activities	-10,972

29. Agency Services

The council provided payroll services during 2017-2018 for the Tewkesbury Museum (until December 2017), Wheatpieces Parish Council and Tewkesbury Town Council (until March 2018) involving the payment of £107k to employees and £22k to Her Majesty's Revenue and Customs and £14k in relation to payment of pension contributions. The three organisations paid a management fee of £7k.

30. Members' Allowances

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

	2016/2017 £'000	2017/2018 £'000
Allowances	332	336
Mileage & Subsistence	9	7
Other Expenses	1	1
Total Reimbursement	342	344

The above figures include a basic allowance for each member of £7,200 (2016/2017 £7,200)

31. Officers' Remuneration

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

Post Title	Note	Year	Salary, Fees and Allowances £'000	Pension Contributions £'000	Total Remuneration £'000
Current Posts					
Chief Executive		2017/2018	113	20	133
		2016/2017	112	16	128
Deputy Chief Executive	2	2017/2018	83	14	97
		2016/2017	73	11	84
Borough Solicitor	1	2017/2018	88	15	103
		2016/2017	85	12	95
Section 151 Officer (Chief Finance Officer)		2017/2018	70	12	82
		2016/2017	68	10	77
Total		2017/2018	354	61	415
		2016/2017	335	49	384

Notes

1. The Borough Solicitor provides services for both the council and Cheltenham Borough Council. She is formally employed by the council and Cheltenham Borough is recharged 34.79% of her salary and other remuneration.

2. There was a change in Deputy Chief Executive during the 2016/2017 year. This resulted in a saving in 2016/2017 as there was a gap between employment.

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

Remuneration Band		Number of Employees	
		2016/2017 Total	2017/2018 Total
£50,000	£54,999	3	1
£55,000	£59,999	1	3
£60,000	£64,999	1	3
£65,000	£69,999	1	0
		6	7

31. Officers' Remuneration (continued)

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	
	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017 £'000	2017/2018 £'000
0 - 20,000	0	0	0	0	0	0	0	0
20,001 - 40,000	0	1	0	0	0	0	0	29
40,001 - 60,000	0	0	0	0	0	0	0	0
60,001 - 80,000	0	0	0	0	0	0	0	0
Total	0	1	0	0	0	0	0	29

Termination Benefits

There are no potential termination benefits due in the 2018/19 financial year as a result of decisions made before the 31st March 2018.

32. Audit Costs

The council 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 council's external auditors:

	2016/2017 £'000	2017/2018 £'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor.	45	45
Fees payable to Grant Thornton for the certification of grant claims and returns.	10	9
	<u>55</u>	<u>54</u>

33. Grant Income

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

	2016/2017 £'000	2017/2018 £'000
Credited to Taxation and Non Specific Grant Income		
S.31 Grants & Contributions (supporting the NDR regime)	-10	-256
Revenue Support Grant	-887	-515
New Homes Bonus Grant	-3,401	-3,218
Small Business Relief Grant	-408	-797
Other Grants	-18	-12
	<u>-4,724</u>	<u>-4,798</u>
Capital Grants		
Disabled Facilities Grants	-497	-428
Other Capital Grants	0	-42
	<u>-497</u>	<u>-470</u>
Total	<u>-5,221</u>	<u>-5,268</u>

33. Grant Income (continued)

Grants Credited to Services	2016/2017 £'000	2017/2018 £'000
Ministry of Housing, Community & Local Govt		
Capability Funding Grant	-224	-305
Other DCLG Grants	-188	-295
Dept. Work & Pensions Grants		
Housing Benefit Administration & Associated Grants	-216	-250
Housing Benefit Grant	-19,009	-18,647
Other DWP Grants	-70	-26
Homes & Communities		
LSIF Funding	0	-70
Cabinet Office		
Other Grants	-244	-153
Other Government Grants	-1	0
Contributions Credited to Services		
Gloucestershire County Council Contributions		
Large Sites Infrastructure Fund	-40	-50
Waste Incentive Contributions	-100	-100
Youth Offending	-50	-71
Flood Works and Water Management	-90	-22
Other GCC contributions	0	-111
Transfer of Places of Safety Funding from Forest of Dean	0	-441
Other Contributions from Government bodies	-106	-28
Contributions in relation to S.106 agreements	-1,103	-1,838
Total	-21,441	-22,407
Grand Total	-26,662	-27,675

34. 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

The UK Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 33.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2017/2018 is shown in Note 30. 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 it is disclosed within Note 31.

Declarations made involving material financial transactions are listed below:

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. Total of precepts paid to parishes are shown in the Comprehensive Income and Expenditure Account on note 13.

In addition to council tax and business rate precepts, the council also made payments of £157,550 for both grants and services to Gloucestershire County Council. 8 Borough Council members also declared a relationship with the County Council during 2017-18.

The Council provides grant funding which is available to parish councils. Many borough members are also parish council representatives or have a relationship with the council that they have declared. Below is an analysis of significant funding awards made to Parish Councils during 2017/2018

		No. of Members	Payments other than precepts £'000
Parish Councils:	Bishop's Cleeve	2	11
	Brockworth	3	56
	Highnam	1	1
	Hucclecote	1	33
	Northway	2	8

34. Related Party Transactions (continued)

General Related Parties

Consideration has been given to whether individual members have any personal (including familial) relationships with other entities that the Council has had transactions with during the financial year.

Individual Borough Councillors declared the following significant related parties to the Head of Finance and Asset Management

Related Party	No. of Members	Payments 2017/2018 £'000
Cleeve Common Board of Conservators	2	25
Cotswold AONB (Cotswold conservation board)	1	5
Ubico Ltd	4	4,253
Priors Park Neighbourhood Project	2	18
Northway Youth Club	1	7

Officers

There were no transactions between Tewkesbury Borough Council and related parties disclosed by officers relating to the 2017/2018 financial year.

35. 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. The CFR is analysed in the second part of this note.

	2016/2017 £'000	2017/2018 £'000
Opening Capital Financing Requirement	0	15,140
Capital Investment		
Property Plant & Equipment	3,326	1,690
Investment Asset	15,140	13,638
Intangible assets	1	73
Revenue Expenditure Funded from Capital Under Statute	624	533
	<u>19,091</u>	<u>15,934</u>
Sources of finance		
Capital receipts	-3,357	-1,700
Government grants and other contributions	-350	-505
Sums set aside from revenue:		
Direct Revenue Contributions	-244	-91
Minimum Revenue Provision	0	-99
	<u>-3,951</u>	<u>-2,395</u>
Closing Capital Financing Requirement	<u>15,140</u>	<u>28,679</u>
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by Government financial assistance)	15,140	13,547
Increase/(decrease) in Capital Financing Requirement	<u>15,140</u>	<u>13,547</u>

36. Leases

The Council as Lessee

Operating Leases

The council has a number of operating leases. The primary leases involved are:

Land Land for Bishops Walk Car Park
Equipment Xerox Photocopiers & Printers lease

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

	31 March 2017 £'000	31 March 2018 £'000
Not later than one year	68	69
Later than one year and not later than five years	216	220
Later than five years	95	53
	<u>379</u>	<u>342</u>

The minimum lease payments do not include rents that are contingent on events yet to take place after the lease was entered into, such as future rent reviews.

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

	2016/2017 £'000	2017/2018 £'000
Minimum Lease Payments	68	67
	<u>68</u>	<u>67</u>

36. Leases (continued)

The Council as Lessor

The council 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:

Holiday Caravan Site
Bowling Club & Green
Land for Cricket & Rugby Clubs

- For income generation purposes

A commercial office and industrial unit in Ashchurch near Tewkesbury
Two commercial industrial units at Clevedon, Somerset
Rental of office space within the Council Offices
Golf Clubhouse & Car Parking
Residential Office, The Chase, Hertfordshire
Industrial Unit in Trowbridge
Industrial Units, SPL International, Ellesmere Port

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

	31 March 2017 £'000	31 March 2018 £'000
Not later than one year	1,140	2,010
Later than one year and not later than five years	4,454	7,797
Later than five years	8,172	12,769
	<u>13,766</u>	<u>22,576</u>

The increase in the income from leasing is due to purchasing three investment properties during 2017/2018. The annual rent from these three properties is £818k.

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.

Contingent rents received in the year were:

	2016/2017 £'000	2017/2018 £'000
Contingent Rents	164	131

The figures include leases starting after 31 March 2018 which were signed before the financial statements were signed.

37. Defined Benefit Pension Schemes

37.1 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 council 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 Council has a commitment to make payments that needs to be disclosed at the time that employees earn their future entitlement.

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

37.2 Transactions relating to Post-employment 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	2016/2017 £'000	2017/2018 £'000
Cost of Services:		
- Current service cost	1,215	2,259
- gain/(loss) on settlements	-117	11
Financing and Investment Income and Expenditure		
- Net interest expense	952	794
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,050	3,064
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
- Return on plan assets (excluding the amount included in the net interest expense)	-5,766	-873
- Actuarial gains and losses arising on changes in demographic assumptions	-176	0
- Actuarial gains and losses arising on changes in financial assumptions	11,659	-1,461
- Other	-2,606	6
	3,111	-2,328
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	5,161	736

37. Defined Benefit Pension Schemes (continued)

b). Movement in Reserves Statement	2016/2017 £'000	2017/2018 £'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	-2,050	-3,064

Actual amount charged against the General Fund Balance for pensions in the year:

- Employers' contributions payable to scheme	2,310	2,557
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37.3 Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the council's obligation in respect of its defined benefit plans is as follows:

	2016/2017 £'000	2017/2018 £'000
Present value of the defined benefit obligation	78,672	79,675
Fair value of plan assets	-47,968	-50,792
Net liability arising from defined benefit obligation	<u>30,704</u>	<u>28,883</u>

37.4 Reconciliation of the Movements in Fair Value of the Scheme Assets:

	2016/2017 £'000	2017/2018 £'000
Opening fair value of scheme assets at 1 April	40,661	47,968
Interest income	1,421	1,255
Effect of Settlements	-271	0
Remeasurement gain/(loss):		
- The return on plan assets, excluding the amount included in the net interest expense	5,766	873
Other		
Contributions from employer	2,310	2,557
Contributions from employees into the scheme	330	358
Benefits paid	-2,249	-2,219
Closing fair value of scheme assets at 31 March	<u>47,968</u>	<u>50,792</u>

37. Defined Benefit Pension Schemes (continued)

37.5 Reconciliation of Present Value of the Scheme Liabilities:

	2016/2017 £'000	2017/2018 £'000
Opening balance at 1 April	68,514	78,672
Current service cost	1,215	2,259
Effect of Settlements	-388	0
Interest cost	2,373	2,049
Contributions from scheme participants	330	358
Remeasurement gain/(loss):		
- Actuarial gains/losses arising from changes in demographic assumptions	-176	0
- Actuarial gains/losses arising from changes in financial assumptions	11,659	-1,461
- Other	-2,606	6
Past Service Cost	0	11
Benefits paid	-2,249	-2,219
Closing balance at 31 March	78,672	79,675

37.6 Local Government Pension Scheme assets comprised:

Asset category	Period Ended 31 March 2017				Period Ended 31 March 2018			
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	% of Total Assets	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	% of Total Assets
Equity Securities	8,759	0	8,759	18%	9,275	0	9,275	18%
Debt Securities	6,425	0	6,425	13%	6,803	0	6,803	13%
Private Equity	0	122	122	0%	0	129	129	0%
Real Estate	2,338	1,010	3,348	7%	2,475	1,070	3,545	7%
Investment Funds and Unit Trusts	4,806	23,779	28,585	60%	5,089	25,179	30,268	60%
Derivatives	37	0	37	0%	39	0	39	0%
Cash and Cash Equivalents	693	0	693	1%	734	0	734	1%
Totals	23,058	24,911	47,969	100%	24,415	26,378	50,793	100%

37. Defined Benefit Pension Schemes (continued)

37.7 Basis for Estimating Assets and Liabilities

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 31 March 2016. The next formal valuation will be as at 31st March 2019.

The significant assumptions used by the actuary have been:

	2016/2017	2017/2018
Long-term expected rate of return on assets in the scheme:		
Equity investments	2.6%	2.7%
Bonds	2.6%	2.7%
Property	2.6%	2.7%
Cash	2.6%	2.7%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	22.4	22.4
• Women	24.6	24.6
Longevity at 65 for future pensioners:		
• Men	24.0	24.0
• Women	26.4	26.4
Rate of inflation	2.4%	2.4%
Rate of increase in salaries	2.7%	2.7%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	2.6%	2.7%

37.8 Commutation

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

37.9 Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

37. Defined Benefit Pension Schemes (continued)

Impact on the Defined Benefit Obligation in the scheme

Change in assumptions at year ended 31 March 2018	Approx. % increase to Employer Liability	Approx. monetary amount (£'000)
0.5% decrease in Real Discount Rate	10%	7,604
0.5% increase in the Salary Increase Rate	1%	1,005
0.5% increase in the Pension Increase Rate (CPI)	8%	6,510

37.10 Impact on the council's Cash Flows

The objectives of the scheme are to keep employers' contributions at a stable, affordable rate whilst ensuring the solvency of the fund at the same time. The County Council has agreed a strategy with the scheme's actuary to cap the employer contribution rate for 3 years, until the next triennial valuation in 2019, with a stepped monetary amount to stabilise the payments.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The contribution rates for the accounting periods till the next triennial valuation are:

	% of payroll		Monetary amount
Certified rates for the year ending:			
31 March 2019	17.5%	plus	1,775
31 March 2020	17.5%	plus	1,968

38. Contingent Assets

There are no identified contingent assets in 2017/2018.

39. Nature and Extent of Risks Arising from the Financial Instruments

The council'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 council**
- **Liquidity risk - the possibility that the council might not have funds available to meet its commitments to make payments**
- **Market risk - the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates, inflation rates and stock market movements**

The council'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.

The council has a risk management strategy and a corporate risk register is in place which is reported to Audit Committee on a quarterly basis. All significant projects are also supported with risk registers. Operational type risks are dealt with through normal business dialogue. Risk is a standing agenda item on the Corporate Management Team agenda and all committee reports have a risk implications box.

Risk management is carried out by the Treasury Officer under policies approved by full council within the Treasury Management Strategy. The Treasury Management Policy and Strategy covers all areas of risk management, including liquidity, interest rates and credit. The Treasury management strategy is approved annually by council. Below is the strategy setting approach for 2017/2018 and for 2018/2019 the strategy approved on the 20 February 2018.

The Treasury Management policy was last approved by council on 13 April 2010

An update to the policy was taken to council on 23 February 2012

Credit Risk

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

Deposits with banks and financial institutions

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, based on information from recognised Credit Rating Agencies. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The council has treasury management advisors who support the council in managing the risk profiles from investments and identifying suitable organisation to invest in. They have access to a wide range of information such as financial statements, quality press and other market measures. Due to the current economic environment and the reducing level of balances available to invest the treasury management policy is that a maximum of £2m can be lent to any one institution (including group companies) apart from our current account bank Barclays Bank PLC.

Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

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:

39. Nature and Extent of Risks Arising from the Financial Instruments (continued)

- 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”.

The council defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

Current account bank

Following a banking tender in 2015, the council's current account continues to be held with Barclays PLC, which is currently above the minimum BBB+ rating. Should the credit ratings fall below BBB+ the council may continue to deposit surplus cash with Barclays PLC providing that investments can be withdrawn on the next working day, and that the bank maintains a credit rating no lower than BBB- (the lowest investment grade rating).

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 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, and investments with bodies and schemes not meeting the definition of high credit quality. 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 £7m.

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 £550k (working balance) to cover investment losses.

Credit exposures to the authority's customers.

Customers for goods and services are assessed depending on the nature of the service or goods provided, i.e. a commercial waste customer will be assessed on their past history with the council among other things and services withdrawn if payment stop whereas debtors for statutory services may be dealt with more leniently. Financial checks are carried out for some customers depending on the contract values. A credit checking agency is used to check substantial creditors before contracts are awarded.

The following analysis summarises the council'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.

39. Nature and Extent of Risks Arising from the Financial Instruments (continued)

Rating	Amount outstanding at 31st March 2018	Historical experience of default (adj. for market conditions)	Estimated maximum exposure to default and collectability at 31st March 2017	Estimated maximum exposure to default and collectability at 31st March 2018
	£'000		£'000	£'000
Customers	984	0.34%	1	3

The council does not generally allow credit for customers. Currently £360k of the £984k 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 2017 £'000	31st March 2018 £'000
Less than three months	11	267
Three to six months	57	57
Six Months to one year	16	22
More than one year	13	14
TOTAL	97	360

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 council has ready access to borrowings from the Public Works Loan Board and an active lending market, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. With total investments of £13.285m, of which £11.281m is maturing in less than a year (and cash and cash equivalents of £1.597m) the council has no significant liquidity risk.

Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The current objective as advised by our treasury management advisors, is to strike an appropriately low risk balance between securing current low interest costs and achieving certainty of those costs over the period for which funds are required. The benefits of internal/short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. The council's treasury management advisors will assist the Authority with this 'cost of carry' and breakeven analysis

The maturity analysis of financial liabilities is as follows:

	31st March 2017 £'000	31st March 2018 £'000
Less than one year	15,000	21,032
TOTAL	15,000	21,032

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

39. Nature and Extent of Risks Arising from the Financial Instruments (continued)

Market Risk

Interest rate risk

The council 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 council. 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 or 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 council 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.

As the council only has fixed rate investments which are short term and equity investments a change in the interest rate would have minimal effect on the council. However the impact of a 1% increase in interest rates on the short term investment and borrowing portfolio as at the 31/03/18 would be an additional saving of £174,027.

Price Risk

The council does not generally invest in equity shares but does have exposure to shares in short term liquidity funds. The council is consequently exposed to losses arising from movements in the prices of the shares.

As the only funds we invest in are cash plus funds, which are designed to minimise risk by holding a diversified portfolio, our exposure to share price changes is minimal and we can also sell our shares easily, and quickly in an active market.

The shares in the funds mentioned above are all classified as 'available for sale' meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. A general shift of 5% in the general price of shares (positive or negative) would have resulted in an additional £157k loss being recognised in the Other Comprehensive Income and Expenditure for 2017/2018.

Legal and Regulatory Risk Management

The council 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 council 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 council.

Inflation Risk Management

The council 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.

40. Trust Funds

The council 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.

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.

	2016/2017	2017/2018
	£'000	£'000
Income	9	8
Expenditure	-1	-3

Reserve held on behalf of the Trust is carried in our balance sheet. In 2017/2018 it was £52,599 (£47,751 in 2016/2017).

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

COLLECTION FUND

2016/2017			Note	2017/2018		
£'000	£'000	£'000		£'000	£'000	£'000
Business rates	Council Tax	Total		Business rates	Council Tax	Total
Income						
0	48,897	48,897	Council Tax Receivable	0	51,995	51,995
			<i>Transfer from General Fund:</i>			
35,710	0	35,710	Business Rates Receivable	36,859	0	36,859
35,710	48,897	84,607	Total Income	36,859	51,995	88,854
Expenditure						
			Precepts, Demands and Shares	2		
17,178	0	17,178	Payments to Central Government	17,522	0	17,522
13,742	5,023	18,765	Tewkesbury Borough Council	14,017	5,363	19,380
3,435	36,079	39,514	Gloucestershire County Council	3,504	38,340	41,844
0	6,691	6,691	Gloucestershire Police Authority	0	6,974	6,974
125	0	125	Cost of Collection Allowance	124	0	124
34,480	47,793	82,273		35,167	50,677	85,844
Bad and Doubtful Debts:						
140	103	243	Write Offs	54	105	159
21	11	32	Provisions	31	12	43
3,574	0	3,574	Provision for appeals	1,713	0	1,713
3,735	114	3,849		1,798	117	1,915
Transfer of Collection Fund						
-9,285	980	-8,305	Surplus	4	-2,076	640
						-1,436
28,930	48,887	77,817	Total Expenditure	34,889	51,434	86,323
6,780	10	6,790	Surplus/(Deficit)	1,970	561	2,531
Movement on Fund						
			4			
-10,646	1,331	-9,315	Balance at 1st April	-3,866	1,341	-2,525
6,780	10	6,790	Surplus/(Deficit)	1,970	561	2,531
-3,866	1,341	-2,525	Balance as at 31st March	-1,896	1,902	6
Allocated to:						
-1,933	0	-1,933	Central Government	-895	0	-895
-1,546	141	-1,405	Tewkesbury Borough Council	-716	201	-515
-387	1,014	627	Gloucestershire County Council	-179	1,439	1,260
0	186	186	Gloucestershire Police Authority	0	262	262
-3,866	1,341	-2,525		-1,790	1,902	112

Notes to 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.

In 2013/2014, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received subject to a levy. Tewkesbury Borough Council's share is 40% with the remainder paid to precepting bodies (50% to Central Government and 10% to Gloucestershire County Council).

NNDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

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 01 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

For 2017/2018 the tax base was 32,512.32 (31,814.95 in 2016/2017). This increase was due to property growth during the 2017/2018 financial year.

In 2013/2014, the local government finance regime was revised and Council Tax Benefit is no longer received by the council. This has been replaced by a Council Tax Reduction Scheme which is administered in each authority.

Note to Collection Fund (continued)

The 2017/2018 base was calculated as follows:

Band	Number of Chargeable Dwellings	Multiplier	Band D Equivalents
Z	12.75	5/9	7.08
A	3847.41	6/9	2,564.94
B	4824.71	7/9	3,752.55
C	9110.2	8/9	8,097.96
D	5207.95	9/9	5,207.95
E	4501.1	11/9	5,501.34
F	2917.79	13/9	4,214.59
G	1712.8	15/9	2,854.67
H	169.64	18/9	339.28
Total Band D Equivalents			32,540.36
Collection Rate			98.50%
Chargeable Band D Equivalents			32,052.32
Armed Forces class 'O' contributions in lieu of Council T			460
Council Tax Base			32,512.32

2.3 Council Tax Level

The Council Tax levels set by the Council 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:

	2016/2017 £'000	2017/2018 £'000
Gloucestershire County Council	36,079	38,340
Police Authority	6,691	6,974
Tewkesbury Borough Council	3,320	3,556
Total for Parishes	1,703	1,808
	47,793	50,678

The Council set an average council tax level for 2017/2018 at Band D of £1,558.71 (1,502.19 in 2016/17). This is broken down as follows:

	2016/2017 £	2017/2018 £
Gloucestershire County Council	1,134.01	1,179.26
Police Authority	210.31	214.49
Tewkesbury Borough Council	104.36	109.36
Parishes (average charge)	53.51	55.60
	1,502.19	1,558.71

The Band D tax level for Parish budgets ranged from nil to £116.34

Note to Collection Fund (continued)

3. 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 £90,801,413 at 31 March 2018 (£82,368,350 at 31 March 2017), multiplied by a uniform rate in the pound set by Central Government. The government provided a reduced rate for businesses with small rateable values of less than £18,000. For 2017/2018 this was set at 46.6p (2016/2017 48.4p), with the standard rate in the pound being 47.9p (2016/2017 49.7p) for the year.

4. 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.

	Council Tax £'000	Total £'000
Balance at 1 April 2017	1,341	1,341
Income 2017/2018	51,995	51,995
Precepts 2017/2018	50,794	50,794
Surplus Distributed 2017/2018	640	640
Balance at 31 March 2017	1,902	1,902
Committed Distribution 2018/2019	1,580	1,580
Balances for distribution 2018/2019	322	322

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.

With regards to the Business Rates, any surplus or deficit is shared out in the relevant proportions mentioned in note 1.

To follow

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.

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 Council 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.