



# **Financial Statements for the year ended 31 March 2020**

**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 these 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 75 are the relevant financial statements for the audit certificate and present 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 2020.

**S J Dix**

**Head of Finance and Asset Management.**

**Date: 4th November 2020**

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

**Councillor V Smith**

**Date: 4th November 2020**

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

2018/2019			2019/2020			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
304	0	304		244	0	244
7,636	-4,199	3,438		8,071	-4,037	4,034
19,145	-17,086	2,060		16,778	-14,281	2,497
714	-17	697		1,186	-307	879
138	0	138		148	0	148
3,957	-2,782	1,176		4,713	-3,280	1,433
3,794	-2,426	1,368		3,908	-3,405	503
2,047	-1,500	547		2,083	-1,476	607
<b>37,736</b>	<b>-28,010</b>	<b>9,726</b>		<b>37,131</b>	<b>-26,786</b>	<b>10,345</b>
1,940	-377	1,563		2,073	-365	1,708
1,369	-2,620	-1,251		2,346	-4,042	-1,696
0	-13,767	-13,767		0	-15,201	-15,201
<b>3,309</b>	<b>-16,764</b>	<b>-13,455</b>		<b>4,419</b>	<b>-19,608</b>	<b>-15,189</b>
		<b>-3,729</b>				<b>-4,844</b>
		-695				-616
		4,923				-5,998
		<b>4,228</b>				<b>-6,614</b>
		<b>499</b>				<b>-11,458</b>

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Movement in reserves during 2019/2020</b>							
Balance at 1 April 2019 brought forward	800	13,888	1,158	88	15,934	-2,426	13,508
Total Comprehensive Income & Expenditure	4,844				4,844	6,614	11,458
Adjustments between accounting basis & funding basis under regulations (Note 12)	-2,354		373	-85	-2,066	2,066	0
Increase/Decrease (movement) in Year	2,490	0	373	-85	2,778	8,680	11,458
Transfers to/from Earmarked Reserves (Note 13)	-2,490	2,490	0	0	0	0	0
Balance at 31 March 2020 carried forward	800	16,378	1,531	3	18,712	6,254	24,966

**MOVEMENT IN RESERVES STATEMENT (continued)**

	<b>General Fund Balance £'000</b>	<b>Earmarked Reserves £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Capital Grants Unapplied £'000</b>	<b>Total Usable Reserves £'000</b>	<b>Unusable Reserves £'000</b>	<b>Total Authority Reserves £'000</b>
<b>Movement in reserves during 2018/2019</b>							
<b>Balance at 1 April 2018 brought forward</b>	<u>550</u>	<u>10,060</u>	<u>1,842</u>	<u>136</u>	<u>12,588</u>	<u>1,419</u>	<u>14,007</u>
<b>Total Comprehensive Income &amp; Expenditure</b>	3,729				3,729	-4,228	-499
<b>Adjustments between accounting basis &amp; funding basis under regulations (Note 12)</b>	349		-684	-48	-383	383	0
<b>Increase/Decrease (movement) in Year</b>	<u>4,078</u>	<u>0</u>	<u>-684</u>	<u>-48</u>	<u>3,346</u>	<u>-3,845</u>	<u>-499</u>
<b>Transfers to/from Earmarked Reserves (Note 13)</b>	<u>-3,828</u>	<u>3,828</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Balance at 31 March 2019 carried forward</b>	<u>800</u>	<u>13,888</u>	<u>1,158</u>	<u>88</u>	<u>15,934</u>	<u>-2,426</u>	<u>13,508</u>

## BALANCE SHEET

31/03/2018	31/03/2019		Notes	31/03/2020
£'000	£'000			£'000
restated	restated			
22,273	23,883	<b>Property, Plant &amp; Equipment</b>		
224	215	Other Land & Buildings	17	23,918
2,713	2,289	Infrastructure Assets	17	206
22	22	Vehicles, Plant, Furniture & Equipment	17	2,071
1,117	129	Community Assets	17	22
26,349	<b>26,538</b>	Assets Under Construction	17	159
32,489	40,861			<b>26,376</b>
0	90	Investment Property	18	42,020
218	218	Non current assets held for sale		0
277	221	Heritage Assets		218
59,333	<b>67,928</b>	Intangible Assets		214
5,269	3,873			<b>68,828</b>
364	320	Long Term Investments	19	10,879
<b>64,966</b>	<b>72,121</b>	Long Term Debtors	19	273
		<b>Total Long Term Assets</b>		<b>79,980</b>
		<b>Current Assets</b>		
8,016	11,040	Short Term Investments	19	16,070
2,976	3,979	Short Term Debtors	20	4,813
1,598	5,157	Cash & Cash Equivalents	21	16,992
<b>12,590</b>	<b>20,176</b>	<b>Current Assets</b>		<b>37,875</b>
		<b>Current Liabilities</b>		
21,032	14,163	Short Term Borrowing	19	26,522
9,289	9,790	Short term Creditors	22	15,791
2,015	3,011	Provisions	23	665
<b>32,336</b>	<b>26,964</b>	<b>Current Liabilities</b>		<b>42,978</b>
45,220	65,333	<b>Total Assets Less Current Liabilities</b>		74,877
		<b>Long-Term Liabilities</b>		
2,317	3,677	Provisions	23	2,611
0	14,000	Long Term Borrowing	19	18,500
28,896	34,148	Net Pensions Liability		28,800
<b>31,213</b>	<b>51,825</b>	<b>Long-Term Liabilities</b>		<b>49,911</b>
<b>14,007</b>	<b>13,508</b>	<b>Net Assets</b>		<b>24,966</b>
550	800	General Fund Reserve		800
10,060	13,888	Earmarked Reserves	13	16,378
1,842	1,158	Capital Receipts Reserve	MIRS	1,141
136	88	Capital Grants Unapplied	MIRS	3
0	0	Community Infrastructure Reserve		390
<b>12,588</b>	<b>15,934</b>	<b>Usable Reserves</b>		<b>18,712</b>
7,174	7,731	Revaluation Reserve	25.1	8,163
-28,883	-34,017	Pensions Reserve	25.3	-28,800
23,587	23,512	Capital Adjustment Account	25.2	24,516
2	0	Deferred Capital Receipts		0
-228	564	Collection Fund Adjustment Accounts	25.4	3,591
-94	-96	Short-term Accumulating Compensated Absences Account		-102
0	-120	Financial Instruments Revaluation Reserve	25.5	-1,114
-139	0	Available for Sale Adjustment Account		0
<b>1,419</b>	<b>-2,426</b>	<b>Unusable Reserves</b>		<b>6,254</b>
<b>14,007</b>	<b>13,508</b>	<b>Total Reserves</b>		<b>24,966</b>

## CASH FLOW STATEMENT

2018/2019 Restated		Note	2019/2020
£'000			£'000
3,729	Net (surplus) or deficit on the provision of services		4,844
4,505	Adjustments to net surplus or deficit on the provision of services for non-cash movements	27	4,410
-1,217	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		13,827
<b>7,017</b>	<b>Net cash flows from Operating Activities</b>		<b>23,081</b>
-10,458	Investing Activities	28	-28,079
<u>7,000</u>	Financing Activities	29	<u>16,833</u>
<b>3,559</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>11,835</b>
1,598	Cash and cash equivalents at the beginning of the reporting period		5,157
<u><b>5,157</b></u>	<b>Cash and cash equivalents at the end of the reporting period</b>	22	<u><b>16,992</b></u>



## 1. Prior Period Adjustment

The council has previously classified its investments on the basis of when the maturity date of the Investment was. If the maturity date was less than one year then it was classified as a short term asset. On the 31st May 2017 the council started to invest in pooled funds, such as the CCLA property fund. The terms of the fund is that we can give notice that we wish to sell our shares in the fund at any time, and that we could expect a return of the principal within six months. On this basis we classified the investment at the 31/03/18 as a short term investments and continued to do so in the financial statements

We have during the year reviewed guidance and identified that per section 7.3.7.1 of the CIPFA Code of Practice on Local Government Accounting:

An authority shall classify a financial asset as current when:

- a) it expects to realise or sell it, in its normal operating cycle
- b) it holds the financial asset primarily for the purpose of trading
- c) it expects to realise the asset within 12 months after the reporting period, or
- d) the asset is cash or a cash equivalent (as defined in IAS 7).

An authority shall classify all other financial assets as long-term financial assets.

The council does not expect to sell its interest in pooled funds in the short term and therefore they should be classified as long term investments. We have now accounted for them as such.

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom requires that an authority present a Balance Sheet at the beginning of the preceding period when an authority makes a retrospective restatement. The table below demonstrates the effects on the Balance Sheet for the financial year 2019/20.

### Effect on line items in the Balance Sheet 31 March 2020

	Originally Value £'000	Restated Value £'000 2017/18	Change £'000
<b>Assets</b>			
Long term investments	2,004	5,269	- 3,265
Short term investments	11,281	8,016	3,265

	Originally Value £'000	Restated Value £'000 2018/2019	Change £'000
<b>Assets</b>			
Long term investments	0.00	3,873	- 3,873
Short term investments	14,913	11,040	3,873

The reclassification above represents the value of the councils investments in pooled funds at those dates being moved from short term investments to be classified correctly as long term investments. There is only an impact on the classification of assets held on the balance sheet. There is no change to any other primary statements.

## 1. Prior Period Adjustment (continued)

### Restatement of the Cash Flow Statement

During the 2018/19 the audit identified that the cash flow statement had a £25,000 unsupported entry in it which ensured that it reconciled to the cash position on the balance sheet. There was an audit recommendation in the ISA260 report to undertake a retrospective review of the cash flow statement to identify the reason for the entry and to ensure that the statement was fully reconciled in the future

To facilitate this review, the council purchased a toolkit provided by CIPFA, the public sector body responsible for producing the Code of Guidance on the Financial Statements. We have used this toolkit to reconcile the statement for 2018/19. During this process it was identified that the previous workings had applied debits and credits incorrectly, particularly to the net surplus/deficit on the provisions of services. We had also then misclassified entries in the statements as part of attempting to get the statement to balance, which ultimately relied on a £25,000 adjustment for it to balance.

The toolkit has ensured that entries for the cash flow statement were now correctly identified, but which means that the figures are now different to those in the 2018/19 financial statements. The 2018/19 figures in the cash flow statement have been restated in the current accounts. Below is analysis of the original figures from 2018/19 financial statements, and the correct values shown as comparators in the 2019/20 financial statements

<b>CASH FLOW STATEMENT</b>				
<b>Original</b>			<b>Restated</b>	<b>Movement</b>
<b>2018/2019</b>		<b>Note</b>	<b>2018/2019</b>	
<b>£'000</b>			<b>£'000</b>	<b>£'000</b>
-3,729	Net (surplus) or deficit on the provision of services		3,729	-7,458
-6,205	Adjustments to net surplus or deficit on the provision of services for non-cash movements	<b>27</b>	4,505	-10,710
0	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		-1,217	1,217
<b>-9,934</b>	<b>Net cash flows from Operating Activities</b>		<b>7,017</b>	<b>-16,951</b>
11,318	Investing Activities	<b>28</b>	-10,458	21,776
-4,943	Financing Activities	<b>29</b>	7,000	-11,943
<b>-3,559</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>3,559</b>	<b>-7,118</b>
-1,598	Cash and cash equivalents at the beginning of the reporting period		1,598	-3,196
<b>-5,157</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>5,157</b>	<b>-10,314</b>

## 1. Prior Period Adjustment (continued)

### Note 27 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

Original 2018/2019 £'000		Restated 2018/2019 £'000	Movement £'000
(376)	Interest received	(18)	(358)
273	Interest paid	131	142
0	Dividends received	(7)	7

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

Original 2018/2019 £'000		Restated 2018/2019 £'000	Movement £'000
(1,097)	Depreciation	1,097	(2,194)
(893)	Impairment and downward valuations	1,323	(2,216)
(52)	Amortisation	52	(104)
(219)	Increase/(decrease) in impairment for bad debts	0	(219)
(3,367)	Increase/(decrease) in creditors	632	(3,999)
1,876	(Increase)/decrease in debtors	(979)	2,855
0	(Increase)/decrease in inventories	0	0
(138)	Movement in pension liability	211	(349)
74	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	74	0
(2,389)	Other non-cash items charged to the net surplus or deficit on the provision of services	2,095	(4,484)
<u>(6,205)</u>	<b>Net cash flows from operating activities</b>	<u>4,505</u>	<u>(10,710)</u>

## 1. Prior Period Adjustment (continued)

### Note 28 Cash Flow Statement - Investing Activities

Original 2018/2019 £'000		Restated 2018/2019 £'000	Movement £'000
10,089	Purchase of property, plant and equipment, investment property and intangible assets	(10,089)	20,178
34,589	Purchase of short-term and long-term investments	(34,586)	69,175
	Other payments for investing activities	0	0
(360)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	362	(722)
(33,000)	Proceeds from short-term and long-term investments	33,000	(66,000)
	Other receipts from investing activities	857	(857)
11,318	<b>Net cash flows from investing activities</b>	(10,456)	21,774

### Note 29 Cash Flow Statement - Financing Activities

Original 2018/2019 £'000		Restated 2018/2019 £'000	Movement £'000
(58,000)	Cash receipts of short- and long-term borrowing	58,000	(116,000)
2,057	Other receipts from financing activities	0	2,057
51,000	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	(51,000)	102,000
(4,943)	<b>Net cash flows from financing activities</b>	7,000	(11,943)

## **Note 2 - Accounting Policies**

### **2.1 General Principles**

The financial statements summarises the council's transactions for the 2019/2020 financial year and its position at the year-end of 31 March 2020. 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 2019/2020 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.

### **2.2 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest 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.

### **2.3 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, 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.

## **Accounting Policies (continued)**

### **2.4 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 (where material). 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.

## Accounting Policies (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.

- 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.

## **Accounting Policies (continued)**

### **2.5 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.

### **2.6 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.

#### **Financial Assets**

Financial assets are classified based on the business model for holding them and the characteristics of their cashflows. The three main classes of financial assets are measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) - None held by the council

The business model of the authority is to hold investments to collect contractual cash flows for treasury management purposes only. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of interest and principal and interest (i.e. where it isn't a basic debt instrument).



## **Accounting Policies (continued)**

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) 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 financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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 CIES.

Financial Assets which are in pooled funds which we can instruct to sell shares at any time are recognised on the balance sheet based on the authorities intention to hold the asset. Where the authority intends to hold the asset for several years then it will be classified as a long term asset

### **Expected Credit Loss Model**

The authority recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### **Financial Assets Measured at Fair Value through Profit or Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The authority applies the statutory override available on these fair value gains and losses to move them from the CIES to reserves via the Movement in Reserves Statement. The gains and losses are therefore not recognised as a cost to taxpayers, until the financial asset is derecognised

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.

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.

## **Accounting Policies (continued)**

### **2.7 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.

### **Community Infrastructure Levy**

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, 5% of these charges may be used to fund revenue administrative costs of CIL.

### **2.8 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).

## **Accounting Policies (continued)**

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

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

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

### **2.9 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.

### **2.10 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.

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.

## **Accounting Policies (continued)**

### **2.11 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.

##### *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).

## **Accounting Policies (continued)**

### **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.

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.

## Accounting Policies (continued)

### 2.12 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.

## **Accounting Policies (continued)**

### **2.13 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 2019/2020* (SeRCOP) are no longer used within the financial statements.

### **2.14 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.

### **2.15 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.

## Accounting Policies (continued)

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

Current Value (Existing Use)	<ul style="list-style-type: none"><li>• 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;</li><li>• Includes assets held such as car parks, properties and offices.</li></ul>
Depreciated Replacement Cost	<ul style="list-style-type: none"><li>• Represents the current cost of replacing an asset with its modern equivalent less deductions for physical deterioration and all relevant forms of obsolescence</li><li>• Includes assets held such as cemetery and theatre.</li></ul>
Market Value	<ul style="list-style-type: none"><li>• 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;</li><li>• No assets valued as MV in PPE, it is used for our investment properties.</li></ul>
Depreciated historic cost	<ul style="list-style-type: none"><li>• 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;</li><li>• Infrastructure, community assets and assets under construction.</li></ul>

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 (including groups of assets) except where a specific government grant has been received or it is an enhancement of an existing asset.



## **Accounting Policies (continued)**

### **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.

## **Accounting Policies (continued)**

### **2.16 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.

### **2.17 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.

## **Accounting Policies (continued)**

### **2.18 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.

### **2.19 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.

### **2.20 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.

### **2.21 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.

## **Accounting Policies (continued)**

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.

### **2.22 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 NDR income included in the comprehensive income and expenditure statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's general fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the general fund is taken to the collection fund adjustment account and included as a reconciling item in 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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

### **3. Accounting Standards Issued, Not Adopted**

The 2019/20 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 2019/20 and 2020/21 financial statements in respect of accounting changes that are introduced in the 2020/21 Code are:

- 1) Amendments to IAS 28 Investments in Associates and Joint Ventures:
- 2) Annual Improvements to IFRS Standards 2015–2017 Cycle
- 3) Amendments to IAS 19 Employee Benefits: Plan Amendment,

It is not expected that these new standards will have a material effect on the accounts.

#### **4. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 2, 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 LLP 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 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. To date there has been a very small number of 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 2016/2017 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 setting aside a provision equating to 4.7% of the gross rates payable for the 2019-20 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. As there are 7 equal shareholders 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.

### Expected Credit Losses

Under IFRS9 the council is required to consider impairment of financial instruments. As per the accounting policies all financial instruments assets held at amortised costs have been reviewed for expected credit losses. When considering the expected losses the council has made judgements about the risk of default considering

- i) previous history of payment.
- ii) current status of the customers account.
- iii) the credit status of the customer.
- iv) the general status of the industry that the customer operates in wider economic factors.

Reviewing these criteria will establish the risk profile of the client, which we have categorised into

<b>Risk category</b>	<b>Credit loss Risk %</b>	<b>Amount of loss %</b>
very low risk	1	10
Low risk	5	25
Medium risk	15	50
High risk	25	75
In default	100	100

Depending on the risk level they have been identified in will then effect the judgement made about the level of losses that could be expected, discounted to their present value using the Bank of England base rate as an estimate of the future time value of money.

The above risk profiles provides as estimate of the expected credit losses, however these categories are for guidance only and where more detailed information is available then the council will use its judgement as to what is appropriate risk and loss amount is.

## 5. 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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year (due to assumptions/judgements) are as follows:

### COVID-19

COVID-19 became an increasing issue over the first 3 months of 2020, with the government implementing restrictions on selected business on the 20th March, before a full-scale restriction on the movement of people was implemented on the 23rd March. The impact on the economy has been significant and has resulted in changes to who can work and how and where they can work.

The council has continued in operating with no furloughed staff since the 20th March 2020, and there has been no changes to the services provided. However we are not immune to the external factors, particularly effecting the fair value of assets and liabilities that we hold. Property, pensions and financial instruments are linked to economic activity and demand. The council uses professionals in each field to help establish what the fair value estimates of assets and liabilities are as at the 31st March each year.

Where there is information about similar assets and liabilities being traded on open markets around the year end, then this has been reflected in the fair value shown on the balance sheet. However for those assets and liabilities that are not being traded then it is harder to establish what the impact of the pandemic has been on fair value. We have received the estimate of fair values from our 3rd party experts for Investments, Property and Pensions which is reflected in the financial statements.

However the Property valuers have included the following statement in their valuation report  
*'Our valuation(s) are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case'*

The Local Government Pension scheme that the council is a member of also holds assets in the form of a Property Portfolio. The assets provide returns on the investment to offset the liabilities in the form of pension contributions to members. The council has 8% of its pension assets invested in Real Estate which accounts for £4,002k of the total assets held. As with the valuation of the councils directly owned assets there is a similar level of uncertainty of the pension scheme property asset value as at the balance sheet date.

Any adjustment to fair value on Investments, Property and Pensions are shown on the face of the CIES, however the council is not required to show the gain or loss against the General Fund balance until the asset/liability is sold. The gain or loss is held in reserves on the balance sheet until that time. Currently the council has no plans within the next 3 years to sell any of its assets or face redemption of liabilities, valued at fair value and so does not consider there to be a risk to its general fund balance from any estimate uncertainty on its fair valued assets and liabilities as a result.

Other assumptions effecting the balance sheet are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
COVID-19 impact on property portfolio	Due to the impact of COVID-19 on the economy and society as a whole, there is uncertainty around the valuation of our property portfolio as at the 31/03/20. The valuation report refers to this uncertainty and the caution that should be attached to the fair value figures reported in the financial statements	The value of Property which are subject to valuation is £65,937,700. If the value of this portfolio was to fall by 1% the impact on the CIES would be £659k.  There would be no impact on General Fund balance or council tax payers until such a time the asset is disposed of. The council has no plans to sell any of its property portfolio in the next 3 years.
COVID 19 impact on Property Portfolio held by the Pension Fund	Due to the impact of COVID-19 on the economy and society as a whole, there is uncertainty around the valuation of our property portfolio as at the 31/03/20. The valuation report refers to this uncertainty and the caution that should be attached to the fair value figures reported in the financial statements	The value of Property which are subject to valuation is £4,003,000. If the value of this portfolio was to fall by 1% the impact on the CIES would be £40k.  There would be no impact on General Fund balance or council tax payers until the next triannual valuation which would determine if contribution rates need to change in order to meet liabilities. The next triannual valuation will be in March 2023.

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 2019/2020 there was a depreciation charge of £954k. A large change in valuation or useful life could increase or decrease the depreciation charge quite substantially. If the useful life of these assets all decreased by 1 year this would increase the yearly charge from £610k to £725k. An increase in the annual charge of £115k.
Fair Value measurement	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). 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. 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). Information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed in notes 19 and 20.	The council uses market rental and sales values, along with other inputs to measure the fair value of some of its investment properties. The significant unobservable inputs used in the fair value measurement include comparative information based on limited rental evidence based on rental value and yields. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.
Business Rates Provisions	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 2019/2020 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 2020. The appeals provision required relating to periods prior to the 1 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. For appeals relating to the new valuation list from the 1 April 2017 there is no historical data about successful appeals. Therefore we have followed national guidance based on figures published by the Ministry of Community Housing and Local Government (MCHLG) that a rate of 4.70% of the rateable value is a reasonable estimate of likely appeal costs.	The appeals provision (for pre 1st April 2017 valuation lists) 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 £2.8m (our share only). If successful appeals are significantly different from expectations the impact will be on short term cash flows, and the council will not achieve its budgeted income from business rates in that year.



Arrears	At 31 March 2020, the council had a balance on doubtful debts of £1.626m of which £1.348m related to Housing Benefit provision. The council is maintaining a 100% provision on all debt on Housing benefit due to the level of debts increasing, increased pressure on those on benefits and the future introduction of Universal Credit. The council has also increased its provisions on council tax and business rates arrears as the impact of COVID-19 on businesses and individuals is likely to effect the ability of them to make debt repayments.	If collection rates deteriorate then our revenue reserves would be impacted but we feel that the level of provision helps mitigate this potential risk.		
Expected Credit Losses (ECL)	As at the 31 March 2020 the council has concluded that the estimated credit losses on financial assets held are not material at circa £90k, covering investments, trade and lease receivables. This is based on a judgement on the risk of default and potential loss as a result of default. As the estimated future loss is not material and would principally effect revenue the council has not reflected this loss in its balances	If the risk assessment was to increase for each lease debtor and lease receivable by one category then the impact on the ECL estimate would be to increase the loss to £497k		
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. 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.	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:		
		The main demographic assumption is around the life expectancy of members. Hymans estimate that a one year increase in life expectancy would increase the Employer's Defined Benefit Obligation by around 3-5%.		
		<b>Change in assumptions at year ended 31 March 2020</b>	<b>Approx. % increase to Employer Liability</b>	<b>Approx. monetary amount (£'000)</b>
		0.5% decrease in Real Discount Rate	9%	7,298
		0.5% increase in the Salary Increase Rate	1%	772
	0.5% increase in the Pension Increase Rate	8%	6,463	
McCloud Judgement	The McCloud and Sargeant Judgements concerned the introduction of career average revalued earnings (CARE) pension schemes to replace the former final salary based pension schemes as part of the Hutton recommendation to reform public service pension schemes. Tewkesbury Borough Council have opted to account for the judgement in 2019/20. An allowance for the impact has been recognised as a past service cost and reported within the surplus/deficit on the provision of services in the CIES in the 2019/20 statement of accounts.	The actuaries, Hymans Robertson, are engaged to provide the council with expert advice on the judgement. The Government Actuary's Department (GAD) was commissioned to estimate the impact of the Judgements on the IAS19 liabilities within the Local Government Pension Scheme based on a scheme-wide assessment. GAD reported 10 June 2019 that the impact would increase liabilities by between 0.1% and 3.0% of liabilities.		

## 6. EXPENDITURE AND FUNDING ANALYSIS

Net Expenditure Chargeable to the General Fund	2018/2019 Adjustments between the Funding and Accounting Basis (Note 12)	Net Expenditure in the CIES		Net Expenditure Chargeable to the General Fund	2019/20 Adjustments between the Funding and Accounting Basis (Note 12)	Net Expenditure in the CIES
£'000	£'000	£'000		£'000	£'000	£'000
256	48	304	Chief Executive Unit	217	27	244
2,175	1,263	3,438	Community Services	2,899	1,135	4,034
1,695	365	2,060	Corporate Services	2,081	416	2,497
673	24	697	Democratic Services	826	53	879
117	21	138	Deputy Chief Executive Unit	120	28	148
794	381	1,176	Development Services	965	468	1,433
1,859	-492	1,368	Finance and Asset	1,574	-1,071	503
279	268	547	One Legal	301	306	607
<b>7,848</b>	<b>1,878</b>	<b>9,726</b>	<b>Total Cost of Continuing Operations</b>	<b>8,983</b>	<b>1,362</b>	<b>10,345</b>
1,938	-376	1,563	Other Operating Expenditure	2,073	-365	1,708
-2,147	896	-1,251	Financing and Investment Income and Expenditure	-2,359	663	-1,696
-11,718	-2,050	-13,767	Taxation and Non-Specific Grant Income and Expenditure	-11,187	-4,014	-15,201
<b>-11,926</b>	<b>-1,529</b>	<b>-13,455</b>		<b>-11,473</b>	<b>-3,716</b>	<b>-15,189</b>
<b>-4,078</b>	<b>349</b>	<b>-3,729</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>-2,490</b>	<b>-2,354</b>	<b>-4,844</b>
<b>10,610</b>			<b>Opening General Fund Balance</b>	<b>14,688</b>		
<b>4,078</b>			<b>Less surplus or (deficit) on General Fund Balance in year</b>	<b>2,490</b>		
<b>14,688</b>			<b>Closing General Fund Balance at 31 March</b>	<b>17,178</b>		
<b>800</b>			<b>Closing Balance made up of</b>			
<b>13,888</b>			General Fund Balance	<b>800</b>		
<b>14,688</b>			Earmarked Reserves (note 13)	<b>16,378</b>		
				<b>17,178</b>		

## 7. Expenditure and Funding Analysis detail

<b>Adjustments from General Fund to arrive at the Comprehensive Income &amp; Expenditure Statement 2019/2020</b>	<b>Adjustment for Capital Purposes £'000</b>	<b>Net Change to the Pensions Adjustment £'000</b>	<b>Other Differences £'000</b>	<b>Total Adjustments £'000</b>
Chief Executive Unit	0	27	0	27
Community Services	886	249	0	1,135
Corporate Services	18	398	0	416
Democratic Services	0	53	0	53
Deputy Chief Executive Unit	0	28	0	28
Development Services	15	453	0	468
Finance and Asset	490	-1,561	0	-1,071
One Legal	0	306	0	306
<b>Total Cost of Continuing Operations</b>	<b>1,409</b>	<b>-47</b>	<b>0</b>	<b>1,362</b>
Other Operating Expenditure	-365	0	0	-365
Financing and Investment Income and Expenditure	-1,159	828	994	663
Taxation and Non-Specific Grant Income and Expenditure	-456	0	-3,558	-4,014
<b>Difference between General Fund surplus or deficit and CIES surplus on the provision of services</b>	<b>-571</b>	<b>781</b>	<b>-2,564</b>	<b>-2,354</b>

  

<b>Adjustments from General Fund to arrive at the Comprehensive Income &amp; Expenditure Statement 2018/2019</b>	<b>Adjustment for Capital Purposes £'000</b>	<b>Net Change to the Pensions Adjustment £'000</b>	<b>Other Differences £'000</b>	<b>Total Adjustments £'000</b>
Chief Executive Unit	0	48	0	48
Community Services	1,076	187	0	1,263
Corporate Services	61	304	0	365
Democratic Services	0	24	0	24
Deputy Chief Executive Unit	0	21	0	21
Development Services	49	332	0	381
Finance and Asset	1,213	-1,705	0	-492
One Legal	40	228	0	268
<b>Total Cost of Continuing Operations</b>	<b>2,439</b>	<b>-560</b>	<b>0</b>	<b>1,878</b>
Other Operating Expenditure	-376	0	0	-376
Financing and Investment Income and Expenditure	144	772	-20	896
Taxation and Non-Specific Grant Income and Expenditure	-857	0	-1,192	-2,050
<b>Difference between General Fund surplus or deficit and CIES surplus on the provision of services</b>	<b>1,349</b>	<b>212</b>	<b>-1,212</b>	<b>349</b>

## 8. 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:-

	2018/2019 £'000	2019/2020 £'000
Revenues from external customers		
Rents, Lettings, Wayleaves, Easements	-2,693	-2,780
Development Services - Planning Fees	-945	-857
One Legal - recharges for services to other local authorities	-822	-877
Community Services - Garden Waste Income	-773	-883

Income from Grants and Contributions is disclosed on Note 34. No other material sources of income has been identified.

## 9. Expenditure & Income Analysed By Nature

	2018/2019 £'000	2019/2020 £'000
<b>Expenditure</b>		
Employee Benefits	9,509	10,104
Other Services	26,427	26,162
Capital Adjustments resulting in a loss	2,612	2,752
Interest Payments	403	458
Precepts and Levies	1,938	2,073
Payments to Housing Capital Receipts Pool	2	0
Gain on Disposal of Assets	0	0
<b>Total Expenditure</b>	<b>40,891</b>	<b>41,549</b>
<b>Income</b>		
Fees, Charges & Other Service Income	-7,284	-6,910
Interest & Investment Income	-2,600	-2,884
Capital adjustments resulting in a gain	-223	-1,523
Council Tax, Non-Domestic Rates & District Rates	-8,040	-9,668
Government Grants & Contributions	-26,473	-25,408
<b>Total Income</b>	<b>-44,620</b>	<b>-46,393</b>
<b>Surplus/Deficit</b>	<b>-3,729</b>	<b>-4,844</b>

## 10. 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 £750k.

## 11. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Finance & Asset Management on 13th July 2020. Events taking place after this date are not reflected in the financial statements or notes.

## 12. Adjustments Between Accounting Basis and Funding Basis Under Regulations

2018/2019			2019/2020		
Usable Reserves			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
<b>Adjustments to revenue reserves</b>					
<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>					
-211	0	0			
			Pensions costs (transferred to (or from) the Pensions Reserve)		
			-781	0	0
0	0	0	Financial instruments (transferred to the Financial Instruments Adjustment Account)		
			0	0	0
20	0	0	Available for Sale (transferred from the Available for sale Adjustments Account)		
			-994	0	0
791	0	0	Council tax and NDR (transfers to or from Collection Fund Adjustment Account)		
			3,027	0	0
-2	0	0	Holiday pay (transferred to the Accumulated Absences Reserve)		
			-6	0	0
-2204	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)		
			-599	0	0
<b>-1,606</b>	<b>0</b>	<b>0</b>	<b>647</b>	<b>0</b>	<b>0</b>
<b>Adjustments between revenue and capital resources</b>					
378	-361	0	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve		
			365	-169	0
-2	2	0	Payments to the government housing receipts pool (funding by a transfer from the Capital receipts Reserve)		
			0	0	0
402		0	Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)		
			537		0
204		0	Capital Expenditure financed from revenue balances (transfers to the Capital Adjustment Account)		
			349		0
<b>982</b>	<b>-359</b>	<b>0</b>	<b>1251</b>	<b>-169</b>	<b>0</b>
<b>Adjustments to capital resources</b>					
	1,046		Use of the Capital Receipts Reserve to finance capital expenditure		
				186	
275		48	Receipt and Application of capital grants to finance capital expenditure		
			456		85
	-3		Cash payments in relation to deferred capital receipts		
<b>275</b>	<b>1,043</b>	<b>48</b>	<b>456</b>	<b>186</b>	<b>85</b>
<b>-349</b>	<b>684</b>	<b>48</b>	<b>2,354</b>	<b>17</b>	<b>85</b>
<b>Total adjustments</b>					

### 13. 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 2019/2020.

	<b>Balance</b>	<b>Movement</b>	<b>Balance</b>	<b>Movement</b>	<b>Balance</b>
	<b>31/03/2018</b>	<b>2018/2019</b>	<b>31/03/2019</b>	<b>2019/2020</b>	<b>31/03/2020</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Asset Management Reserve****	1,157	32	1,189	-40	1,149
Borough Growth Reserve	0	500	500	770	1,270
Borough Regeneration Reserve	7	-5	2	87	89
Business Rates Reserve*	636	-137	499	1	500
Business Support Reserve	220	-38	182	-57	125
Business Transformation Reserve	356	337	693	-75	618
Community Support Reserve	114	-34	80	19	99
Development Management Reserve	238	-33	255	-75	180
Development Policy Reserve	525	76	601	-336	265
Elections Reserve	69	16	85	-44	41
Flood Support and Protection Reserve	14	-4	10	0	10
Health & Leisure Development reserve	2	0	2	0	2
Horsford Reserve	53	7	60	10	70
Housing & Homeless Reserve	431	92	523	86	609
Information Technology Reserve	18	67	85	25	110
Insurance Reserve	0	0	0	50	50
Mayors Charity Reserve	6	0	6	-1	5
MTFS Equalisation Reserve***	866	134	1,000	-1,000	0
Open Space & watercourse Reserve	0	729	679	197	876
Organisational Development Reserve	131	6	137	-22	115
Planning Obligation Reserve **	4,109	1,700	5,809	3,166	8,975
Risk Management Reserve	5	0	5	5	10
Transport Initiatives Reserves	520	-125	395	-395	0
Uncommitted Reserve	47	-47	0	0	0
Waste & Recycling Development Reserve ***	536	555	1,091	119	1,210
<b>Totals</b>	<b>10,060</b>	<b>3,828</b>	<b>13,888</b>	<b>2,490</b>	<b>16,378</b>

#### 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.

\*\* 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.

\*\*\*\*\* The Waste & Recycling Development Reserve is monies set aside as part of a 5 year plan to have sufficient fund for vehicle replacement.

\*\*\*\*\* Monies for Garden Town are included in this reserve

\*\*\*\*\* Commuted Sums held in a reserve specifically for the maintenance of open spaces and watercourses.

#### 14. Other Operating Expenditure

2018/2019 £'000		2019/2020 £'000
1,938	Parish Council Precepts	2,073
2	Payments to Government Housing Capital Receipts Pool	0
-223	Gains/Losses on Disposal Of Non-Current Assets	-317
-155	Other Income - Right to Buy Sales	-48
<u>1,563</u>		<u>1,708</u>

#### 15. Financing & Investment Income & Expenditure

2018/2019 £'000		2019/2020 £'000
403	Interest payable and Similar Charges	458
-357	Interest receivable and similar income	-454
772	Net interest on the net defined benefit liability	828
144	Income and expenditure in relation to changes in investment properties fair value	-1,159
-2,193	Income and expenditure in relation to investment properties	-2,364
-20	Movement on available for sale investments	994
<u>-1,251</u>		<u>-1,696</u>

#### 16. Taxation and Non Specific Grant Income and Expenditure

2018/2019 £'000		2019/2020 £'000
-5,856	Council Tax Income	-6,291
-2,183	Non-domestic rates income and expenditure	-3,377
0	Revenue Support Grant	-23
-4,870	Other Non-Ring fenced Government Grants	-5,054
-857	Capital Grants and Contributions	-456
<u>-13,767</u>		<u>-15,201</u>

## 17. Property, Plant and Equipment

### Movements in 2019/2020

	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
<b>Cost or Valuation</b>							
<b>At 1 April 2019</b>	<b>23,883</b>	<b>6,260</b>	<b>327</b>	<b>22</b>	<b>0</b>	<b>129</b>	<b>30,621</b>
Additions	0	392	0	0	0	30	422
Transfers	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	358	0	0	0	0	0	358
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	-219	0	0	0	0	0	-219
Derecognition-disposals	-104	0	0	0	0	0	-104
Reclassified to/from Held for Sale	0	0	0	0	0	0	0
Other movements in cost or revaluation	0	1	-1	0	0	0	0
<b>At 31 March 2020</b>	<b>23,918</b>	<b>6,653</b>	<b>326</b>	<b>22</b>	<b>0</b>	<b>159</b>	<b>31,078</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2019</b>	<b>0</b>	<b>-3,971</b>	<b>-112</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-4,083</b>
Depreciation charge	-335	-611	-8	0	0	0	-954
Depreciation written out to Revaluation Reserve	257	0	0	0	0	0	257
Depreciation written out to the Surplus/Deficit on the Provision of Services	78	0	0	0	0	0	78
Derecognition-disposals	0	0	0	0	0	0	0
<b>At 31 March 2020</b>	<b>0</b>	<b>-4,582</b>	<b>-120</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-4,702</b>
<b>Net Book Value</b>							
<b>At 31 March 2020</b>	<b>23,918</b>	<b>2,071</b>	<b>206</b>	<b>22</b>	<b>0</b>	<b>159</b>	<b>26,376</b>
<b>At 31 March 2019</b>	<b>23,883</b>	<b>2,289</b>	<b>215</b>	<b>22</b>	<b>0</b>	<b>129</b>	<b>26,538</b>



## 17. Property, Plant and Equipment (continued)

### Movements in 2018/2019

	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
<b>Cost or Valuation</b>							
<b>At 1 April 2018</b>	<b>22,273</b>	<b>6,375</b>	<b>327</b>	<b>22</b>	<b>0</b>	<b>1,117</b>	<b>30,114</b>
Additions	75	271	0	0	0	1,204	1,550
Transfer	2,192	0	0	0	0	-2,192	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	399	0	0	0	0	0	399
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	-1,056	0	0	0	0	0	-1,056
Derecognition-disposals	0	-386	0	0	0	0	-386
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
<b>At 31 March 2019</b>	<b>23,883</b>	<b>6,260</b>	<b>327</b>	<b>22</b>	<b>0</b>	<b>129</b>	<b>30,621</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>At 1 April 2018</b>	<b>0</b>	<b>-3,662</b>	<b>-103</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3,765</b>
Depreciation charge	-440	-648	-9	0	0	0	-1,097
Depreciation written out to Revaluation Reserve	296	0	0	0	0	0	296
Depreciation written out to the Surplus/Deficit on the Provision of Services	144	0	0	0	0	0	144
Derecognition-disposals	0	339	0	0	0	0	339
<b>At 31 March 2019</b>	<b>0</b>	<b>-3,971</b>	<b>-112</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-4,083</b>
<b>Net Book Value</b>							
<b>At 31 March 2019</b>	<b>23,883</b>	<b>2,289</b>	<b>215</b>	<b>22</b>	<b>0</b>	<b>129</b>	<b>26,538</b>
<b>At 31 March 2018</b>	<b>22,273</b>	<b>2,713</b>	<b>224</b>	<b>22</b>	<b>0</b>	<b>1,117</b>	<b>26,349</b>

## 17. 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

As at the 31 March 2020, the council has not entered into any material capital contracts to undertake works on assets that are owned.

### Effects of Changes in Estimates

In 2019/2020, 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.

	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Community and Infrastructure Assets</b>	<b>Assets under Construction</b>	<b>TOTAL</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Carried at historical cost	0	2,071	228	0	<b>2,299</b>
Carried at cost incurred to date	0	0	0	159	<b>159</b>
Valued at current value	23,918	0	0	0	<b>23,918</b>
<b>Total Cost or Valuation</b>	<b>23,918</b>	<b>2,071</b>	<b>228</b>	<b>159</b>	<b>26,376</b>

## 18. Investment Properties

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

2018/2019 £'000		2019/2020 £'000
-2,189	Rental income from investment property	-2,343
20	Direct operating expenses arising from investment property	8
<b>-2,169</b>	<b>Net (gain)/loss</b>	<b>-2,335</b>

Rental Income has increased from the previous year due to receiving the full annual rental income from the 2 investment properties purchased in 2018/19.

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:

2018/2019 £'000		2019/2020 £'000
<b>32,489</b>	<b>Balance 1 April</b>	<b>40,861</b>
	<b>Additions:</b>	
8,516	Purchases	0
0	Construction	0
0	Subsequent expenditure	0
0	<b>Disposals:</b>	0
-144	Net gains/losses from fair value adjustments	1,159
	<b>Transfers:</b>	
0	to/from Inventories	0
0	to/from Property, Plant and Equipment	0
<b>40,861</b>	<b>Balance 31 March</b>	<b>42,020</b>

### 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
	£'000	£'000	£'000	£'000
Land	0	1,617	0	<b>1,617</b>
Commercial Units	0	39,933	0	<b>39,933</b>
Other	0	0	470	<b>470</b>
Total as at 31 March 2020	<b>0</b>	<b>41,550</b>	<b>470</b>	<b>42,020</b>

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 Level 3 of the Fair Value Hierarchy

The value of assets categorised within Level 3 as at the 31 March 2020 is £470k (value as at 31 March 2019 was £461k). 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 - £50 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

### Financial Instruments - Classifications

#### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the council. The financial liabilities held by the council during the year are accounted for under the following classifications:

##### 1) Amortised Cost

The majority of the council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders,
- short-term loans from other local authorities,
- trade payables for goods and services received.

##### 2) Fair Value through Profit or Loss

The council does not hold any financial instruments which are designated in this category

#### The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31/03/2020 £000s	31/03/2019 £000s	31/03/2020 £000s	31/03/2019 £000s
Loans at amortised cost:				
- Principal sum borrowed	18,500	14,000	26,000	14,000
- Accrued interest	0	0	522	163
At fair value through profit & loss:				
- Fair value	0	0	0	0
<b>Total Borrowing *</b>	<b>18,500</b>	<b>14,000</b>	<b>26,522</b>	<b>14,163</b>
Liabilities at amortised cost:				
- Trade payables	0	0	1,408	393
<b>Included in Creditors **</b>	<b>0</b>	<b>0</b>	<b>1,408</b>	<b>393</b>
<b>Total Financial Liabilities</b>	<b>18,500</b>	<b>14,000</b>	<b>27,930</b>	<b>14,556</b>

\* The total short-term borrowing includes £487k representing accrued interest on long-term borrowing, as well as the principal and interest due on repayments within 12 months.

\*\* The creditors lines on the Balance Sheet include £14,383k (2019: £9,397k) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions, to give a total creditors figure of £15,791k (2019: 9,790k) per the Balance Sheet.

## Financial Assets

A financial asset is a right to future economic benefits controlled by the council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the council. The financial assets held by the council during the year are accounted for under the following classifications:

### 1) Amortised Cost

This is where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow and comprises:

- cash in hand,
- bank current and deposit accounts with Barclays bank,
- fixed term deposits and reverse repurchase agreements with banks and building societies,
- loans to other local authorities,
- loans to small companies and housing associations,
- trade receivables for goods and services provided.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

### 2) Fair Value through Other Comprehensive income

The council does not hold any financial instruments which are designated in this category

### 3) Fair Value through Profit and Loss

- money market funds managed by fund managers,
- property funds managed by the local authorities' mutual investment trust

## The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term		Short Term	
	31/03/2020 £000s	31/03/2019 restated £000s	31/03/2020 £000s	31/03/2019 restated £000s
<i>At amortised cost:</i>				
- Principal	3,000	0	16,000	11,000
- Accrued interest	0	0	70	40
<i>At fair value through profit &amp; loss:</i>				
- Fair value	7,879	3,873	0	0
<b>Total Investments</b>	<b>10,879</b>	<b>3,873</b>	<b>16,070</b>	<b>11,040</b>
<i>At amortised cost:</i>				
- Principal	0	0	10,187	4,261
- Accrued interest	0	0	10	12
<i>At fair value through profit &amp; loss:</i>				
- Fair value	0	0	7,000	850
<b>Total Cash and Cash Equivalents</b>			<b>17,197</b>	<b>5,123</b>
<i>At amortised cost:</i>				
- Trade receivables	272	320	2,157	2,052
<b>Included in Debtors *</b>	<b>272</b>	<b>320</b>	<b>2,157</b>	<b>2,052</b>
<b>Total Financial Assets</b>	<b>11,151</b>	<b>4,193</b>	<b>35,424</b>	<b>18,215</b>

\* The cash & cash equivalents lines on the Balance Sheet include (£205k) (2019: £34k) of cash held that does not meet the definition of a financial asset, to give a total for cash & cash equivalents on the Balance Sheet of £16,992k (2019: £5,157k).

\* The debtors lines on the Balance Sheet include £2,656k (2019: £1,926k) short-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions, to give a total for short term debtors on the Balance Sheet of £4,813k (2019: £3,978k).

\* The total short-term investments includes £16K (2019: £0) representing accrued interest on long-term investments.

\* Debtors includes £69k (2019: £42k) of interest earned on equity instruments held at fair value through profit and loss

19. Financial Instruments (continued)

**Financial Instruments - Gains and Losses**

	Financial Liabilities		Financial Assets		2019/2020 Total	2018/2019 Total
	Amortised Cost	Fair Value - Profit & Loss	Amortised Cost	Fair Value - Profit & Loss		
	£'000	£'000	£'000	£'000		
Interest expense	458	0	0	0	458	403
Losses from change in fair value	0	0	0	994	944	0
<b>Interest payable and similar charges **</b>	<b>458</b>	<b>0</b>	<b>0</b>	<b>994</b>	<b>1402</b>	<b>403</b>
Interest income	0	0	-244	0	-244	-191
Dividend income	0	0	0	-210	-210	-166
Gains from changes in fair value	0	0	0	0	0	-20
Impairment loss reversals	0	0	0	0	0	0
<b>Interest and investment income **</b>	<b>0</b>	<b>0</b>	<b>-244</b>	<b>-210</b>	<b>-454</b>	<b>-377</b>
<b>Net impact on surplus/deficit on provision of services</b>	<b>458</b>	<b>0</b>	<b>-244</b>	<b>784</b>	<b>948</b>	<b>26</b>
<b>Net Gain/(Loss) for the Year</b>	<b>458</b>	<b>0</b>	<b>-244</b>	<b>784</b>	<b>948</b>	<b>26</b>

**Financial Instruments - Fair Values**

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. A calculation has been made of what their fair values would be by estimating the net present value of the remaining contractual cash flows at 31 March 2019, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

## 19. Financial Instruments (continued)

### Financial liabilities

	Fair Value Level	Balance Sheet 31/03/2020 £000s	Fair Value 31/03/2020 £000s	Balance Sheet 31/03/2019 £000s	Fair Value 31/03/2019 £000s
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	18,500	19,456	14,000	14,288
<b>TOTAL</b>		<b>18,500</b>	<b>19,456</b>	<b>14,000</b>	<b>14,288</b>
Liabilities for which fair value is not disclosed *		27,930		14,555	
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>46,430</b>		<b>28,555</b>	
<i>Recorded on balance sheet as:</i>					
Short-term creditors		1,408		393	
Short-term borrowing		26,522		14,162	
Long-term borrowing		18,500		14,000	
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>46,430</b>		<b>28,555</b>	

\* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

### Financial Assets

	Fair Value Level	Balance Sheet 31 March 2020 £000s	Fair Value 31 March 2020 £000s	Balance Sheet 31 March 2019 £000s	Fair Value 31 March 2019 £000s
<i>Financial assets held at fair value:</i>					
Money market funds	1	7,000	7,000	850	850
Bond, equity and property funds	1	7,879	7,879	3,873	3,873
<b>TOTAL</b>		<b>14,879</b>	<b>14,879</b>	<b>4,723</b>	<b>4,723</b>
Assets for which fair value is not disclosed *		31,765		17,685	
<b>TOTAL FINANCIAL ASSETS</b>		<b>46,644</b>		<b>22,408</b>	
<i>Recorded on balance sheet as:</i>					
Long-term debtors		272		320	
Long-term investments		10,879		0	
Short-term debtors		2,157		2,052	
Short-term investments		16,139		14,913	
Cash and cash equivalents		17,197		5,123	
<b>TOTAL FINANCIAL ASSETS</b>		<b>46,644</b>		<b>22,408</b>	

\* The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

The fair value of short term investment financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now higher than that obtained when the investment was originally made. The difference between fair value and amortised cost is £29,238, and therefore not material.

Property funds totalling £3,735k have been moved from level 1 to level 2 of the hierarchy for 2019/20 reflecting that there is no longer an active market in these instruments. Fund managers have suspended redemptions reflecting market conditions for underlying properties caused by the economic consequences of the coronavirus pandemic.



## 20. Short Term Debtors

The balances outstanding at 31 March are summarised as follows:

	2018/2019 £'000	2019/2020 £'000
Local Tax Collection - Government bodies	1,080	1,031
Local Tax Collection - Ratepayer Arrears	420	459
Trade Debtors	993	1,247
Other Debtors	1,897	2,373
Prepayments & accrued income	1,074	1,329
<b>Gross Debts</b>	<b>5,464</b>	<b>6,439</b>
less Impairment Allowance	- 1,485	- 1,626
<b>Total Net Debtors</b>	<b>3,979</b>	<b>4,813</b>

## 21. Cash and Cash Equivalents

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

	2018/2019 £'000	2019/2020 £'000
Cash held by the council	211	62
Bank current accounts	-178	-268
Short-term deposits	5,124	17,198
<b>Total Cash and Cash Equivalents</b>	<b>5,157</b>	<b>16,992</b>

## 22. Short Term Creditors

The balances outstanding at 31 March are summarised as follows:

	2018/2019 £'000	2019/2020 £'000
Local Tax Collection - Precepting/billing authorities	7,174	11,314
Local Tax Collection - Ratepayer Accounts	150	202
Other Taxation	1	-
Trade Creditors	1,087	1,592
Other Creditors*	1,378	2,683
<b>Total</b>	<b>9,790</b>	<b>15,791</b>

\* The 2019/20 figure includes £2.46m of receipts in advance.

## 23. Provisions

### 23.1 Short Term Provisions

	<b>Outstanding Legal Cases</b>	<b>Other Provisions</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2019</b>	<b>249</b>	<b>2,762</b>	<b>3,011</b>
Additional provisions made	60	358	<b>418</b>
Amounts used	1	98	<b>99</b>
Unused amounts reversed	1	2,664	<b>2,665</b>
<b>Balance at 31 March 2020</b>	<b>307</b>	<b>358</b>	<b>665</b>

### 23.2 Long Term Provisions

	<b>Outstanding Legal Cases</b>	<b>Other Provisions</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April 2019</b>	<b>0</b>	<b>3,677</b>	<b>3,677</b>
Additional provisions made	0	0	<b>0</b>
Amounts used	0	27	<b>27</b>
Unused amounts reversed	0	1,039	<b>1,039</b>
<b>Balance at 31 March 2020</b>	<b>0</b>	<b>2,611</b>	<b>2,611</b>

#### 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. 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.

##### 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

There is a provision of £2,884K at the 31 March 2020 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 £301k has been included at 31 March 2020, which is to cover any ongoing legal costs incurred as part of the councils statutory responsibility to investigate two Health & Safety at work accidents within Tewkesbury Borough business premises.

There is a new provision of £239k for the remainder of the design phase of the Ashchurch Bridge Project. This project should be funded by Homes England, however, the Borough Growth Reserve has funded the expenditure to date as the signing of the agreement with Homes England has still not happened, and planning permission has not been attained. Tewkesbury Borough Council are at risk of having to fund £447k of the design phase if the agreement with Homes England cannot be reached and the Bridge work does not go ahead.

## 24. Usable Reserves

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement and Notes 6 and 12 and 13

## 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.

2018/2019 £'000		2019/2020 £'000
7,174	<b>Balance at 1 April</b>	7,731
	0 Upward revaluation of assets & reversal of previous impairment losses	615
695	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
-138	Difference between fair value depreciation and historical cost	-75
0	Accumulated gains on assets sold, scrapped or transferred	-108
<u><u>7,731</u></u>	<b>Balance at 31 March</b>	<u><u>8,163</u></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.

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.

25. Unusable Reserves (continued)

<b>Capital Adjustment Account</b>		
2018/2019 £'000		2019/2020 £'000
23,587	<b>Balance at 1 April</b>	23,512
<b><i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</i></b>		
-1,097	Charges for depreciation and impairment of non-current assets	-954
-1,413	Revaluation losses on Property, Plant and Equipment	-141
-52	Amortisation of intangible assets	-57
-491	Revenue expenditure funded from capital under statute from Capital Grants	-572
-92	Revenue expenditure funded from capital under statute from Capital Receipts	-34
138	Adjusting amounts written out of the Revaluation Reserve	75
16	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-86
<b><i>Capital financing applied in the year:</i></b>		
1,046	Use of the Capital Receipts Reserve to finance new capital expenditure	156
906	Application of grants to capital financing from the Capital Grants Unapplied Account	572
403	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	537
204	Capital expenditure charged against the General Fund	349
357	Movements in the market value of Investment and donated properties debited or credited to the Comprehensive Income and Expenditure Statement	1,159
<b><u>23,512</u></b>	<b>Balance at 31 March</b>	<b><u>24,516</u></b>

### 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.

2018/2019 £'000		2019/2020 £'000
-28,883	<b>Balance at 1 April</b>	-34,017
-4,923	Remeasurements of the net defined benefit liability/(asset)	5,998
-211	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	-781
<u>-34,017</u>	<b>Balance at 31 March</b>	<u>-28,800</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.

2018/2019 £'000		2019/2020 £'000
-228	<b>Balance at 1 April</b>	564
	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax 792 and non-domestic rates income calculated for the year in accordance with statutory requirements.	3,027
<u>564</u>	<b>Balance at 31 March</b>	<u>3,591</u>

### 25.5 Financial Instruments Revaluation Reserve

The financial instruments revaluation reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- i) revalued downwards or impaired and the gains are lost
- ii) disposed of and the gains are realised.

2018/2019 £'000		2019/2020 £'000
-139	<b>Balance at 1 April</b>	-120
19	Fair value gain on financial instruments	0
0	Fair value losses on financial instruments	-994
<u>-120</u>	<b>Balance at 31 March</b>	<u>-1,114</u>

## 26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2018/2019 £'000	Specific Inflows	2019/2020 £'000
-18	Interest received	414
131	Interest paid	-432
-7	Dividends received	-27
<u>106</u>		<u>-45</u>

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

2018/2019 £'000		2019/2020 £'000
1,097	Depreciation	954
1,323	Impairment & downward valuations	141
52	Amortisation	56
0	Change in impairment for bad debts	0
632	Change in creditors	6027
-979	Change in debtors	-47
0	Change in Inventories	0
211	movement in pension liability	781
74	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	194
2,095	Other non-cash items charged to the net surplus or deficit on the provision of services	-3696
<u>4,505</u>		<u>4,410</u>

## 27. Cash Flow Statement – Investing Activities

2018/2019 £'000		2019/2020 £'000
-10,089	Purchase of property, plant and equipment, investment property and intangible assets	-471
-34,588	Purchase of short-term and long-term investments	-27,873
362	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	169
33,000	Proceeds from short-term and long-term investments	0
857	Other Receipts from Investing activities	96
<u>-10,458</u>	<b>Net cash flows from investing activities</b>	<u>-28,079</u>

## 28. Cash Flow Statement – Financing Activities

2018/2019 £'000		2019/2020 £'000
58,000	Cash receipts of short- and long-term borrowing	24,833
0	Other receipts from financing activities	0
-51,000	Repayments of short- and long-term borrowing	-8,000
0	Other payments for financing activities	0
<u>7,000</u>	<b>Net cash flows from financing activities</b>	<u>16,833</u>

## 29. Agency Services

The council provides payroll services for the Wheatpieces Parish Council involving the payment of £37k to employees and £10k to Her Majesty's Revenue and Customs. The organisation pays £383 for the service.

## 30. Members' Allowances

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

	<b>2018/2019</b> <b>£'000</b>	<b>2019/2020</b> <b>£'000</b>
Allowances	335	340
Mileage & Subsistence	7	6
Other Expenses	1	0
<b>Total Reimbursement</b>	<b>343</b>	<b>346</b>

The above figures include a basic allowance for each member of £7.2k (2018/2019 £7.2k)

### 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
<b>Current Posts</b>					
Chief Executive		2019/2020	97	2	99
		2018/2019	116	20	136
Deputy Chief Executive		2019/2020	91	16	107
		2018/2019	87	15	102
Borough Solicitor	1	2019/2020	94	16	110
		2018/2019	92	16	108
Section 151 Officer (Chief Finance Officer)		2019/2020	74	13	87
		2018/2019	73	13	86
<b>Total</b>		<b>2019/2020</b>	<b>356</b>	<b>47</b>	<b>403</b>
		<b>2018/2019</b>	<b>368</b>	<b>64</b>	<b>432</b>

#### 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.

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	
	2018/2019 Total	2019/2020 Total
£50,000 - £54,999	1	2
£55,000 - £59,999	2	2
£60,000 - £64,999	2	1
£65,000 - £69,999	2	4
£70,000 - £74,999	1	2
	<b>8</b>	<b>11</b>



### 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 redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band		
	£	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019 £'000	2019/2020 £'000
0 - 20,000		0	0	0	0	0	0	0	0
20,001 - 40,000		1	0	0	0	1	0	35	0
40,001 - 60,000		0	0	1	0	1	0	48	0
60,001 - 80,000		0	0	0	0	0	0	0	0
<b>Total</b>		<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>83</b>	<b>0</b>

### Termination Benefits

There are no potential termination benefits due in the 2020/2021 financial year as a result of decisions made before the 31 March 2020.

### 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:

	2018/2019 £'000	2019/2020 £'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor.	35	35
Fees payable to Grant Thornton for the certification of grant claims and returns.	8	16
Fees payable to Grant Thornton in respect of additional external audit fees.	0	7
	<u>43</u>	<u>58</u>

### 33. Grant Income

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

	2018/2019 £'000	2019/2020 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
S.31 Grants & Contributions (supporting the NDR regime)	-1,691	-1,767
Revenue Support Grant	0	-23
New Homes Bonus Grant	-3,180	-3,273
Other Grants	0	-14
	<u>-4,871</u>	<u>-5,077</u>
<b>Capital Grants</b>		
Disabled Facilities Grants	-483	-456
Other Capital Grants	-374	0
	<u>-857</u>	<u>-456</u>
<b>Total</b>	<u><b>-5,728</b></u>	<u><b>-5,533</b></u>

**33. Grant Income (continued)**

	2018/2019 £'000	2019/2020 £'000
<b>Grants Credited to Services</b>		
Ministry of Housing, Community & Local Govt (MHCLG)		
Local Taxation Administration Grants	-145	-146
Planning Related Grants	-299	-17
Homelessness Grants	-236	-289
Other MHCLG Grants	-75	-125
Dept. Work & Pensions Grants		
Housing Benefit Administration & Associated Grants	-181	-162
Housing Benefit Grant	-16,010	-13,346
Discretionary Housing Payments Subsidy	-122	-108
Other DWP Grants	-177	-78
Cabinet Office		
European Elections	0	-127
Parliamentary Elections		-152
Other Grants	-12	-10
Homes England		
Garden Towns	0	-750
Other Government Grants	-24	-13
<b>Contributions Credited to Services</b>		
Gloucestershire County Council Contributions		
Strategic Planner	-45	0
Waste Incentive Contributions	-100	-100
Flood Works and Water Management	0	-22
Other GCC contributions	-67	-10
Strategic Planner - Contributions from various Local Councils	-30	-75
Joint Core Strategy - Contributions from Cheltenham Borough Council ar	0	-120
Other Contributions from Central Government bodies	-18	-5
Other Contributions from Other bodies	-30	-45
Contributions in relation to S.106 agreements	-3,174	-4,175
<b>Total</b>	<b>-20,745</b>	<b>-19,875</b>
<b>Grand Total</b>	<b>-26,473</b>	<b>-25,408</b>

### 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 34.

#### Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2019/2020 is shown in Note 31. Details of transactions involving Members of the council are recorded in the Register of Members' Interest, which is open to public inspection. All contracts and payments were made in accordance with the council's contract procedure rules.

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

During the year we had an arrangement to share our Monitoring Officer with Cheltenham Borough Council. As this is a senior role with independent statutory powers it is disclosed within Note 32.

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 14.

In addition to council tax and business rate precepts, the Council also made payments of £164K for both grants and services to Gloucestershire County Council. 6 Borough Council members also declared a relationship with the County Council during 2019-20.

The council provides grant funding which is available to parish councils. Many borough councillors 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 2019/2020

	No. of Members	Payments other than precepts £'000
Parish Councils:		
Alderton	1	1
Bishop's Cleeve	1	57
Brockworth	3	3
Churchdown	5	2
Hucclecote	2	3
Innsworth	2	13
Northway	2	3
Tewkesbury Town Council	4	23
Twynning	1	89
Wheatpieces	1	93
Winchcombe	3	1

### 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 2019/2020 £'000
Cleeve Common Board of Conservators	2	25
Cotswold AONB (Cotswold conservation board)	2	5
Roses Theatre	1	20
Lower Severn Internal Drainage Board	1	7
Gloucestershire Police and Crime Panel	1	1

#### Deputy Chief Executive

The Deputy Chief Executive has declared a relationship with UBICO Ltd as a board member. The council made payments of £5M to UBICO Ltd for contract services during 2019/2020.

#### Officers

The Head of Corporate Services has declared an interest in a business grant of £625 paid to a business owned by their partner. The grant is awarded by the Development Services department based on applications received. The Head of Corporate Services was not involved in any aspect of the assessment of the grant application or the decision to award the payment.

### 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.

	2018/2019 £'000	2019/2020 £'000
<b>Opening Capital Financing Requirement</b>	<b>28,679</b>	<b>36,791</b>
<b>Capital Investment</b>		
Property Plant & Equipment	1,550	422
Investment Asset	8,516	0
Intangible assets	23	49
Revenue Expenditure Funded from Capital Under Statute	582	606
	<u>10,671</u>	<u>1,077</u>
<b>Sources of finance</b>		
Capital receipts	-1,046	-156
Government grants and other contributions	-906	-572
<b>Sums set aside from revenue:</b>		
Direct Revenue Contributions	-204	-349
Minimum Revenue Provision	-403	-537
	<u>-2,559</u>	<u>-1,614</u>
<b>Closing Capital Financing Requirement</b>	<b><u>36,791</u></b>	<b><u>36,254</u></b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (unsupported by Government financial assistance)	8,112	-537
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b><u>8,112</u></b>	<b><u>-537</u></b>

## 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 2019	31 March 2020
	£'000	£'000
Not later than one year	61	52
Later than one year and not later than five years	159	107
Later than five years	0	0
	<u>220</u>	<u>159</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:

	2018/2019	2019/2020
	£'000	£'000
Minimum Lease Payments	62	62
	<u>62</u>	<u>62</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  
Commercial Unit in Walton on the Naze  
Commercial Unit in Leamington Spa  
Rental of storage space at Lower Lode Depot

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

	<b>31 March 2019</b>	<b>31 March 2020</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	2,571	2,619
Later than one year and not later than five years	9,817	9,714
Later than five years	18,795	14,241
	<u><b>31,183</b></u>	<u><b>26,574</b></u>

The slight increase in the income from leasing not later than one year is due to renegotiation and renewal of two leases for office space at the council offices and also for the rental of land at the depot.

The decrease in the income from leasing later than five years is mainly due to no new chargeable long term leases being entered into during 2019/20. The existing long term leases have one year less left to run than last year, so the total rent due over the term of the leases will be lower.

Contingent rents received in the year were:

	<b>2018/2019</b>	<b>2019/2020</b>
	<b>£'000</b>	<b>£'000</b>
Contingent Rents	76	49

## 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:

<b>a). Comprehensive Income and Expenditure Statement</b>	<b>2018/2019 £'000</b>	<b>2019/2020 £'000</b>
<b>Cost of Services:</b>		
- Current service cost	2,189	2,656
- Past service cost	0	297
- Capital gain/(loss) on settlements	0	0
<b>Financing and Investment Income and Expenditure</b>		
- Net interest expense	772	828
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,961</b>	<b>3,781</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
- Return on plan assets (excluding the amount included in the net interest expense)	-1,500	5,602
- Actuarial gains and losses arising on changes in demographic assumptions	0	3,001
- Actuarial gains and losses arising on changes in financial assumptions	6,383	7,308
- Other	40	1,291
	<b>4,923</b>	<b>17,202</b>
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>7,884</b>	<b>20,983</b>



### 37. Defined Benefit Pension Schemes (continued)

b). Movement in Reserves Statement	2018/2019 £'000	2019/2020 £'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	-2,961	-3,781
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
- Employers' contributions payable to scheme	2,750	3,000

### 38.3 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:

	2018/2019 £'000	2019/2020 £'000
Present value of the defined benefit obligation	88,572	79,869
Fair value of plan assets	-54,555	-51,069
<b>Net liability arising from defined benefit obligation</b>	<b><u>34,017</u></b>	<b><u>28,800</u></b>

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

	2018/2019 £'000	2019/2020 £'000
<b>Opening fair value of scheme assets at 1 April</b>	<b>50,792</b>	<b>54,555</b>
Interest income	1,382	1,314
Effect of Settlements	0	0
Remeasurement gain/(loss):		
- The return on plan assets, excluding the amount included in the net interest expense	1,500	-5,602
Other		
Contributions from employer	2,750	3,000
Contributions from employees into the scheme	357	376
Benefits paid	-2,226	-2,574
<b>Closing fair value of scheme assets at 31 March</b>	<b><u>54,555</u></b>	<b><u>51,069</u></b>

### 37. Defined Benefit Pension Schemes (continued)

#### 37.5 Reconciliation of Present Value of the Scheme Liabilities:

	2018/2019 £'000	2019/2020 £'000
<b>Opening balance at 1 April</b>	<b>79,675</b>	<b>88,572</b>
Current service cost	2,189	2,656
Effect of Settlements	0	0
Interest cost	2,154	2,142
Contributions from scheme participants	357	376
Remeasurement gain/(loss):		0
- Actuarial gains/losses arising from changes in demographic assumptions	0	-3,001
- Actuarial gains/losses arising from changes in financial assumptions	6,383	-7,308
- Other	40	-1,291
Past Service Cost	0	297
Benefits paid	-2,226	-2,574
<b>Closing balance at 31 March</b>	<b><u>88,572</u></b>	<b><u>79,869</u></b>

#### 37.6 Local Government Pension Scheme assets comprised:

Asset category	Period Ended 31 March 2019				Period Ended 31 March 2020			
	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	0	0	0	0%	0	0	0	0%
Debt Securities	7,523	0	7,523	14%	6,874	0	6,874	13%
Private Equity	0	120	120	0%	0	168	168	0%
Real Estate	3,460	1,498	4,958	9%	2,833	1,169	4,002	8%
Investment Funds and Unit Trusts	7,651	33,307	40,957	75%	4,035	35,385	39,419	77%
Derivatives -	7	0 -	7	0%	16	0	16	0%
Cash and Cash Equivalents	1,004	0	1,004	2%	590	0	590	2%
<b>Totals</b>	<b>19,631</b>	<b>34,925</b>	<b>54,555</b>	<b>100%</b>	<b>14,348</b>	<b>36,722</b>	<b>51,069</b>	<b>100%</b>

## 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 2019. The next formal valuation will be as at 31 March 2022.

The significant assumptions used by the actuary have been:

	2018/2019	2019/2020
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	2.4%	2.3%
Bonds	2.4%	2.3%
Property	2.4%	2.3%
Cash	2.4%	2.3%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
• Men	22.4	21.7
• Women	24.6	23.9
Longevity at 65 for future pensioners:		
• Men	24.0	22.4
• Women	26.4	25.3
<b>Rate of inflation</b>	2.4%	2.3%
<b>Rate of increase in salaries</b>	2.8%	2.2%
<b>Rate of increase in pensions</b>	2.5%	1.9%
<b>Rate for discounting scheme liabilities</b>	2.4%	2.3%

### 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 2020	Approx. % increase to Employer Liability	Approx. monetary amount (£'000)
0.5% decrease in Real Discount Rate	9%	7,298
0.5% increase in the Salary Increase Rate	1%	772
0.5% increase in the Pension Increase Rate (CPI)	8%	6,463

#### 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
<b>Certified rates for the year ending:</b>			
31 March 2021	19.7%	plus	1,661
31 March 2022	19.7%	plus	1465
31 March 2023	19.7%	plus	1269

### 38. Contingent Assets & Liabilities

#### 38.1 Contingent Assets

There are no identified contingent assets in 2019/2020.

#### 38.2 Contingent Liabilities

The Council has provided a financial indemnity to Rooftop Housing regarding the sale of a garage site to them in March 2019. This sale was on the basis of obtaining planning permission to convert the site into social housing. The planning permission was granted on the 18 March 2019. The guarantee provides an immaterial level of cover should a claim be made disputing ownership of garages on this site. As at 31 March 2020 no legal claims have been made to either Rooftop or the Council.

### Note 39. Nature and extent of risks arising from financial instruments

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

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

#### Credit Risk

The council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £2m (with the exception of the CCLA Property fund which has a £4m limit forming part of a balanced pooled fund portfolio) is placed on the amount of money that can be invested with a single counterparty (note that the council can place unlimited funds with UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £1m applies. The council also sets limits on investments in certain sectors. The Council also sets limits on investments in certain sectors. No more than £6m in total can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	31st March 2019		31st March 2020	
	Long-term £000s	Short-term £000s	Long-term £000s	Short-term £000s
AAA	0	0	0	0
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	2,000	0	3,000
A+	0	2,000	0	2,000
A	1,000	2,186	0	1,261
A-	2,000	0	0	0
BBB+	0	0	0	1,000
Unrated local authorities	0	20,000	0	8,000
Unrated building societies	0	0	0	0
Unrated housing associations	0	0	0	0
<b>TOTAL</b>	<b>3,000</b>	<b>26,186</b>	<b>0</b>	<b>15,261</b>
Credit risk not applicable *	7,878	7,000	3,993	850
<b>Total Investments</b>	<b>10,878</b>	<b>33,186</b>	<b>3,993</b>	<b>16,111</b>

\* Credit risk is not applicable to shareholdings and pooled funds where the council has no contractual right to receive any sum of money.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 365% (2019: 122%) to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent.

At 31 March 2020 the 12 month expected loss allowance estimate for the loan portfolio is calculated to be £10k This loss allowance is not material to the accounts and so no adjustment has been made to balances held in the financial statements.

### Note 39. Nature and extent of risks arising from financial instruments (continued)

#### Credit Risk: Trade and Lease Receivables and Contract Assets

The council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the council's trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

	<b>Loss Allowance Calculation</b>	<b>31st March 2019</b>	<b>31st March 2020</b>
	<b>%</b>	<b>£'000</b>	<b>£'000</b>
<b>Less than three months</b>	5	38	70
<b>Three to six months</b>	10	56	196
<b>Six Months to one year</b>	15	48	335
<b>More than one year</b>	>20	11	53
		<u>153</u>	<u>654</u>

Loss allowances on trade receivables and contract assets have been calculated by reference to the council's historic experience of default. The Council calculates the loss allowance using the % shown in the table above.

The council has also considered its credit exposure in relation to lease receivables. There are not sophisticated credit risk management systems available and so a simplified approach using lifetime expected credit losses has been used. In calculating the credit risk on these financial assets reference has been made to historic experience of default of annual rental payments, current status of the lessors obligations to pay as well as review of available credit ratings.

At 31 March 2020 the lifetime loss allowance estimate, covering the entire lease receivables portfolio held, has been calculated to be £82k. This loss allowance is not material to the accounts. It represents an estimated future loss of income on the revenue account, and not to any balances held as at the Balance Sheet date. Should a lessee default on its contractual obligations the impact would be on the revenue budget which is set annually and would be adjusted as part of budget setting should the risk of default increase substantially. For the 2019/2020 financial year there are no identified risks of default occurring.

The council has set aside a reserve of £641k to cover the risks of any annual loss of income from its lease receivables, whether it is due to need to undertake repairs & maintenance, a gap between lessees or from loss of income through default. This has been increased from the previous years reserve of £466k to reflect the impact of the COVID-19 pandemic on economy.

The council has no reason to expect any losses from counterparties in relation to financial instruments held. The council can utilise the unallocated revenue reserves of £850k (working balance as at 31 March 2020) to cover any unexpected losses.

## Note 39. Nature and extent of risks arising from financial instruments (continued)

### Liquidity Risk

The council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high 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:

	<b>31st March 2019 £'000</b>	<b>31st March 2020 £'000</b>
Less than one year	14,013	26,522
Between one and two years	0	0
Between two and five years	0	0
More than five years	14,149	18,500
<b>TOTAL</b>	<b><u>28,162</u></b>	<b><u>45,022</u></b>

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

### 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 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 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.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. 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. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

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.

### **Note 39. Nature and extent of risks arising from financial instruments (continued)**

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 held in the form of 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 March 20 would be an additional gain of £451k

#### **Price Risk**

The council's investment in a pooled property fund is subject to the risk of falling commercial property prices. A 5% fall in commercial property prices at 31st March 2020 would result in a £190k (2019: £193k) charge to Other Comprehensive Income and Expenditure.

The council's investment in a pooled equity funds is subject to the risk of falling share prices. A 5% fall in share prices at 31st March 2020 would result in a £87k (2019: £0k) charge to Other Comprehensive Income and Expenditure.

#### **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.

	<b>2018/2019</b>	<b>2019/2020</b>
	<b>£'000</b>	<b>£'000</b>
Income	10	11
Expenditure	-3	-2
	<u>7</u>	<u>9</u>

Reserve held on behalf of the Trust is carried in our balance sheet. In 2019/2020 it was £70k (£60k in 2018/2019).

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

2018/2019			2019/2020		
£'000	£'000	£'000	£'000	£'000	£'000
Business rates	Council Tax	Total	Business rates	Council Tax	Total
			<b>Income</b>		
0	55,761	55,761	0	60,496	60,496
0	0		<i>Transfer from General Fund:</i>		
			0	0	
38,728	0	38,728	Business Rates Receivable		
1,002	0	1,002	39,041	0	39,041
1,920	0	1,920	Transitional Relief		
			390		390
			Contributions to deficit		
			0		
<b>41,650</b>	<b>55,761</b>	<b>95,491</b>	<b>Total Income</b>		
			<b>39,431</b>	<b>60,496</b>	<b>99,927</b>
			<b>Expenditure</b>		
			<b>Precepts, Demands and Shares</b>		
0	0	0	Payments to Central Government		
18,030	5,810	23,579	17,969	0	17,969
17,769	41,721	59,490	Tewkesbury Borough Council		
0	7,669	7,669	14,375	6,201	20,576
0	0	0	Gloucestershire County Council		
0	0	0	3,594	44,743	48,337
0	0	0	Gloucestershire Police Authority		
0	0	0	0	8,663	8,663
123	0	123	Distribution of Surplus		
35,922	55,200	91,122	846	0	846
			Renewable Energy Disregards		
			250	0	250
			Cost of Collection Allowance		
			123	0	123
			<b>37,157</b>	<b>59,607</b>	<b>96,764</b>
			<b>Bad and Doubtful Debts:</b>		
128	57	185	Write Offs		
31	68	99	43		43
2,828	0	2,828	Provisions		
2,987	125	3,112	56	19	75
			Provision for appeals		
			-5,527	0	-5,527
			<b>-5,428</b>	<b>19</b>	<b>-5,409</b>
0	1,580	1,580	Transfer of Collection Fund Surplus		
				390	390
<b>38,909</b>	<b>56,905</b>	<b>95,814</b>	<b>Total Expenditure</b>		
			<b>31,729</b>	<b>60,016</b>	<b>91,745</b>
<b>2,741</b>	<b>-1,144</b>	<b>-323</b>	<b>Surplus/(Deficit)</b>		
			<b>7,702</b>	<b>480</b>	<b>8,182</b>
			<b>Movement on Fund</b>		
-1,790	1,902	112	Balance at 1st April		
2,741	-1,144	1,597	951	758	1,709
			Surplus/(Deficit)		
			7,702	480	8,182
<b>951</b>	<b>758</b>	<b>1,709</b>	<b>Balance as at 31st March</b>		
			<b>8,653</b>	<b>1,238</b>	<b>9,891</b>
			<b>Allocated to:</b>		
64	0	64	Central Government		
463	80	543	4,275	0	4,275
424	573	997	Tewkesbury Borough Council		
0	105	105	3,472	128	3,600
951	758	1,709	Gloucestershire County Council		
			906	932	1,838
			Gloucestershire Police Authority		
			0	178	178
			<b>8,653</b>	<b>1,238</b>	<b>9,891</b>

## NOTES TO THE COLLECTION FUND

### 1. General

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

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 council is part of the Gloucestershire Business Rates Pool. The Business Rates scheme allows the council to retain a proportion of the total NNDR received subject to a levy. By being part of the Pool the council has the benefit of no levy on the growth above the business rates funding baseline, set by central government. Any gains from being part of the pool is put into the Gloucestershire Strategic Partnership Fund first, and then shared out amongst the various partners. In 2019/2020 the council received an additional £686K from being part of the pool.

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 1 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:

<b>Band</b>	<b>Range of Values</b>	<b>Multiplier</b>
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

## Notes to the Collection Fund (continued)

### 2.2 Council Tax Base

For 2019/2020 the tax base was 34,585.03 (33,858.60 in 2018/2019). This increase was mainly due to property growth in the borough.

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.

The 2018/2019 base was calculated as follows:

Band	Number of Chargeable Dwellings	Multiplier	Band D Equivalents
Z	21	5/9	11.67
A	5376.5	6/9	3,584.33
B	5706	7/9	4,438.00
C	10329.5	8/9	9,181.78
D	5614.5	9/9	5,614.50
E	4819.25	11/9	5,890.19
F	3131	13/9	4,522.56
G	1790	15/9	2,983.33
H	179.75	18/9	359.50
<b>Total Band D Equivalents</b>			<u>36,585.86</u>
<b>Growth Adjustment</b>			-1,851.82
Collection Rate			<u>98.00%</u>
<b>Chargeable Band D Equivalents</b>			<u>34,039.36</u>
Armed Forces class 'O' contributions in lieu of Council Tax			<u>545.67</u>
<b>Council Tax Base</b>			<u><u>34,585.03</u></u>

### 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:

	2018/2019 £'000	2019/2020 £'000
Gloucestershire County Council	41,721	44,743
Police Authority	7,669	8,663
Tewkesbury Borough Council	3,872	4,128
Total for Parishes	1,938	2,073
	<u><u>55,200</u></u>	<u><u>59,607</u></u>

The council set an average council tax level for 2019/2020 at Band D of £1,723.48, including Parish precepts (1,573.06 in 2018/2019). This is broken down as follows:

## Notes to the Collection Fund (continued)

	2018/2019	2019/2020
	£	£
Gloucestershire County Council	1,232.21	1,293.70
Police Authority	226.49	250.49
Tewkesbury Borough Council	114.36	119.36
	<b>1,573.06</b>	<b>1,663.55</b>

The Band D tax level for Parish budgets ranged from nil to £122.31

### 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 £91,747,962 at 31 March 2020 (£91,842,894 at 31 March 2019), 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 £51,000. For 2019/2020 this was set at 49.1p (2018/2019 48.0p), with the standard rate in the pound being 50.4p (2018/2019 49.3p) 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.

2019/2020	Council Tax £'000
Balance at 1 April 2019	758
Income	-60,496
Precepts & Expenses	59,626
Surplus Distributed	390
Balance at 31 March 2020	<b>1,238</b>
Committed Distribution	790
Balances for distribution	<b>448</b>

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.

**AUDIT OPINION TO BE INSERTED ON COMPLETION OF AUDIT**

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### **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 31<sup>st</sup> 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 31<sup>st</sup> 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 1<sup>st</sup> April to 31<sup>st</sup> 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 31<sup>st</sup> 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.