Gloucester City Council

AUDIT AND GOVERNANCE COMMITTEE

Meeting: Monday, 23rd September 2013 at 18.30 hours
in Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP

ADDENDUM

The following item/s although provided for on the agenda front sheet were not available at the time of dispatch:

10.	**AUDITED STATEMENT OF ACCOUNTS (PAGES 1 - 90)** Report of KPMG – attached
13.	**TREASURY MANAGEMENT PERFORMANCE 2013/14 - QUARTER 1 (PAGES 91 - 104)** Report of the Interim Finance Change Manager – attached
15.	**FINANCIAL SERVICES IMPROVEMENT PLAN (PAGES 105 - 118)** Report of the Interim Finance Change Manager – attached

JWain

………………………………………….
Julian Wain
Chief Executive

NOTES

Disclosable Pecuniary Interests
The duties to register, disclose and not to participate in respect of any matter in which a member has a Disclosable Pecuniary Interest are set out in Chapter 7 of the Localism Act 2011.

Disclosable pecuniary interests are defined in the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 as follows –

Interest	Prescribed description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the Council) made or provided within the previous 12 months (up to and including the date of notification of the interest) in respect of any expenses incurred by you carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between you, your spouse or civil partner or person with whom you are living as a spouse or civil partner (or a body in which you or they have a beneficial interest) and the Council (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged
Land	Any beneficial interest in land which is within the Council's area. For this purpose "land" includes an easement, servitude, interest or right in or over land which does not carry with it a right for you, your spouse, civil partner or person with whom you are living as a spouse or civil partner (alone or jointly with another) to occupy the land or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the Council's area for a month or longer.
Corporate tenancies	Any tenancy where (to your knowledge) – (a) the landlord is the Council; and (b) the tenant is a body in which you, your spouse or civil partner or a person you are living with as a spouse or civil partner has a beneficial interest
Securities	Any beneficial interest in securities of a body where – (a) that body (to your knowledge) has a place of business or land in the Council's area and

(b) either –

i. The total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or

ii. If the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, your spouse or civil partner or person with whom you are living as a spouse or civil partner has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

For this purpose, "securities" means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

NOTE: the requirements in respect of the registration and disclosure of Disclosable Pecuniary Interests and withdrawing from participating in respect of any matter where you have a Disclosable Pecuniary Interest apply to your interests and those of your spouse or civil partner or person with whom you are living as a spouse or civil partner where you are aware of their interest.

Access to Information

Agendas and reports can be viewed on the Gloucester City Council website: www.gloucester.gov.uk and are available to view five working days prior to the meeting date.

For further details and enquiries about this meeting please contact Penny Williams, 01452 396125, penny.williams@gloucester.gov.uk.

For general enquiries about Gloucester City Council's meetings please contact Democratic Services, 01452 396126, democratic.services@gloucester.gov.uk.

If you, or someone you know cannot understand English and need help with this information, or if you would like a large print, Braille, or audio version of this information please call 01452 396396.

FIRE / EMERGENCY EVACUATION PROCEDURE

If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by council staff. It is vital that you follow their instructions:

- You should proceed calmly; do not run and do not use the lifts;
- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building; gather at the assembly point in the car park and await further instructions;
- Do not re-enter the building until told by a member of staff or the fire brigade that it is safe to do so.

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GLOUCESTER CITY COUNCIL
2012/13 STATEMENT OF ACCOUNTS

CONTENTS

INTRODUCTION

Gloucester City Council
Welcome to the Statement of Accounts 2012/13

The financial year 2012/13 was the second year in the span of the Council's corporate plan, 'Transforming your City'. There was no increase in Council tax during the year.

The average council tax band in Gloucester is band D and the council tax set for this band was £180.42. The City's Council tax again provided excellent value for money.

The following pages provide details of how your Council tax was spent during the year.

We have improved the way we present our financial information. This is because we want residents and others to understand how the Council's services are financed.

The 2012/13 statement of accounts will be published in September 2013.

Finally a thank you to you, the reader, for showing an interest in the Council's finances. If you would like to know more about the Council's finances please do not hesitate to contact us at the address below.

Peter Gillett
Corporate Director of Resources (Section 151 Officer)

Gloucester City Council	T 01452 396401
North Warehouse	F 01452 396212
The Docks	E accounts@gloucester.gov.uk
Gloucester, GL1 2EP	www.gloucester.gov.uk

GLOUCESTER CITY COUNCIL-GENERAL INFORMATION	
Address and Telephone Number	
Address	Herbert Warehouse The Docks Gloucester GL1 2EQ
Telephone	01452 396236
Website	www.gloucester.gov.uk
Mayor and Deputy Mayor in the 2012/13 Municipal Year	
Mayor	Councillor A Lewis
Sheriff and Deputy Mayor	Councillor P Tracy
Cabinet in 2012/13	
Leader of the Council	Councillor P James
Deputy Leader of the Council	Councillor S Morgan
Cabinet Member Performance and Resources	Councillor D Llewellyn
Cabinet Member Regeneration and Culture	Councillor P James
Cabinet Member Commuunities and Neighbourhoods	Councillor K Williams
Cabinet Member Housing, Health and Leisure	Councillor C Organ
Cabinet Member Environment	Councillor S Morgan
Chairman of Committees in 2012/13	
Licensing and Enforcement Committee	Councillor L Noakes
Overview and Scrutiny Committee	Councillor J Lugg
Organisational Development Committee	Councillor P James
Planning Committee	Councillor G Taylor
Audit and Governance Committee	Councillor D M H Wilson
Chief Officers in 2012/13	
Chief Executive	Mr J M Wain
Director of Resources (Section 151 Responsible Officer)	Mr P Gillett
Director of Regeneration	Mr P Staddon (Resigned 28 February 2013)
Director of Services and Neighbourhoods	Mr M Shields
External Auditor in 2012/13	
Appointed Auditor	KPMG LLP
Address	100 Temple Street, Bristol,BS1 6AG Bristol BS1 6AG
Bankers in 2012/13	
Bankers	Co-operative Bank
Address	23A St Aldates Street Gloucester GL1 1RU

The Council's responsibilities

The Council is required to:

* Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Resources (Section 151 Officer);

* Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

* To approve the Statement of Accounts.

Responsibilities of The Director of Resources (Section 151 Officer)

The Corporate Director of Resources (Section 151 Officer) is responsible for the preparation of the Council's statement of accounts in accordance with proper practices, as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing the statement of accounts, the Corporate Director of Resources (Section 151 Officer) has:

* Selected suitable accounting policies and then applied them consistently;

* Made judgements and estimates that were reasonable and prudent;

* Stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the statement of accounts;

* Complied with the Code of Practice;

* Kept proper accounting records which were up to date; and

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

The Statement of Accounts presents a true and fair view of the financial position of Gloucester City Council at 31 March 2013 and its income and expenditure for the year ended on that date.

Signed ………………………………….. Dated ……………………………..

Peter Gillett CPFA
Corporate Director of Resources (Section 151 Officer)

Signed ………………………………….. Dated ……………………………..

Declan Wilson
Chair of Audit Committee

Pages 4 to 19 have been deliberately left blank as this is for the Annual Governance Report. There is no longer a requirement under the CIPFA Code of Practice to include this with the annual accounts, however, this report will be included with the final audited accounts.

FOREWORD TO THE ACCOUNTS

WHAT IS INCLUDED IN THIS STATEMENT?

The Council's overall accounts for the year ended 31 March 2013 are set out on pages 29-92. The accounts consist of the following :-

* The Statement of Accounting Policies (pages 29 - 36). This section explains the basis of the figures used in the accounts.

* The Core Financial Statements and the Group accounts (pages 37 - 44), comprising:
  - Movement in Reserves;
  - Group Movement in Reserves;
  - Comprehensive Income and Expenditure Statement;
  - Group Comprehensive Income and Expenditure Statement;
  - Balance Sheet;
  - Group Balance Sheet;
  - Cash Flow Statement; and
  - Group Cash Flow Statement.

  Group accounts combine the Council's accounts with those of Gloucestershire Airport Ltd (in which the Council has a 50% shareholding) and Gloucester City Homes Ltd (which is wholly owned by the Council).

* Notes to the Core Financial Statements (pages 45 to 85)
* The Supplementary Statements, comprising:
  - The Housing Revenue Account (pages 86-89), showing separately the revenue income and expenditure during the year relating to the provision of council houses.
  - The Collection Fund (pages 90-92), showing the income received from Council tax and business ratepayers and how that income has been distributed to the Government and to the City Council, Gloucestershire County Council and Gloucestershire Police Authority.

A Glossary of terms, explaining some of the terms used in this statement, is shown on pages 93-96.

WHAT IS THE COUNCIL'S FINANCIAL POSITION?

REVENUE EXPENDITURE

General Fund

The Comprehensive Income and Expenditure Account (CIES) shows the resources that have been generated and consumed by the Council in providing services and managing the Council during the year. It includes all expenses and related income due to be paid or received by the Council, as well as the transactions which measure the value of fixed assets actually consumed and the estimated value of retirement benefits earned by employees in the year.

The Council's Group CIES for 2012/13 shows a deficit on Provision of Services of £49.496 million (2011/12 : £8.398 million deficit). The adjustments required by statute to be made to the General Fund Balance (including transfers to and from reserves), resulted in a decrease in the General Fund Balance of £0.346 million (2011/12: Increase £1.768 million) and a year-end General fund balance of £2.116 million (2011/12: £2.462 million).

2011/12 Net Expenditure £000	GLOUCESTER CITY COUNCIL GROUP STATEMENT OF ACCOUNTS SUMMARY STATEMENT For the year ended 31 March 2013 Description	2012/13 Gross Expenditure £000	2012/13 Gross Income £000	2012/13 Net Expenditure £000
	Gross expenditure, gross income and net expenditure of continuing operations			
1,388	***Central Services to the public***	13,183	10,000	3,183
	Cultural, environmental, regulatory and planning services			
3,955	**Cultural Services**	4,900	1,260	3,640
5,324	**Environmental Services**	3,545	3,803	(258)
2,007	**Planning and Development Services**	3,260	1,659	1,601
1,467	**Service Management and Support Services**	7,944	498	7,446
366	**Highways and transport services**	3,461	3,183	278
992	**Housing Revenue Account (HRA)**	12,738	18,399	(5,661)
1,620	**Other Housing Services**	47,721	46,654	1,067
1,509	**Corporate and Democratic Core**	2,171	472	1,699
224	**Non distributed costs**	20	-	20
3,367	**Exceptional Items**	59,427	-	59,427
22,219	**NET COST OF SERVICES**	**158,370**	**85,928**	**72,442**
(38)	**Other Operating Income andExpenditure (Note 8)**			(5,473)
3,398	**Financing and investment income and expenditure (Note 9)**			69
(17,181)	**Taxation and Non-specific Grant Income (Note 10)**			(17,542)
	Group share of the (Surplus)/Deficit on the provision of Services			
(56)	Joint Ventures			(43)
(31)	Associates			-
	Tax Expenses of Associates and Joint Venture			
-	Joint Ventures			20
-	Associates			-
(3)	Subsidiary			2
8,308	**Group Deficit on Provision of Services**			**49,475**
9,595	**Losses on revaluation of Property, Plant and Equipment assets**			40,939
9,403	**Actuarial losses on pension assets / liabilities**			7,416
	Share of Other Comprehensive Income and Expenditure			
242	Joint Ventures			(60)
-	Associates			-
19,240	**Group Other Comprehensive Income and Expenditure**			**48,295**
27,548	**Total Group Comprehensive Income and Expenditure**			**97,770**

The Council is required to analyse the expenditure for the year 2012/13 in a standard way in order to enable comparisons to be made between different local authorities and other organisations. This representation of the above position is contained in the form of the Comprehensive Income and Expenditure Statement.

Gloucester City Council Overall Financial Position

The Gloucester City Council financial position at 31 March 2013 is considered to be sound by Gloucester City Council Leadership Team.

The fixed assets held by the Council have a current book value of £206.763 million, of which £115.671 million relates to Council dwellings.

Assets less liabilities of the Council (Net Assets), as shown on the balance sheet (page 41), totalled £84.171 million at 31 March 2013, a decrease of £97.730 million over the previous year. This was mainly due to an increase in the liability related to the Council's pension scheme of £6.444 million, and losses following the revaluation of assets of £100.241 million. The major impact of the revaluation losses relate to Council dwellings following a full professional valuation which resulted in an overall decrease in the carrying value of £94.576 million.

Long and short term borrowing was £76.932 million at the year end, a decrease of £12.173 million over the previous year.

Long and short term Investments at the year end were £5.993 million, a decrease of £10.126 million over the previous year.

Earmarked revenue reserves, which are reserves set aside for specific purposes, were £0.112 million at the year end, a decrease of £0.257 million over the previous year. Provisions were £0.380 million at 31 March 2013, a decrease of £0.053 million compared to 31 March 2012.

Capital grants and contributions, available to fund future capital expenditure and required to meet development obligations, were £1.795 million at the year end and usable capital receipts, also available to fund capital expenditure, were £4.247 million.

The Council is required, under proper accounting practice, to show the surplus or deficit on the Council's share of the county pension fund on its Balance Sheet. At 31 March 2013 the Council's share of the pension fund deficit was £57.486 million (£51.042 million at 31 March 2012). This means that the Council's commitment, in the long term, to pay retirement benefits exceeds the current market value of the fund's assets by this amount. It is anticipated the deficit on the fund will be made good over the long term from increased contributions by the Council and increases in the market value of the fund's investments.

Heritable Bank went into administration in the autumn of 2008 and the Council had £2 million invested. The administrators have supplied current projections to suggest a return to creditors of approximately 90 pence in the pound. Previously, they quoted a range from 79 to 85 pence in the pound. To date a total of £1.600 million has been received in repayments through the Heritable administrators, in line with the estimated payments profile. The Council has subsequently received a firm offer from a financial institution for at least 96% of the total debt and, as a result, the impairment has been further reduced by £0.145 million.

The financial climate continued to have a dramatic impact on the Council's income during the year. Local Authorities are in no way immune from the restrictions felt by other organisations. For Gloucester City Council these restricted incomes include Planning Application Fees, Building Control Fees, Land Charges income, Parking income and interest received on investments. Added to these pressures in future years will be the reduction in Central Government Settlement Grant.

As part of the Council's approved 3-Year Money Plan, we established a distinction between shorter-term pressures and base budget ongoing pressures. The shorter-term reductions in income for 2012/13, as part of the plan, have been funded by reserves. Ongoing pressures, again in accordance with the approved plan, will be funded by matching reductions in spending. It has been identified, for future years, that some of the pressures previously identified as short-term, can no longer be classified as such. This leads to an increased target for spending reductions in the Council's financial plans.

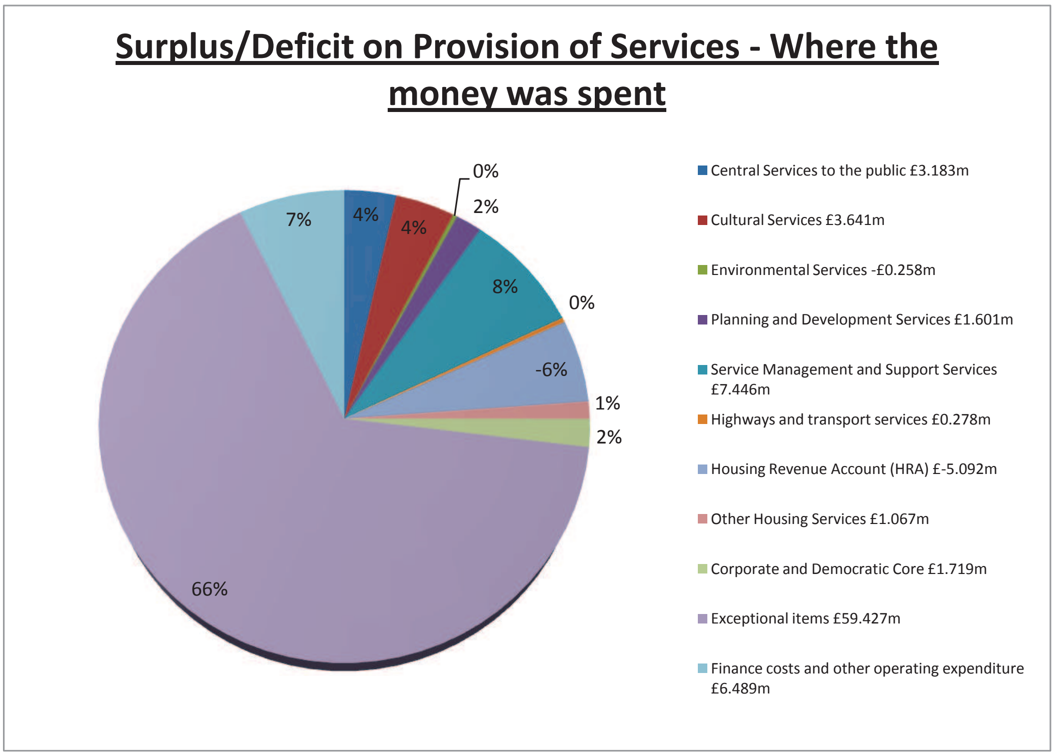
Further Information

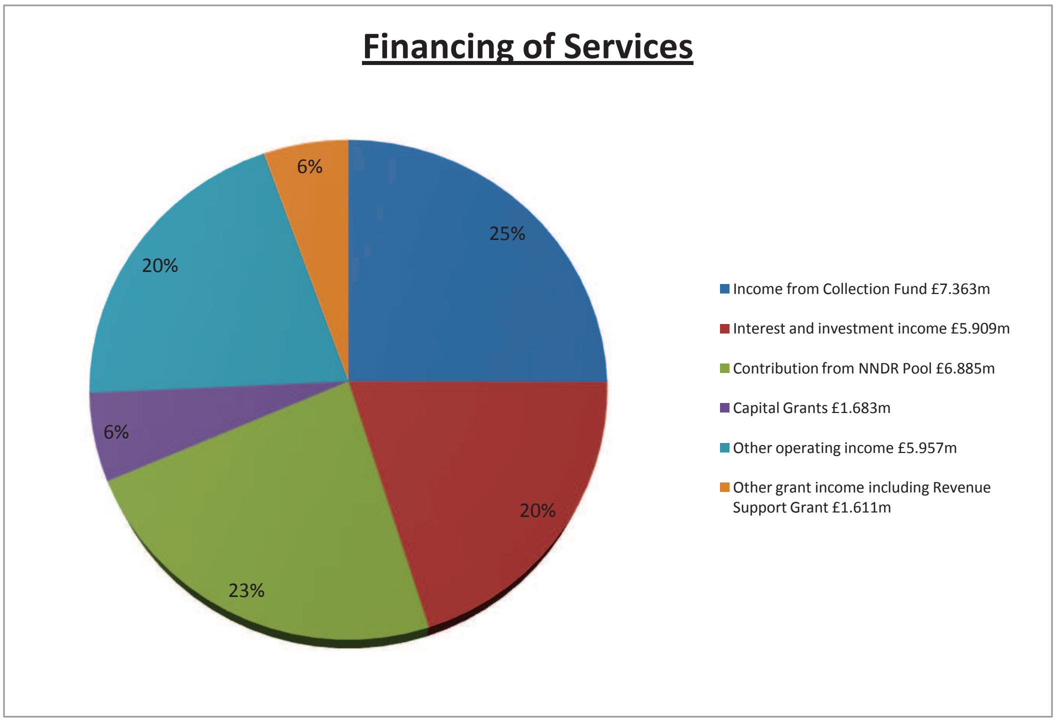
Further details of the accounts can be obtained from the Group Manager Financial Services, Herbert Warehouse, The Docks, Gloucester, GL1 2EQ. Tel. (01452) 396236. A statement of the accounting policies used is shown on pages 29 - 36 and a glossary explaining some of the technical terms used is included on pages 93-96.

Peter Gillett, CPFA
Director of Resources (Section 151 Officer)

FOREWORD TO THE ACCOUNTS

The Council finances its net general fund expenditure from local taxpayers and central Government grants. The following pie chart shows the net cost of services position over the various service areas.

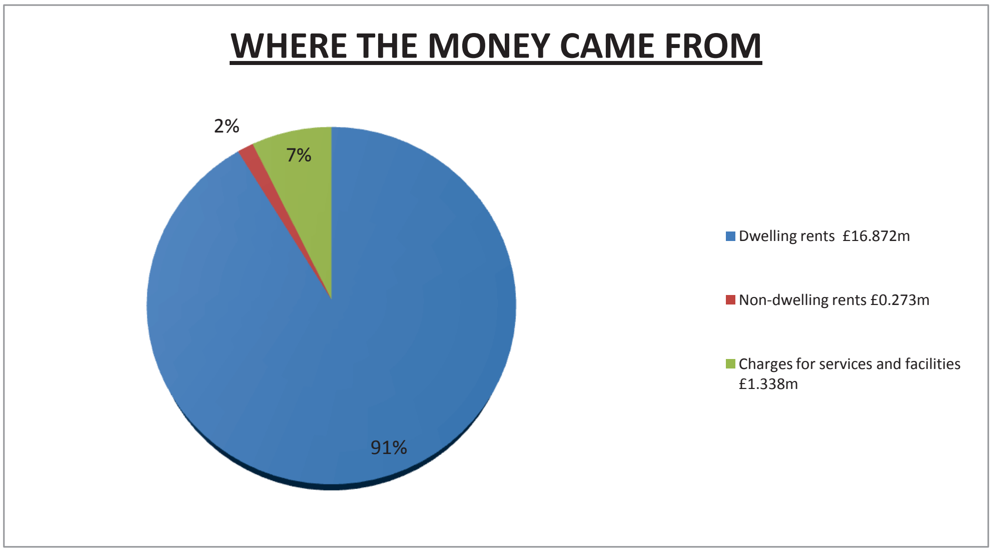


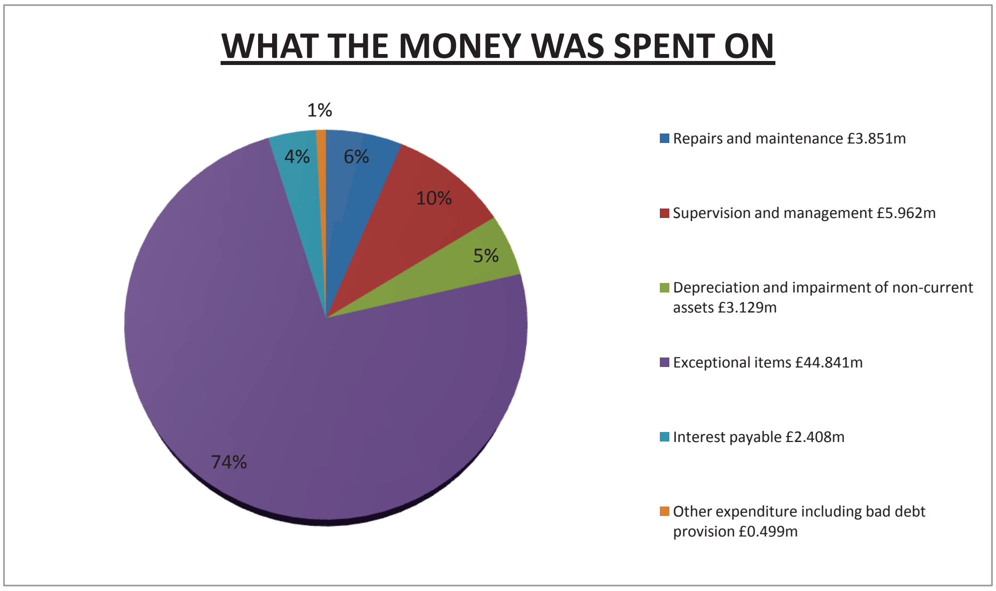


Housing Revenue Account (HRA)

The Local Government and Housing Act 1989 requires that all income and expenditure relating to the landlord role of managing public sector council housing is contained (ring fenced) in the Housing Revenue Account (HRA). The accounts for the HRA are shown on pages 86-89.

An analysis of the account is shown graphically below:





FIVE YEAR REVIEW

FIVE YEAR REVIEW

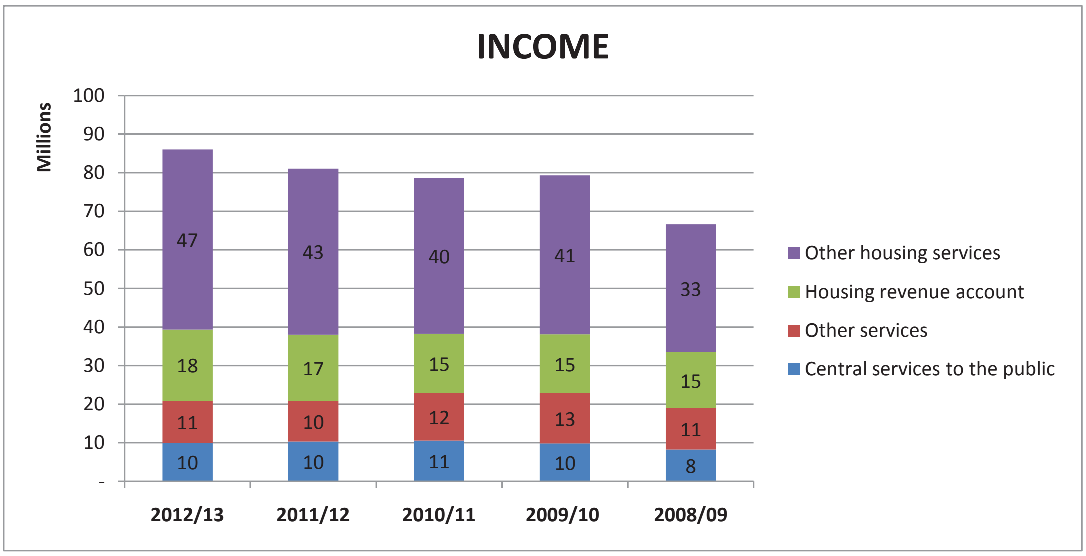
GLOUCESTER CITY COUNCIL FIVE YEAR REVIEW COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT	2012/13 £000	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000
Income					
Central services to the public	10,000	10,300	10,588	9,844	8,248
Other services	10,875	10,492	12,219	13,027	10,660
Housing revenue account	18,483	17,212	15,450	15,231	14,609
Other housing services	46,654	43,055	40,294	41,180	33,062
	86,012	**81,059**	**78,551**	**79,282**	**66,579**
Expenditure					
Central services to the public	13,183	11,688	11,981	11,408	9,747
Other services	25,282	23,437	29,476	37,086	29,330
Housing revenue account	13,391	18,667	20,127	24,633	26,222
Other housing services	47,721	44,675	42,422	42,089	34,673
Exceptional items and other expenditure	59,447	5,718	(9,080)	3,320	2,471
	159,024	**104,185**	**94,926**	**118,536**	**102,443**
Deficit on Operations	**(73,012)**	**(23,126)**	**(16,375)**	**(39,254)**	**(35,864)**
Financing and investment income	5,909	1,520	1,507	1,699	1,069
Financing costs	(6,005)	(3,734)	(5,315)	(6,269)	(3,593)
Taxation and Non-specific Grant Income	17,542	17,181	20,264	19,092	18,270
Profit/(loss) on disposal of assets, impairments	5,762	(948)	(1,789)	-	(35)
Other income and expenditure	(289)	(364)	(458)	(4,847)	262
Deficit on Provision of Services	**(50,093)**	**(9,471)**	**(2,166)**	**(29,579)**	**(19,891)**
Other Comprehensive Income and Expenditure					
Surplus/(deficit) on revaluation of property, plant and equipment	(40,939)	(3,327)	5,563	9,093	43,247
Actuarial gains/losses on pension assets/liabilities	(6,698)	(7,935)	16,946	(28,429)	(9,303)
Total Comprehensive Income and Expenditure	**(97,730)**	**(20,733)**	**20,343**	**(48,915)**	**14,053**

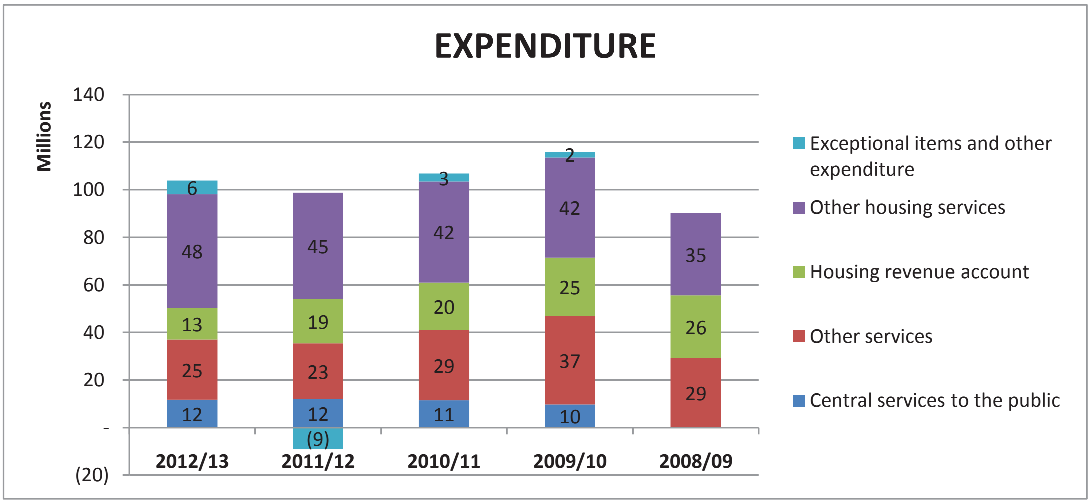
The amounts reflected for 2009/10 and subsequent years are prepared under IFRS while the years prior to that are prepared under UK GAAP

FIVE YEAR REVIEW

GLOUCESTER CITY COUNCIL FIVE YEAR REVIEW
INCOME AND EXPENDITURE CHARTS

The following bar chart analyses the income and expenditure over the five year period in arriving at the surplus/(deficit) on operations.





FIVE YEAR REVIEW

GLOUCESTER CITY COUNCIL FIVE YEAR REVIEW BALANCE SHEETS					
	2012/13 £000	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000
ASSETS					
Property, plant and equipment, investment property	198,835	293,180	299,049	296,341	290,473
Heritage assets	6,280	5,415	5,375	5,375	-
Intangible assets	1,648	1,070	863	824	734
Assets held for sale	-	-	-	401	401
Long-term Investments	831	873	807	1,110	437
Debtors	1,698	1,457	246	206	206
Long-term Assets	**209,292**	**301,995**	**306,340**	**304,257**	**292,251**
Short-term Investments	5,162	15,246	24,365	13,085	3,980
Assets Held for Sale	400	-	-	-	-
Inventories	161	157	130	104	48
Short Term Debtors	12,509	9,550	12,539	15,211	10,259
Cash and Cash Equivalents	1,412	2,005	5,013	-	-
Current Assets	**19,644**	**26,958**	**42,047**	**28,400**	**14,287**
TOTAL ASSETS	**228,936**	**328,953**	**348,387**	**332,657**	**306,538**
LIABILITIES					
Bank Overdraft	-	-	(2,047)	(3,076)	(2,390)
Short Term Borrowing	(21,333)	(31,006)	(40,737)	(38,623)	(5,528)
Short Term Creditors	(7,649)	(4,486)	(7,869)	(5,455)	(8,383)
Provisions due within a year	(110)	(55)	(93)	(177)	(135)
Current liabilities	**(29,092)**	**(35,547)**	**(50,746)**	**(47,331)**	**(16,436)**
Provisions	(270)	(378)	(288)	(432)	(586)
Long Term Borrowing	(55,599)	(58,099)	(49,099)	(29,099)	(28,989)
Capital Grants Received in Advance	(2,318)	(1,986)	(2,032)	(2,186)	(2,473)
Other Long Term Liabilities	(57,486)	(51,042)	(43,588)	(71,318)	(41,399)
Long-term liabilities	**(115,673)**	**(111,505)**	**(95,007)**	**(103,035)**	**(73,447)**
TOTAL LIABILITIES	**(144,765)**	**(147,052)**	**(145,753)**	**(150,366)**	**(89,883)**
NET ASSETS	**84,171**	**181,901**	**202,634**	**182,291**	**216,655**
RESERVES					
Usable reserves	11,787	5,972	5,929	9,278	11,877
Unusable reserves	72,384	175,929	196,705	173,013	204,778
TOTAL RESERVES	**84,171**	**181,901**	**202,634**	**182,291**	**216,655**

The amounts reflected for 2008/09 and subsequent years are prepared under IFRS while the years prior to that are prepared under UK GAAP

STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES

1 GENERAL PRINCIPLES

This Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its financial position at 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 to be prepared in accordance with proper accounting practices. These practices, primarily, comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS).

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

2 ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted as income and expenditure on the basis of the effective interest rate for relevant financial instruments 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.

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 investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

4 EXCEPTIONAL ITEMS

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

5 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES, 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.

6 CHARGES TO REVENUE AND NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed 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 fixed assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations, however, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement based on an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the 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.

7 EMPLOYEE BENEFITS

Benefits Payable During Employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the 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 - Pensions
Employees of the Council are eligible to be members of the Local Government Pension Scheme (LGPS) administered by Gloucestershire County Council. The Scheme provides defined benefits (retirement lump sums and pensions) to members earned as the employees work for the Council. The cost of retirement benefits is calculated by the Pension Fund Actuary and is recognised in the Income and Expenditure account when these benefits are earned by employees, rather than when lump sums and contributions to the Pension Fund are made.

The LGPS is accounted for as a defined benefit scheme as follows:
- The liabilities of the LGPS 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, using a discount rate of 4.5% (based on the indicative rate of return on the adoption of the AA corporate bond basis. This is at the IAS19 valuation date, subject to removal of recently re-rated bonds from the index.
- The assets of the LGPS attributable to the council are included in the Balance Sheet at their fair value as follows:
  - Quoted securities – current bid price;
  - Unquoted securities – professional estimate;
  - Unitised securities – current bid price; and
  - Property– market value.
- The change in the net pensions liability is analysed into seven components:
  - Current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Account to the revenue accounts of 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 Account as part of Non Distributed Costs.
  - Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
  - Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pension Reserve.
  - Contributions paid to the LGPS - cash paid as employer’s contributions to the pension fund.

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. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

STATEMENT OF ACCOUNTING POLICIES

8 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

9 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 most of 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.

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

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

Financial Assets
Financial assets are classified into two types:

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

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

9 FINANCIAL INSTRUMENTS (continued)

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

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

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

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

10 FOREIGN CURRENCY TRANSLATION

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

11 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.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are transferred from the General Fund Balance to the Capital Grants Unapplied reserve, if the funds have not been spent, or the Capital Adjustment Account, if the funds have been used to finance capital expenditure, in the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant (ABG) - This is a general grant allocated by Central Government directly to local authorities as additional revenue funding**.** ABG is non-ring fenced and is credited to the Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

12 HERITAGE ASSETS

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of it's overall objectives in relation to the maintenance of the heritage. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art.

The Council's heritage assets are included in the balance sheet at their insurance valuation which is based on market values. These insurance valuations are updated on an annual basis. Heritage assets are considered by the Council to have indeterminate lives and it does not consider it appropriate to charge depreciation.

Community assets (including parks but excluding archaeological sites), cemeteries and crematoria (land only) and allotments, where there are restrictions on alternative uses, are not heritage assets and are reflected as community assets and included in property, plant and equipment.

The carrying values of heritage assets are reviewed where there is any indication that an asset may be impaired. Any impairment is recognised and measured in accordance with the Council's general policies on impairment-refer accounting policy note 19.

In the unlikely event of disposal of heritage assets, the proceeds are accounted on a similar basis to disposals of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the accounts and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

13 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).

13 INTANGIBLE ASSETS (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, to the Capital Receipts Reserve.

14 INTEREST IN COMPANIES AND OTHER ENTITIES

The Council has material interests in companies and other entities that are defined as subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

15 INVENTORIES AND LONG TERM CONTRACTS

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

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

16 INVESTMENT PROPERTY

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. Revaluation and disposal gains and losses, however, 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.

17 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 which reduces 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.

17 LEASES

Operating Leases
Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in 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. if there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

18 OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SERCOP).

The total absorption costing of overheads and support services are shared between users in proportion to the benefits received, with the exception of:
- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

Charges are based on a variety of methods including allocations according to officers' use of time, charge per unit of service/deliverable and charge per member of staff/full time equivalent (FTE).

19 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 is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The following de-minimis limits are applied by the Council in recognising assets:
- Cost of an individual asset in excess of £6,000.
- A group of assets having a total cost in excess of £6,000 with an individual cost of more than £250 where the assets are functionally interdependent, have broadly simultaneous purchase dates and are under single managerial control.
- Costs associated with the initial equipping and set-up costs of a new building or significant refurbishment irrespective of their individual or collective cost.

Measurement
Assets are initially measured at cost, comprising:
- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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.

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

Assets are then carried in the Balance Sheet using the following measurement bases:
- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

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

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

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

Where decreases in value are identified they are accounted for by:
- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

19 PROPERTY, PLANT AND EQUIPMENT (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 as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance up to the amount of the accumulated gains and thereafter to the relevant service line in the Comprehensive Income and Expenditure Statement.
- 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, and thereafter to the revaluation reserve.

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 the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- Infrastructure – straight-line allocation over 25 years.

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.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. 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 recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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.

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.

20 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, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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 Council's control. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

20 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

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 Council's control.

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

21 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 in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

22 REVENUE AND 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.

23 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.

24 GROUP ACCOUNTS

The Code states that Group Accounts shall be prepared using uniform accounting policies for like transactions and other events in similar circumstances. The accounting policies of the Subsidiaries, Associates and Jointly Controlled Entities shall align with the policies of the Council, for the purpose of Group Accounts, where materially different. Such adjustments that are necessary to align the group accounting policies are made as Consolidation adjustments.

Interests in Companies and Other Entities
The Council has material interests in companies and other separate entities that have the nature of being subsidiaries, joint ventures and Associates and require it to prepare Group Accounts.

Basis of Consolidation
The Group Accounts consolidate the Council's accounts with those of Gloucestershire Airport Ltd, in which the Council has a 50% shareholding (the remaining 50% is owned by Cheltenham Borough Council) and Gloucester City Homes Limited (GCH) both of which are wholly-owned by the Council. Certain entities in which the Council has an interest have not been included in the group accounts as the impact of incorporating these into the the group accounts are considered to be immaterial.

Accounting Policies
The Group Accounts are prepared in accordance with the policies set out above, with the following additions and exceptions:-
The financial statements for Joint Ventures, Associates and Subsidiaries have been prepared under the historical cost convention in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

For the purposes of the Group Accounts, the airport's property, plant and equipment has been revalued at fair value in order to bring them in line with the Council's accounting policies. A formal valuation with a valuation date of 31 March 2012 was undertaken by an external valuer in 2011/12.

Depreciation on assets held by Gloucestershire Airport Ltd and Gloucester City Homes(GCH) have been calculated so as to write off the cost of Property, Plant and Equipment over their expected useful lives using the following rates, which are different to those used by the Council.

	Gloucestershire Airport	**GCH**
(a) Freehold Property	2% per annum of cost	
(b) Plant & Machinery	10% per annum of cost	
(c) Office Equipment	10% per annum of cost	
(d) Motor Vehicles	10% per annum of cost	Straight line over 5years
(e) Computer Equipment	20% per annum of cost	Straight line over 5years
(f) Taxiway / Runway	4% per annum of cost	
(g) Leasehold improvements		Over the life of the lease

25 ACCOUNTING FOR THE COSTS OF THE CARBON REDUCTION COMMITMENT SCHEME

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL MOVEMENT IN RESERVES STATEMENT
For the years ended 31 March 2012 & 2013

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2011	**694**	**741**	**1,968**	**415**	**492**	**1,619**	**5,929**	**196,705**	**202,634**
Movement in Reserves during 2011/12									
Surplus or (deficit) on the provision of services	(3,952)	-	(5,519)	-	-	-	**(9,471)**	-	**(9,471)**
Other Comprehensive Income and Expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(11,262)	**(11,262)**
Total Comprehensive Income and Expenditure	**(3,952)**	**-**	**(5,519)**	**-**	**-**	**-**	**(9,471)**	**(11,262)**	**(20,733)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	5,348	-	4,927	(381)	(492)	112	**9,514**	(9,514)	**-**
Net Increase/(Decrease) before transfers (to)/from Earmarked Reserves	**1,396**	**-**	**(592)**	**(381)**	**(492)**	**112**	**43**	**(20,776)**	**(20,733)**
Transfers (to)/from Reserves Note 7	372	(372)	-	-	-	-	**-**	-	**-**
Increase/(Decrease) in 2011/12	**1,768**	**(372)**	**(592)**	**(381)**	**(492)**	**112**	**43**	**(20,776)**	**(20,733)**
Balance at 31 March 2012	**2,462**	**369**	**1,376**	**34**	**-**	**1,731**	**5,972**	**175,929**	**181,901**
Movement in Reserves during 2012/13									
(Deficit) on the provision of services	(7,886)	-	(42,207)	-	-	-	**(50,093)**	-	**(50,093)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	**-**	(47,637)	**(47,637)**
Total Comprehensive Income and Expenditure	**(7,886)**	**-**	**(42,207)**	**-**	**-**	**-**	**(50,093)**	**(47,637)**	**(97,730)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	7,283	-	44,348	4,213	-	64	**55,908**	(55,908)	**-**
Net (Decrease)/Increase before Transfers to Earmarked Reserves	**(603)**	**-**	**2,141**	**4,213**	**-**	**64**	**5,815**	**(103,545)**	**(97,730)**
Transfers from/(to) Earmarked Reserves (Note 7)	257	(257)	-	-	-	-	**-**	-	**-**
(Decrease)/Increase in 2012/13	**(346)**	**(257)**	**2,141**	**4,213**	**-**	**64**	**5,815**	**(103,545)**	**(97,730)**
Balance at 31 March 2013	**2,116**	**112**	**3,517**	**4,247**	**-**	**1,795**	**11,787**	**72,384**	**84,171**

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP MOVEMENT IN RESERVES STATEMENT
For the years ended 31 March 2012 & 2013

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

	Usable Reserves			Unusable Reserves			
	Council	Council's Share of Subsidiaries, Joint Ventures and Associates	Total Group	Council	Council's Share of Subsidiaries, Joint Ventures and Associates	Total Group	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2011	5,929	1,912	**7,841**	196,705	22,546	**219,251**	**227,092**
Movement in Reserves during 2011/12							
Surplus or (deficit) on the provision of services	(9,471)	1,163	**(8,308)**	-	-	**-**	**(8,308)**
Adjustment in respect of group share of prior year reserves for associates no longer included in group accounts	-	(85)	**(85)**	-	-	**-**	**(85)**
Other Comprehensive Income and Expenditure	-	-	**-**	(11,262)	(7,978)	**(19,240)**	**(19,240)**
Total Comprehensive Income and Expenditure	**(9,471)**	**1,078**	**(8,393)**	**(11,262)**	**(7,978)**	**(19,240)**	**(27,633)**
Adjustments between Group Accounts and GCC Account - Note 48	-	1,477	**1,477**	-	(1,477)	**(1,477)**	**-**
Net Increase/(Decrease) before Transfers	**(9,471)**	**2,555**	**(6,916)**	**(11,262)**	**(9,455)**	**(20,717)**	**(27,633)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	9,514	-	**9,514**	(9,514)	-	**(9,514)**	**-**
Increase/(Decrease) in 2011/12	**43**	**2,555**	**2,598**	**(20,776)**	**(9,455)**	**(30,231)**	**(27,633)**
Balance at 1 April 2012	**5,972**	**4,467**	**10,439**	**175,929**	**13,091**	**189,020**	**199,459**
Movement in Reserves during 2012/13							
Surplus or (deficit) on the provision of services	(50,093)	618	**(49,475)**	**-**	**-**	**-**	**(49,475)**
Adjustment in respect of group share of prior year reserves for subsidiary no longer included in group accounts (See note 48)		(1,555)	**(1,555)**	**-**	**-**	**-**	**(1,555)**
Adjustment in respect of group share of prior year reserves for associates no longer included in group accounts	**-**	(106)	**(106)**	**-**	**-**	**-**	**(106)**
Other Comprehensive Income and Expenditure	**-**	**-**	-	(47,637)	(658)	**(48,295)**	**(48,295)**
Total Comprehensive Income and Expenditure	**(50,093)**	**(1,043)**	**(51,136)**	**(47,637)**	**(658)**	**(48,295)**	**(99,431)**
Adjustments between Group Accounts and GCC Account - Note 48	**-**	34	**34**	-	(34)	**(34)**	-
Net Increase/(Decrease) before Transfers	(50,093)	(1,009)	**(51,102)**	(47,637)	(692)	**(48,329)**	**(99,431)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	55,908	**-**	**55,908**	(55,908)	-	**(55,908)**	**-**
Increase/(Decrease) in 2012/13	**5,815**	**(1,009)**	**4,806**	**(103,545)**	**(692)**	**(104,237)**	**(99,431)**
Balance at 31 March 2013	**11,787**	**3,458**	**15,245**	**72,384**	**12,399**	**84,783**	**100,028**

GLOUCESTER CITY COUNCIL COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
For the year ended 31 March 2013

Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2011/12				2012/13		
Gross Expenditure	Gross Income	Net Expenditure	Description	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
			Central Services to the public			
9,853	9,107	746	Local tax collection	10,328	9,097	1,231
334	83	251	Elections	446	227	219
19	-	19	Emergency planning	19	-	19
178	194	(16)	Local land charges	245	166	79
319	-	319	General grants and bequests	575	-	575
985	916	69	Central Support Services	1,570	510	1,060
11,688	**10,300**	**1,388**		**13,183**	**10,000**	**3,183**
			Cultural, environmental, regulatory and planning services			
			Cultural Services			
2,405	719	1,686	Culture and Heritage	2,977	874	2,103
2,312	82	2,230	Recreation and Sport	951	38	913
1,024	541	483	Tourism	973	348	625
			Environmental Services			
1,226	1,408	(182)	Cemeteries and Crematorium	1,163	1,566	(403)
1,751	341	1,410	Environmental Health	1,727	338	1,389
57	-	57	Flood defence and land drainage	60	-	60
3,983	1,309	2,674	Waste collection	596	1,322	(726)
1,366	1	1,365	Street cleansing	(1)	577	(578)
			Planning and Development Services			
470	224	246	Building control	425	186	239
675	453	222	Development control	720	402	318
748	86	662	Planning policy	728	237	491
752	607	145	Economic development	862	634	228
1,165	433	732	Community development	525	200	325
1,869	402	1,467	**Service Management and Support Services**	7,944	498	7,446
19,803	**6,606**	**13,197**		**19,650**	**7,220**	**12,430**
			Highways and transport services			
17	6	11	Transport planning, policy and strategy	41	40	1
500	20	480	Routine Roads Maintenance	270	16	254
2,824	3,145	(321)	Parking Services	2,971	3,034	(63)
293	97	196	Public Transport	179	93	86
3,634	**3,268**	**366**		**3,461**	**3,183**	**278**
18,667	**17,212**	**1,455**	**Housing Revenue Account (HRA)**	**13,391**	**18,483**	**(5,092)**
			Other Housing Services			
575	1	574	Housing Strategy	937	10	927
3	-	3	Housing Advances	-	-	-
979	-	979	Private Sector Renewal	640	17	623
1,011	525	486	Homelessness	1,258	730	528
40,845	41,259	(414)	Housing Benefit Payments	43,931	44,136	(205)
1,181	1,183	(2)	Housing Benefits Administration	892	1,665	(773)
81	87	(6)	Welfare Services	63	96	(33)
44,675	**43,055**	**1,620**		**47,721**	**46,654**	**1,067**
			Corporate and Democratic Core			
960	-	960	Democratic representation and management	956	-	956
1,167	618	549	Corporate management	1,215	472	743
2,127	**618**	**1,509**		**2,171**	**472**	**1,699**
224	-	224	**Non distributed costs**	20	-	**20**
			Exceptional Items			
1,224	-	1,224	Senior Management Restructuring	125	-	125
-	-	-	Revaluation losses on non-current assets (refer note 4)	59,302	-	59,302
2,143	-	2,143	HRA Settlement determination payment	-	-	-
104,185	**81,059**	**23,126**	**Deficit on Operations**	**159,024**	**86,012**	**73,012**
543	581	(38)	**Other Operating Income and Expenditure (Note 8)**	484	5,957	(5,473)
5,084	1,520	3,564	**Financing and investment income and expenditure (Note 9)**	6,005	5,909	96
-	17,181	(17,181)	**Taxation and Non-specific Grant Income (Note 10)**	-	17,542	(17,542)
109,812	**100,341**	**9,471**	***Deficit on Provision of Services***	**165,513**	**115,420**	**50,093**
3,327	-	3,327	**Losses on revaluation of Property, Plant and Equipment assets**	40,939	-	40,939
7,935	-	7,935	**Actuarial losses on pension assets / liabilities**	6,698	-	6,698
11,262	**-**	**11,262**	**Other Comprehensive Income and Expenditure**	**47,637**	**-**	**47,637**
121,074	**100,341**	**20,733**	**Total Comprehensive Income and Expenditure**	**213,150**	**115,420**	**97,730**

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
For the year ended 31 March 2013

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

2011/12				2012/13		
Gross Expenditure	**Gross Income**	**Net Expenditure**	**Description**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
11,688	10,300	1,388	Central Services to the public	13,183	10,000	3,183
			Cultural, environmental, regulatory and planning services			
8,040	4,085	3,955	Cultural Services	4,900	1,260	3,640
8,383	3,059	5,324	Environmental Services	3,545	3,803	(258)
3,810	1,803	2,007	Planning and Development Services	3,260	1,659	1,601
1,869	402	1,467	Service Management and Support Services	7,944	498	7,446
3,634	3,268	366	Highways and transport services	3,461	3,183	278
17,859	16,867	992	Housing Revenue Account (HRA)	12,738	18,399	(5,661)
44,675	43,055	1,620	Other Housing Services	47,721	46,654	1,067
2,127	618	1,509	Corporate and Democratic Core	2,171	472	1,699
224	-	224	Non distributed costs	20	-	20
3,367	-	3,367	Exceptional Items (refer note 4)	59,427	-	59,427
105,676	**83,457**	**22,219**	**(Surplus)/Deficit on Operations**	**158,370**	**85,928**	**72,442**
543	581	(38)	**Other Operating Expenditure (Note 8)**	484	5,957	(5,473)
5,054	1,656	3,398	**Financing and investment income and expenditure (Note 9)**	5,981	5,912	69
-	17,181	(17,181)	**Taxation and Non-specific Grant Income (Note 10)**	-	17,542	(17,542)
111,273	**102,875**	**8,398**	***Deficit on Provision of Services***	**164,835**	**115,339**	**49,496**
			Share of the (Surplus)/Deficit on the provision of Services			
		(56)	Joint Ventures			(43)
		(31)	Associates			-
			Share of Tax Expenses			
		-	Joint Ventures			20
		-	Associates			-
		(3)	Subsidiary			2
		8,308	**Group Deficit**			**49,475**
		9,595	**Loss on revaluation of Property, Plant and Equipment assets**			40,939
		9,403	**Actuarial losses on pension assets / liabilities**			7,416
			Share of Other Comprehensive Income and Expenditure			
		242	Joint Ventures			(60)
		-	Associates			-
		19,240	**Group Other Comprehensive Income and Expenditure**			**48,295**
		27,548	**Total Comprehensive Income and Expenditure**			**97,770**

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL BALANCE SHEET
As at 31 March 2013

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

31/03/2012 £000		Notes	31/03/2013 £000
273,725	Property, Plant & Equipment	11	175,960
19,455	Investment Property	12	22,875
5,415	Heritage Assets	13	6,280
1,070	Intangible Assets	14	1,648
873	Long Term Investments	15,47	831
1,457	Long Term Debtors	15,19(i)	1,698
301,995	***Long Term Assets***		**209,292**
15,246	Short Term Investments	15	5,162
-	Assets held for Sale	16	400
157	Inventories	17	161
9,549	Short Term Debtors	15,19	12,509
2,006	Cash and Cash Equivalents	21	1,412
26,958	***Current Assets***		**19,644**
328,953	**Total Assets**		**228,936**
(31,006)	Short Term Borrowing	15,21(i)	(21,333)
(4,486)	Short Term Creditors	15,21	(7,649)
(55)	Provisions (<1yr)	22	(110)
(35,547)	***Current Liabilities***		**(29,092)**
(378)	Provisions	22	(270)
(58,099)	Long Term Borrowing	15,21(ii)	(55,599)
(1,986)	Capital Grants Received in Advance	36	(2,318)
(51,042)	Other Long Term Liabilities	43	(57,486)
(111,505)	***Long Term Liabilities***		**(115,673)**
181,901	***Net Assets***		**84,171**
5,972	Usable Reserves	23	11,787
175,929	Unusable Reserves	24	72,384
181,901	***Total Reserves***		**84,171**

GLOUCESTER CITY COUNCIL GROUP BALANCE SHEET
As at 31 March 2013

The group balance sheet has been prepared by combining the Council's share of the net assets of Gloucestershire Airport Ltd (50% of the total, adjusted for revaluations), and Gloucester City Homes Ltd (100% of the total) with the net assets of the Council. The accounts for Aspire Sports and and Cultural Trust(100%), Barton and Tredworth Developments Ltd (25%) and Marketing Gloucester (50%) which were included in the group accounts for the previous year have not been included in the group accounts for the current year.
As Subsidiaries the assets and liabilities of Gloucester City Homes Limited and Aspire Sports and Cultural Trust (for 2012 only) have been combined with those of the Council on a line by line basis, eliminating inter-organisation balances (for example inter-company loan accounts and internal debtors and creditors).
As a Joint Venture, the Council's share of the net assets and liabilities in Gloucester Airport has been included as long-term investment, eliminating the share capital and also includes the revalued airport land and buildings.

31/03/2012 £000		Note	31/03/2013 £000
273,868	Property, Plant & Equipment	49	175,998
19,455	Investment Property	12	22,875
5,415	Heritage Assets	13	6,280
1,415	Intangible Assets	50	2,023
438	Long Term Investments	15,47	396
1,457	Long Term Debtors	15,19(i)	1,698
15,599	Investment in Joint Venture		15,681
106	Investments in Associates		-
317,753	***Long Term Assets***		**224,951**
15,246	Short Term Investments	15	5,162
-	Assets held for Sale	16	400
174	Inventories	17	161
11,811	Short Term Debtors	15,20	13,137
4,044	Cash and Cash Equivalents	20	1,529
31,275	***Current Assets***		**20,389**
349,028	**Total Assets**		**245,340**
(29,109)	Short Term Borrowing	15, 21(i)	(19,204)
(7,690)	Short Term Creditors	15,21	(8,330)
(55)	Provisions (<1yr)	22	(110)
(36,854)	***Current Liabilities***		**(27,644)**
(378)	Provisions	22	(270)
(58,099)	Long Term Borrowing	15,21(ii)	(55,599)
(1,986)	Capital Grants Received in Advance	36	(2,318)
(52,252)	Other Long Term Liabilities	43	(59,481)
(112,715)	***Long Term Liabilities***		**(117,668)**
199,459	***Net Assets***		**100,028**
10,439	Usable Reserves	23	15,245
189,020	Unusable Reserves	24	84,783
199,459	***Total Reserves***		**100,028**

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL CASH FLOW STATEMENT
For the year ended 31 March 2013

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2011/12 £000		Notes	2012/13 £000
(9,471)	**Deficit on the provision of services**		(50,093)
8,443	Adjustments in respect of non-cash movements		55,980
-	Adjustments in respect of items that are investing and financing activities		-
(1,028)	**Net cash flows from operating activities**	**25**	5,887
799	**Investing Activities**	**26**	5,692
(731)	**Financing Activities**	**27**	(12,173)
(960)	***Net Decrease in cash and cash equivalents***		(594)
2,966	**Cash and cash equivalents at the beginning of the year**		2,006
2,006	***Cash and cash equivalents at the end of the year***		**1,412**

2011/12 £000	**The Balance of Cash and Cash Equivalents and Bank Overdraft**		2012/13 £000
2,006	Cash and Cash Equivalents		1,412
2,006	**Balance at 31st March**		**1,412**

GLOUCESTER CITY COUNCIL GROUP CASH FLOW STATEMENT
For the year ended 31 March 2013

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

2011/12 £000		Notes	2012/13 £000
(8,398)	**Deficit on the provision of services**		(49,496)
8,205	Adjustments in respect of non-cash movements		55,503
(193)	**Net cash flows from operating activities**	25	6,007
720	**Investing Activities**	26	3,883
(742)	**Financing Activities**	27	(12,405)
(215)	***Net Decrease in cash and cash equivalents***		**(2,515)**
4,259	**Cash and cash equivalents at the beginning of the year**		4,044
4,044	***Cash and cash equivalents at the end of the year***		**1,529**

Group £000	The Balance of Cash and Cash Equivalents and Bank Overdraft		Group £000
4,044	Cash and Cash Equivalents		1,529
4,044	**Balance at 31st March**		**1,529**

NOTES TO THE CORE FINANCIAL STATEMENTS

1 **ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT ADOPTED**

For 2012/13 the following accounting standards have been issued but not yet adopted:

-Amendments to IAS1 Presentation of Financial Statements(other comprehensive income-effective date June 2011)

- Amendments to IFRS 7 Financial Instruments:Disclosures(offsetting financial assets and financial liabilities, effective date December 2011)

-Amendments to IAS12 Income Taxes (deferred tax:recovery of underlying assets, effective date December 2010)

-Amendments to IAS19 Employee Benefits(Effective Date June 2011)

-IFRS 13 Fair Value Measurement(Effective Date May 2011)

The Code of Practice requires the Council 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. It is considered that these standards will not have a material impact on the financial statements of Gloucester City Council, so no further disclosure is required in these accounts for the 2012/13 year.

2 **CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING PRINCIPLES**

In applying the accounting policies set out in the Statement of Accounting Policies, 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:

i 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.

ii The Council has £2 million deposited with Heritable Bank which is in administration.

The administrators have issued a number of reports. An impairment of £628k was recognised in the 2008/09 accounts based on LAAP Bulletin 82. Based on the latest report in July 2012 and a subsequent offer from a major financial institution the Council has estimated that it will receive in excess of 97% of the deposit and has reduced the impairment in 2012/13 by a further £145k reducing the impairment at 31 March 2013 to £62k. The deposit is recognised in the balance sheet as a long term investment.

iii Following the new arrangements with regard to the retention of business rates which became effective from 1 April 2013 the Council will assume the liability for refunding ratepayers who have successfully appealed against the rating value of their properties. Accordingly a provision will need to be made for the value of such appeals in future years based on the Council's share of Non-Domestic rate income.

3 **ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The Statement of Accounts contains estimated figures that are based on assumptions made by the 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 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £104k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects of the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in a increase in the pension liability of £11.040 million. The assumptions, however, interact in complex ways. During 2012/13 the Council's actuaries advised that the the net pensions liability had increased by £12.092 million as a direct result of changes to the financial assumptions in the previous year.
Arrears	At 31 March 2013, the Council had a balance of sundry debtors of £2.360 million. A review of the aged debt profile and recovery percentages suggested that a provision for doubtful debts of approximately 7.63% is appropriate. In the current economic climate, however, it is not certain that such a provision would be sufficient.	If collection rates were to deteriorate, the provision made for doubtful debts would need to increase based on the actual levels of recovery achieved.

4 **MATERIAL ITEMS OF INCOME AND EXPENDITURE**
Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of material items should be set out in a note. For Gloucester City Council these are gains and losses arising on asset revaluations, the pensions deficit and the net gain arising on asset disposals.

The net revaluation losses and impairments arising from the full revaluation of the Council's assets,excluding investment property, amounted to £100.241 million of which £94.576 million was in respect of Council dwellings. This net deficit has been recognised in the accounts as follows:.

	2012/13 £000s
Recognised in the surplus/deficit in the provision of services	59,302
Recognised in the revaluation reserve	40,939
	100,241

The revaluation loss recognised in the net cost of services has been treated as an exceptional item. Refer to note 11 for details of the revaluation of property, plant and equipment assets and note 13 for heritage assets.

Details of the pension deficit are included in note 43.

Included in the gain on disposal of non-current assets of £5.812 million is an amount of £5.683 million relating to a 125 year lease entered into in the current year which has been classified as a finance lease with the asset leased being treated as a disposal (Refer note 39).

5 **EVENTS AFTER THE BALANCE SHEET DATE**
The Statement of Accounts was authorised for issue by the Council's Audit Committee on 23 September 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

As at 23 September 2013 (Audit Committee approval) no post balance sheet events have been identified.

6 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER THE REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance, therefore, summarises the resources that the Council is empowered to spend on its services or capital investment at the end of the financial year, however, the balance is not available to be applied to fuding Housing Revenue Account services.

Housing Revenue Account Balance

The Housing Revenue Account balance represents the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part V1 of the Local Government and Housing Act 1989. It contains the balance, as defined by the 1989 Act, that is available to fund future expenditure in connection with the Council's landlord function that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in Housing Revenue Account assets or the financing of historical capital expenditure by the Housing Revenue Account. The balance reflects the MRA that has yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are resticted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is resricted by grant terms as to the capital expenditure agauinst which it can be applied and/or the financial year in which this can take place.

NOTES TO THE CORE FINANCIAL STATEMENTS

6 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER THE REGULATIONS (Continued)

2012/13 Information

	Usable Reserves £'000					£'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:						
Charges for depreciation and impairment of non-current assets	(17,397)	(47,970)	-	-	-	65,367
Revaluation losses on Property Plant and Equipment	-	-	-	-	-	-
Net gains/(losses) from fair value adjustments to investment property	3,936	-	-	-	-	(3,936)
Amortisation of intangible assets	(269)	-	-	-	-	269
Payment in respect of HRA settlement with Department of Communities and Local Government	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	(938)	-	-	-	-	938
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,107)	(851)	-	-	-	1,958
Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:						
Statutory provision for the financing of capital investment	424	-	-	-	-	(424)
Adjustments primarily involving the Capital Grants Unapplied Account:	-	-	-	-	-	
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,683	-	-	-	(1,683)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	1,619	(1,619)
Adjustments primarily involving the Capital Receipts Reserve:	-	-	-	-	-	
Transfer of sale proceeds credited as part of the sale of non-current assets	6,919	801	(7,720)	-	-	-
Grants repaid transferred to capital receipts reserve	-	-	(14)			14
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	3,328	-	-	(3,328)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	(21)	21	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(226)	-	226	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	12	(54)	-	-	42
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	3,129	-	(3,129)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	3,129	-	(3,129)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	4	4	-	-	-	(8)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	(3,184)	-	-	-	-	3,184
Employer's pensions contributions and direct payments to pensioners payable in the year	2,890	548	-	-	-	(3,438)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	37	-	-	-	-	(37)
Adjustment primarily involving the Accumulated Absences Account:						
Other Adjustment	(55)	-	-	-	-	55
Total Adjustments	**(7,283)**	**(44,348)**	**(4,213)**	**-**	**(64)**	**55,908**

NOTES TO THE CORE FINANCIAL STATEMENTS

6 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING UNDER THE REGULATIONS (Continued)

2011/12 Information

	Usable Reserves £'000					£'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:						
Charges for depreciation and impairment of non-current assets	(2,855)	(6,361)	-	-	-	9,216
Revaluation losses on Property Plant and Equipment	(179)	-	-	-	-	179
Movements in the market value of Investment Properties	(1,350)	-	-	-	-	1,350
Amortisation of intangible assets	(274)	-	-	-	-	274
Payment in respect of HRA settlement with Department of Communities and Local Government	-	(2,143)	-	-	-	2,143
Revenue expenditure funded from capital under statute	(2,055)	-	-	-	-	2,055
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	(3)	(265)	-	-	-	268
Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:						
Statutory provision for the financing of capital investment	305	-	-	-	-	(305)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,168	-	-	-	(1,168)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	1,056	(1,056)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the sale of non-current assets	147	281	(428)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	617	-	-	(617)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	1	-	-	(1)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(191)	-	191	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(6)	-	-	-	-	6
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	3,120	-	(3,120)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	3,612	-	(3,612)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	4	4	-	-	-	(8)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	(3,179)	-	-	-	-	3,179
Employer's pensions contributions and direct payments to pensioners payable in the year	3,223	437	-	-	-	(3,660)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(91)	-	-	-	-	91
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(12)	-	-	-	-	12
Total Adjustments	**(5,348)**	**(4,927)**	**381**	**492**	**(112)**	**9,514**

NOTES TO THE CORE FINANCIAL STATEMENTS

7 TRANSFERS TO/(FROM) EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2012/13.

Reserve No.		Balance at 31/03/2012	Transfers Out 2012/13	Transfers In 2012/13	Balance at 31/03/2013	Balance at 31/03/2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31/03/2012
		£000	£000	£000	£000	£000	£000	£000	£000
	General Fund:								
1	Insurance Reserve	132	105	-	27	100	-	32	132
2	Historic Buildings Reserve	27	-	19	46	4	-	23	27
3	Portfolio Reserves	10	-	-	10	10	-	-	10
4	Shopmobility reserve	29	-	-	29	-	-	29	29
5	Planning Delivery Grant Reserve	21	21	-	-	21	-	-	21
6	Invest To Save	150	150	-	-	150	-	-	150
7	Heritable Bank Reserve	-	-	-	-	456	456	-	-
	Total	**369**	**276**	**19**	**112**	**741**	**456**	**84**	**369**
	HRA	-	-	-	-	-	-	-	-
	Total	**369**	**276**	**19**	**112**	**741**	**456**	**84**	**369**

Reserve No. **Further details of the larger reserves**

1 **Insurance Reserve**
This reserve is intended to cover possible insurance claims not able to be met from the Insurance Provision (see note 21, page 61).

2 **Historic Buildings Reserve**
This reserve was set up to spread the funds required to finance the refurbishment of historic buildings in the City over a number of years. These costs have either been met from other capital budgets or dealt with via Gloucester Historic Buildings Ltd.

3 **Portfolio Reserves**
This reserve is made up of a number of specific reserves to meet additional cost items in the year.

4 **Shopmobility Reserve**
Donated funds for shopmobility for use specifically on the shopmobility building.

5 **Planning Delivery Grant Reserve**
This reserve was set up from additional government grants received by the planning service based on its performance. It will be spent in future years on enhancing the service, especially on electronic Government initiatives.

6 **Invest to Save Reserve**
This reserve was set up to deal with a variety of projects aimed at long-term savings for the Council. years on enhancing the service, especially on electronic Government initiatives.

7 **Heritable Bank Reserve**
This has been set up to cover potential losses relating to the Council's £2 million investment with the Heritable Bank. Recent Ernst and Young reports have shown an improvement in the likely level of recovery which has made estimating the potential loss difficult. The reserve has been established at the level of loss indicated in the most recent of these reports in conjunction with the latest LAAP bulletin.

As an impairment has been recognised against this investment (refer note 46) this reserve was transferred to the general fund in the previous year.

NOTES TO THE CORE FINANCIAL STATEMENTS

8 OTHER OPERATING INCOME AND EXPENDITURE

GCC 2011/12 £000	Group 2011/12 £000		GCC 2012/13 £000	Group 2012/13 £000
(16)	(16)	Losses on the disposal of HRA Assets	50	50
202	202	Precepts paid to parish councils	208	208
162	162	Contribution to Housing Pooled Receipts	226	226
(421)	(421)	Reversal of impairment on long-term investment	(145)	(145)
(144)	(144)	Gains on disposal of non current assets	(5,812)	(5,812)
179	179	Impairments arising on revaluation of non-current assets	-	-
(38)	**(38)**	**Total**	**(5,473)**	**(5,473)**

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

GCC 2011/12 £000	Group 2011/12 £000		GCC 2012/13 £000	Group 2012/13 £000
2,090	2,127	Interest payable and similar charges	3,093	3,069
(1,520)	(1,656)	Interest and Investment property income	(1,973)	(1,976)
1,644	1,577	Pensions Interest and Expected Return on pensions assets	1,984	1,984
-	-	Expenditure on investment properties	928	928
1,350	1,350	Changes fair value of investment properties	(3,936)	(3,936)
3,564	**3,398**	**Total**	**96**	**69**

10 TAXATION AND NON-SPECIFIC GRANT INCOME

GCC 2011/12 £000	Group 2011/12 £000		GCC 2012/13 £000	Group 2012/13 £000
(7,270)	(7,270)	Income from the collection fund	(7,363)	(7,363)
(1,782)	(1,782)	Revenue Support Grant (RSG)	(133)	(133)
(177)	(177)	Council tax freeze	(178)	(178)
(1,018)	(1,018)	New homes bonus	(1,300)	(1,300)
(5,766)	(5,766)	Contribution from NNDR Pool	(6,885)	(6,885)
(1,168)	(1,168)	Capital Grants	(1,683)	(1,683)
(17,181)	**(17,181)**	**Total**	**(17,542)**	**(17,542)**

11 PROPERTY, PLANT AND EQUIPMENT
Movements on Balances

Movements in 2012/13	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation						
At 1 April 2012	**218,666**	**59,660**	**6,468**	**14,857**	**153**	**299,804**
Additions	7,770	1,586	124	1,414	13	**10,907**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(49,735)	3,705	-	4,624	-	**(41,406)**
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	(44,841)	(13,551)	-	(910)	-	**(59,302)**
Derecognition – Disposals	(915)	(622)	-	-	-	**(1,537)**
Assets reclassified as held for sale	(35)	(365)	-	-	-	**(400)**
Other movements in cost or valuation	-	12	-	(70)	-	**(58)**
At 31 March 2013	**130,910**	**50,425**	**6,592**	**19,915**	**166**	**208,008**
Accumulated Depreciation and Impairment						
At 1 April 2012	**12,183**	**5,850**	**3,962**	**4,070**	**14**	**26,079**
Depreciation Charge	3,120	2,028	353	553	12	**6,066**
Derecognition – Disposals	(64)	(33)	-	-	-	**(97)**
At 31 March 2013	**15,239**	**7,845**	**4,315**	**4,623**	**26**	**32,048**
Net book value as at 31 March 2013	**115,671**	**42,580**	**2,277**	**15,292**	**140**	**175,960**
Net book value as at 1 April 2012	**206,483**	**53,810**	**2,506**	**10,787**	**139**	**273,725**

NOTES TO THE CORE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT (Continued)
Movements on Balances

Comparative Figures 2011/12

Movements in 2011/12	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation						
At 1 April 2011	**218,123**	**59,840**	**6,245**	**14,034**	**153**	**298,395**
Additions	3,980	3,124	223	823	-	**8,150**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	84	(3,411)	-	-	-	**(3,327)**
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	(3,240)	(179)	-	-	-	**(3,419)**
Derecognition – Disposals	(281)	(24)	-	-	-	**(305)**
Other movements in cost or valuation	-	310	-	-	-	**310**
At 31 March 2012	**218,666**	**59,660**	**6,468**	**14,857**	**153**	**299,804**
Accumulated Depreciation and Impairment						
At 1 April 2011	**9,078**	**3,922**	**3,591**	**3,546**	**3**	**20,140**
Depreciation Charge	3,121	1,949	371	524	11	**5,976**
Derecognition-disposals	(16)	(21)	-	-	-	**(37)**
At 31 March 2012	**12,183**	**5,850**	**3,962**	**4,070**	**14**	**26,079**
Net book value as at 31 March 2012	**206,483**	**53,810**	**2,506**	**10,787**	**139**	**273,725**

NOTES TO THE CORE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:
- Council Dwellings – 50–70 years
- Other Land and Buildings – 30–50 years
- Vehicles, Plant, Furniture & Equipment – 10% to 35% of carrying amount
- Infrastructure – 25 years

The following is a list of the major fixed assets owned by the Council at 31 March 2013.
All assets are owned freehold unless otherwise stated.

Operational assets	Non-operational assets
Council dwellings	**Investment properties**
	Eastgate market and shopping centre
Other Operational land and buildings	Bearland Lodge
Gloucester Leisure Centre	Kings' Square / Kings' Walk
2 Cemeteries and 1 Crematorium	Kings' Theatre
North Warehouse	Bus station
HKP warehouses (leasehold)	Gala Club
Guildhall	44 Shops
City and Folk Museums	75/81 Eastgate Street (subject to sale and leaseback)
2 Multi-storey Car Parks (1 leasehold)	16 Sports Clubs facilities (mixed tenure)
14 Surface Car Parks (2 leasehold)	50% of Gloucestershire Airport (freehold)
Tourist Information Centre (leased)	The Fleece Hotel
Oxstalls Tennis Centre	The Docks Headlease area including 1/3 Albion Cottages(leasehold)
Hempsted Market	Barbican Land Ladybellgate Street
Various on Commercial Road (leasehold)	Spartans Club
Community & Heritage assets	Depot at Eastern Avenue
Various Parks and open spaces	
Works of art	
Museum Exhibits	
Civic regalia	
Vehicles plant and equipment	
Vehicles and items of plant	
Computer equipment	
Sports and playground facilities in parks	
Infrastructure assets	
Street furniture	
9 Public Conveniences (2 leasehold)	

Component accounting

Component accounting thresholds have been set as the lower of :

* Component assets over £350,000 (2011/12 £350,000) in value; or
* Component assets value at least 20% of the overall asset value.

The component asset is only recognised at the point of valuation of the overall asset.

The 2012/13 valuation identified no assets meeting the component accounting thresholds. The same position was found for 2011/12.

Capital Commitments

At 31st March 2013 the Council did not have any outstanding commitments with regards to capital contracts.

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

Revaluations

In prior years the Council carried out a rolling programme to ensure that all Property, Plant and Equipment required to be measured at fair value was revalued at least every five years. In the current year all property assets, including investment property, were revalued at 31 March 2013. All valuations, with the exception of dwellings, were carried out internally. Dwellings were professionally valued externally by Bruton Knowles valuers registered with the Royal Institution of Chartered Surveyors (RICS). Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.
Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.
The significant assumptions applied in estimating the fair values are:
-That the values will remain static during that period;
-The property would be freely exposed to the open market;
-No account has been taken of any higher price or rental offer that might be made by a purchaser or lessee with a special interest;
-The valuation relates to the freehold or leasehold interest and good freehold or leasehold title can be shown.
-The property and its value are unaffected by any matters which would be revealed by a local search.

	Operational				Non Operational					
	Council Dwellings £'000	Other land and buildings £'000	Vehicles plant and equipment £'000	Infrastructure assets £'000	Community Assets £'000	Heritage Assets £'000	Investment properties £'000	Surplus assets held for disposal £'000	Under Construction £'000	TOTAL £'000
Carried at historical cost	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Valued at fair value as at:										
31 March 2013	115,671	42,580	2,277	15,292	140	6,280	22,875	-	-	205,115
31 March 2012	206,483	53,810	2,506	-	139	5,375	19,455	-	-	287,768
31 March 2011	211,375	42,483	2,187	-	-	-	20,992	401	1	277,439
31 March 2010	211,375	42,483	2,187	-	-	-	20,992	401	1	277,581
31 March 2009	212,894	44,014	2,284	-	-	-	21,266	401	-	280,859
31 March 2008	171,780	26,583	2,645	-	-	-	23,361	401	-	224,770
Total Cost or Valuation	**115,671**	**42,580**	**2,277**	**15,292**	**140**	**6,280**	**22,875**	**-**	**-**	**205,115**

The revaluation carried out in respect of the dwellings at 31 March 2013 reflected a significant reduction in the carrying value of dwellings from £206.483m at 31 March 2012 to £115.671m at 31 March 2013. The main factors giving rise to this significant decrease in value are the fact that the discount factor applied to the market value in recognition of the status as social housing has reduced from 44% in the previous valuation to 31% in the current valuation. In addition there has been a general decline in the housing market since the last valuation as a result of the economic downturn. This is particularly the case with secondary local authority flats, of which the Council has a substantial number, which have experienced a much greater fall of between 15% to 20% over the period since the last valuation.

12 INVESTMENT PROPERTIES

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

	GCC and Group	
	2012/13	**2011/12**
	£000	**£000**
Rental income from investment property	1,567	1,774
Direct operating expenses arising from investment property	928	709
Net gain	639	1,065

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:

	GCC and Group	
	2012/13	**2011/12**
	£000	**£000**
Balance at beginning of the year	**19,455**	**20,794**
Additions:		
- Purchases	3	-
- Subsequent expenditure	-	11
Net gains/(losses) from fair value adjustments	3,936	(1,350)
Transfers:		
- to/from Property, Plant and Equipment	-	-
Disposals	(519)	-
Balance at end of the year	**22,875**	**19,455**

NOTES TO THE CORE FINANCIAL STATEMENTS

13 Heritage Assets

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of the heritage. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art.
The heritage assets of the Council are located in the two museums, The Gloucester City Museum and The Gloucester Folk Museum, as well as the Council's offices for items of civic regalia and other similar items. Both museums maintain all their present collections and, where necessary add to them by purchase, bequest or donation with a particular emphasis on items that are of specific interest to the locality of Gloucester City and surrounding areas. It is not the policy of the museums or the Council to dispose of heritage assets for financial or other reasons. Heritage assets of the museums are managed by the curators who report to the respective museum managers.
The Heritage assets have been classified by the Council's heritage service who have reached the conclusion that the value of the assets is as determined for insurance valuation purposes.

Details of the Council's heritage assets at 31 March 2013 are as follows:

	GCC and Group	
	31/03/2013 £'000	31/03/2012 £'000
Oil paintings	1,178	1,084
Coins	247	227
Archaeology	976	898
Silver	648	596
Domestic life exhibits	314	288
Furniture	231	213
Working life exhibits	187	172
Blackfriars Inn	270	-
Miscellaneous items	2,229	1,937
Total	**6,280**	**5,415**
At valuation	5,882	5,375
At cost	398	40
Total	**6,280**	**5,415**

The following table summarises the movement in heritage assets during the year:

	GCC and Group		
	2012/13 £000	2011/12 £000	2010/11 £000
Balance at beginning of the year	**5,415**	**5,375**	**5,375**
Revaluation surplus	467	-	-
Additions	398	40	-
Balance at end of the year	**6,280**	**5,415**	**5,375**

Transactions relating to the three accounting periods prior to 1 April 2010 have not been included as it is not practicable to provide this detail.

14 INTANGIBLE ASSETS

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

The intangible assets include both purchased licenses and internally generated software. All assets are written off based on their estimated useful life of 5 years on a straight line basis. Newly acquired intangibles are amortised in the year after they are purchased.

The amortisation of intangible assets expense is included in Central Support services.

Movements in intangible assets during the year are shown below:

	Computer Software	
	2012/13 £'000	2011/12 £'000
Gross book value at the beginning of the year	**2,850**	**2,369**
Additions	847	481
Gross book value at the end of the year	**3,697**	**2,850**
Amortisation at the beginning of the year	**1,780**	**1,506**
Amortised during year	269	274
Amortisation at the end of the year	**2,049**	**1,780**
Net book value at the end of the year	**1,648**	**1,070**

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

	Internally Generated Assets £000	Other Assets £000	2012/13 Total £000	Internally Generated Assets £000	Other Assets £000	2011/12 Total £000
Balance at the beginning of the year:						
- Gross carrying amounts	202	2,648	2,850	102	2,267	2,369
- Accumulated amortisation	20	1,760	1,780	-	1,506	1,506
- Net carrying amount	182	888	1,070	102	761	863
Movement in 2012/13						
Additions:						
- Internal development	533	-	533	100	-	100
- Purchases	-	314	314	-	381	381
Amortisation for the period	20	249	269	20	254	274
Net carrying amount at the end of the year	**695**	**953**	**1,648**	**182**	**888**	**1,070**
Comprising:						
- Gross carrying amounts	735	2,962	3,697	202	2,648	2,850
- Accumulated amortisation	40	2,009	2,049	20	1,760	1,780
	695	**953**	**1,648**	**182**	**888**	**1,070**

NOTES TO THE CORE FINANCIAL STATEMENTS

15 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	GCC				GROUP			
	Long-term		Current		Long-term		Current	
	31/03/2013	31/03/2012	31/03/2013	31/03/2012	31/03/2013	31/03/2012	31/03/2013	31/03/2012
	£000	£000	£000	£000	£000	£000	£000	£000
Investments								
Loans and receivables	831	873	5,162	15,246	396	438	5,162	15,246
Available-for-sale financial assets	-	-	-	-	-	-	-	-
Unquoted equity investment at cost	-	-	-	-	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-	-
Total Investments	831	873	5,162	15,246	396	438	5,162	15,246
Debtors								
Loans and receivables	1,698	1,457	12,509	9,549	1,698	1,457	13,137	11,811
Financial assets carried at contract amounts	-	-	-	-	-	-	-	-
Total Debtors	1,698	1,457	12,509	9,549	1,698	1,457	13,137	11,811
Borrowings								
Financial liabilities at amortised cost	(55,599)	(58,099)	(21,333)	(31,006)	(55,599)	(58,099)	(19,204)	(29,109)
Total borrowings	(55,599)	(58,099)	(21,333)	(31,006)	(55,599)	(58,099)	(19,204)	(29,109)
Creditors								
Financial liabilities at amortised cost	-	-	(7,649)	(4,486)	-	-	8,330	(7,690)
Financial liabilities carried at contract amount	-	-	-	-	-	-	-	-
Total creditors	-	-	(7,649)	(4,486)	-	-	8,330	(7,690)

Income, expense, Gains and Losses-GCC

	2012/13					2011/12				
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair value through Profit and Loss	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair value through Profit and Loss	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	3,093	-	-	-	3,093	2,356	-	-	-	2,356
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Increases/(Reductions) in fair value	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Fee expense	-	-	-	-	-	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	**3,093**	**-**	**-**	**-**	**3,093**	**2,356**	**-**	**-**	**-**	**2,356**
Interest income	-	406	-	-	406	-	455	-	-	455
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-	-	-
Increases/(Reductions) in fair value	-	-	-	-	-	-	-	-	-	-
Gains on derecognition	-	-	-	-	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-	-	-
Total Income in Surplus or Deficit on the Provision of Services	**-**	**406**	**-**	**-**	**406**	**-**	**455**	**-**	**-**	**455**
Gains on revaluation	-	-	-	-	-	-	-	-	-	-
Losses on revaluation	-	-	-	-	-	-	-	-	-	-
Net gain/(loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

15 FINANCIAL INSTRUMENTS (Continued)

Fair Values of Assets and Liabilities

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

- Estimated ranges of interest rates at 31 March 2013 are 4.41% to 5% for loans from the PWLB and 3.89% to 4.00% for other loans receivable and payable, based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	2012/13		2011/12	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities				
Long-term Borrowings	(55,599)	(62,039)	(58,099)	(70,235)
Short-term Borrowings	(21,333)	(21,333)	(31,006)	(31,006)
Short-term creditors	(7,649)	(7,649)	(4,486)	(4,486)

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. The 2013 amounts have been calculated by reference to the premature repayment set of interest rates in force on 31 March 2013 (Source: Public Works Loans Board).

	2012/13		2011/12	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Assets				
Long-term investments	831	831	873	873
Short-term investments	5,162	5,025	15,246	15,246
Long-term Debtors	1,698	1,698	1,457	1,457
Short-term debtors	12,509	12,509	9,549	9,549

The fair values of Long Term Debtors, debtors and loans and receivables are estimated to be approximately equivalent to their amortised cost (cost less provision for bad or doubtful debts).

The fair values of temporary borrowings and creditors (short term payables) approximate to their amortised cost as shown above.

16 ASSETS HELD FOR SALE (GCC and Group)

	Current		Non-Current	
	2012/13	2011/12	2012/13	2011/12
	£000	£000	£000	£000
Balance at the beginning of the year	-	-	-	-
Assets newly classified as held for sale				
-Council dwellings	35	-	-	-
-Other land and buildings	365	-	-	-
Balance at the end of the year	400	-	-	-

NOTES TO THE CORE FINANCIAL STATEMENTS

17 INVENTORIES

	GCC		Group	
	2012/13	2011/12	2012/13	2011/12
	£000	£000	£000	£000
Consumable stores				
Balance outstanding at start of year	157	130	174	145
Purchases	4	27	4	29
De-recognition of subsidiary	-	-	(17)	-
Recognised as an expense in the year	-	-	-	-
Written off balances	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-
Balance outstanding at year-end	**161**	**157**	**161**	**174**

18 CONSTRUCTION CONTRACTS

At 31 March 2013 the Council and Group had no construction contracts in progress.

19 DEBTORS

These are amounts owed to the Council by various bodies and persons and which fall due in less than one year of the balance sheet date.

	GCC		Group	
	2012/13	2011/12	2012/13	2011/12
	£000	£000	£000	£000
Central government bodies	4,502	4,446	4,502	4,446
Other Local authorities	113	224	113	224
NHS bodies	-	-	-	-
Public corporations and trading funds	-	-	-	-
Other entities and individuals	7,894	4,879	8,522	7,141
Total debtors	**12,509**	**9,549**	**13,137**	**11,811**

19(i) Long Term Debtors

Long term debtors are amounts falling due in more than one year from the balance sheet date.
They consist of the following :-

	GCC and Group	
	2012/13	2011/12
	£'000	£'000
Mortgages to former tenants	3	40
Mortgages to private persons	4	5
Loans to vulnerable people for house renovations	46	83
Staff loans	15	29
Loans to Gloucestershire Airport Ltd.	1,537	1,202
Other loans	93	98
Total	**1,698**	**1,457**

The loans to Gloucestershire Airport Ltd were advanced to finance capital expenditure at the Airport. The loans are for an indefinite period, bear interest at 1.5% and do not have any fixed repayment terms.
Loans to staff comprise loans to essential users for cars and loans for bus passes and staff training. Other loans include an interest-free loan to Gloucester Historic Buildings Ltd and money spent on essential repairs works to private properties, which have been secured as a charge on the properties concerned ('works-in-default').

20 CASH AND CASH EQUIVALENTS

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

	GCC		Group	
	2012/13	2011/12	2012/13	2011/12
	£000	£000	£000	£000
Cash held by the Council	5	5	5	5
Bank current accounts	407	1,201	524	3,239
Short-term deposits with building societies	1,000	800	1,000	800
Total Cash and Cash Equivalents	**1,412**	**2,006**	**1,529**	**4,044**

NOTES TO THE CORE FINANCIAL STATEMENTS

21 SHORT-TERM CREDITORS

	GCC		Group	
	31/03/2013 £000	31/03/2012 £000	31/03/2013 £000	31/03/2012 £000
Central Government Bodies	382	293	382	293
Other Local Authorities	144	56	144	56
Council Taxpayers	905	878	905	878
Sundry creditors	6,218	3,259	6,899	6,463
Total	**7,649**	**4,486**	**8,330**	**7,690**

Creditors include deposits, which are made by certain contractors and individuals, for example by Hackney carriage drivers when they are issued with licenses. The deposits are repaid when the licence is surrendered.

Other local authorities creditors include parking and concessionary fares paid to Gloucestershire County Council.

The amounts due to Government departments mainly relates to tax collected.

21(i) Short Term Borrowings

GCC

Short-term borrowings consist of loans repayable by the Council on demand or within twelve months of the balance sheet date. This includes £0.201 million (£0.205 million at 31 March 2012) of borrowing from charities deposited with the Council, together with £0.884 million (£0.904 million at 31 March 2012) of interest owing at 31 March 2013 and loans from Gloucester City Homes Limited of £2.129 million (£1.894 million at 31 March 2012) and Aspire Sports and Cultural Trust of £0.003 million (£0.003 million at 31 March 2012) . Also included are PWLB loans of £2.5 million(2012:Nil) which are repayable within the next 12 months. The fair value of these loans approximates to their carrying value.

Group

Group short-term borrowings are the same as for GCC with the exception of the inter-group loans which have been eliminated on consolidation.

21(ii) Long Term Borrowings (GCC and Group)

These consist of loans repayable in excess of twelve months from the balance sheet date. The Council is empowered to borrow from the Public Works Loan Board (PWLB) or from the money markets. Borrowings repayable in less than one year are classified as temporary or current borrowings.

An analysis by date of repayment (maturity) is shown below.

Loans	Rates Payable (%)	Years Until Repayment at 31 March 2013				
		1 - 2	2 - 5	5 - 10	10+	Total
		£000	£000	£000	£000	**£000**
PWLB	4.41 - 5.00	-	8,000	2,500	15,099	**25,599**
Barclays	3.89 - 3.99	-	-	-	20,000	**20,000**
BAE Systems	3.95 - 4.00	-	-	-	10,000	**10,000**
Total		**-**	**8,000**	**2,500**	**45,099**	**55,599**

Loans	Rates Payable (%)	Years Until Repayment at 31 March 2012				
		1 - 2	2 - 5	5 - 10	10+	Total
		£000	£000	£000	£000	**£000**
PWLB	4.41 - 5.00	-	2,500	10,000	15,599	**28,099**
Barclays	3.89 - 3.99	-	-	-	20,000	**20,000**
BAE Systems	3.95 - 4.00	-	-	-	10,000	**10,000**
Total		**-**	**2,500**	**10,000**	**45,599**	**58,099**

The loans are shown at amortised cost. The amortised cost of the Council's long-term PWLB loans is £25.599 million at 31 March 2013 (£28.099 million at 31 March 2012), compared to a fair value of £32.068 million (31 March 2012:£34.561 million). The amortised cost of the Barclays Loan is £20.000 million as at 31st March 2013 (£20.000 million at 31 March 2012) compared to a fair value of £20.117 million (31 March 2012:£23.869 million). These loans were taken out during 2010/11. The amortised cost of the BAE Systems loan is £10.000 million (£10.000 million at 31 March 2012) compared to fair value of £9.854 million(31 March 2012: £11.984 million). The fair value is the cost of settling the liability at the balance sheet date and is more than the amortised cost at 31 March because many of the Council's loans were at interest rates higher than the rates for similar loans at the balance sheet date. In addition to the above amounts are loans totalling £2.5million from the Public Works Loan Board which are repayable witin the next 12 months and these have been included under short-term borrowings(Refer to note 20(i) above).

The 2013 amounts have been calculated by reference to the premature repayment set of interest rates in force on 31 March 2013 (Source: Public Works Loan Board).

Barclays details

Loan details	All £5,000,000 Start Date	Interest Rate	End Date	Lender Option Borrower Option(LOBO) Details
1	07/05/2010	3.89%	07/05/2040	LOBO effective 08/05/2022 & 10 yearly thereafter
2	10/05/2010	3.99%	10/05/2040	LOBO effective 10/05/2022 & 10 yearly thereafter
3	11/05/2010	3.89%	11/05/2040	LOBO effective 11/05/2022 & 10 yearly thereafter
4	12/05/2010	3.99%	12/05/2040	LOBO effective 13/05/2022 & 10 yearly thereafter

Although the interest rate is fixed for the duration of the loan term the lender has the option to propose a change in the interest rate. If the Council does not accept the proposed change the loan becomes repayable without penalty. If the new terms are accepted this does not prejudice the lenders right to propose further changes and the Council's right to repay.

NOTES TO THE CORE FINANCIAL STATEMENTS

22 PROVISIONS

Provisions more than 1 year

These are amounts set aside to meet losses which are likely or certain to occur in the future for greater than 1 year.

	GCC and Group		
	Injury and Damage Compensation Claims	Other Provisions	Total
	£000	£000	£000
Balance at 1 April 2012	273	105	378
Additional provisions made in 2012/13	46	-	46
Amounts utilised in 2012/13	(49)	(105)	(154)
Balance at 31 March 2013	**270**	**-**	**270**
Consists of:			
Insurance and injury compensation claims provision	225	-	225
Employment compensation claims provision	45	-	45
Balance at 31 March 2013	**270**	**-**	**270**

Insurance and Injury Compensation Claims Provision

The insurance provision is an amount set aside to cover known or likely losses or liabilities arising in respect of certain risks which the Council is not able, or has chosen not, to cover by external insurance. This includes policy excesses in respect of public liability claims, employee liability claims and claims in respect of property damage. This provision is expected to be utilised to cover future claim settlements.

All of the injury compensation claims are individually insignificant. They relate to personal injuries sustained where the Council is alleged to be at fault (e.g. through a failure to repair a road or pavement properly). Provision is made for those claims where it is deemed probable that the Council will have to make a settlement, based on past experience of court decisions, about the liability outstanding claims are expected to be and the amount of damages payable. Most are anticipated to be settled in 2014/15.

Car Parks Provision

The car parks provision was set up to meet compensation due, plus interest, arising from the termination of a contractual agreement in respect of car parks. The original contract was with NCP and the compensation was paid during 2005/06. The interest was being paid in monthly instalments over a five year period with final instalment payments made within the 2009/10 year. The interest paid is still subject to an adjustment based on the prevailing rates during the period and the provision was being held for that revision. This provision was reversed in 2012/13 as it is considered unllikely, in view of the time that has elapsed since the last payment, that any amount will be payable.

Employment Compensation Claims Provision

The employment compensation claims provision relates to claims made by four employees for unfair dismissal. An employment tribunal has ruled aginst the Council who have appealed against the decision. The Council is confident that the appeal will be successful, however, has made a provision of the full amount of the estimated claim of £45,000.

Provisions less than 1 Year

These are amounts set aside to meet losses which are likely or certain to occur in the future for less than 1 year.

	GCC and Group	
	Other Provisions	Total
	£000	£000
Balance at 1 April 2012	55	55
Additional provisions made in 2012/13	110	110
Amounts used in 2012/13	(55)	(55)
Balance at 31 March 2013	**110**	**110**
Consists of:		
Accumulated Absence provision	110	110
Balance at 31 March 2013	**110**	**110**

Accumulated Absences Provision

This is the value of holiday and flexi outstanding at 31 March 2013. This is a short term provision for less than a year.

23 USABLE RESERVES

Movements in the Council's and The Group's usable reserves are detailed in the Movement in Reserves Statement.

24 UNUSABLE RESERVES

GCC 31/03/2012 £000	Group 31/03/2012 £000		GCC 31/03/2013 £000	Group 31/03/2013 £000
77,474	86,540	Revaluation Reserve	21,677	32,638
(51,042)	(53,297)	Pensions Reserve	(57,486)	(60,450)
150,038	156,318	Capital Adjustment Account	108,786	113,189
136	136	Deferred Capital Receipts Reserve	94	94
(559)	(559)	Financial Instruments Adjustment Account	(551)	(551)
(64)	(64)	Collection Fund Adjustment Account	(27)	(27)
(54)	(54)	Short-term Accumulating Compensated Absences Account	(109)	(109)
175,929	**189,020**	**Total Unusable Reserves**	**72,384**	**84,784**

(i) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. 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.

31/03/2012 £000 General	31/03/2012 £000 HRA	31/03/2012 £000 Total		31/03/2013 £000 General	31/03/2013 £000 HRA	31/03/2013 £000 Total
29,752	51,049	**80,801**	Balance at 1 April	26,341	51,133	**77,474**
9,370	84	**9,454**	Upward revaluation of assets	14,059	658	**14,717**
(12,781)	-	**(12,781)**	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(5,263)	(50,393)	**(55,656)**
26,341	**51,133**	**77,474**	**Surplus on revaluation of assets**	**35,137**	**1,398**	**36,535**
-	-	-	Difference between fair value depreciation and historical cost depreciation	-	-	-
-	-	-	Accumulated gains on assets sold or scrapped	-	-	-
-	-	-	Amount written off to the Capital Adjustment Account	(14,117)	(741)	**(14,858)**
26,341	**51,133**	**77,474**	**Balance at 31 March**	**21,020**	**657**	**21,677**

(ii) 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. Notes 6 & 7 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

31/03/2012 £000		31/03/2013 £000
159,932	Balance at 1 April	**150,038**
	Reversal of items relating to capital expenditure debited or credited to the CIES	
(9,216)	Charges for depreciation and impairment of non current assets	(65,367)
(2,143)	HRA Settlement payment to Department of Communities and Local Government	-
(179)	Revaluation losses on Property, Plant and Equipment	-
(274)	Amortisation of intangible assets	(269)
(2,055)	Revenue expenditure funded from capital under statute	(952)
(268)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(1,958)
145,797		**81,492**
-	Adjusting amounts written out of the Revaluation Reserve	14,858
145,797	Net written out amount of the cost of non-current assets consumed in the year	**96,350**
	Capital financing applied in the year:	
618	Use of the Capital Receipts Reserve to finance new capital expenditure	3,328
3,612	Use of the Major Repairs Reserve to finance new capital expenditure	3,129
1,056	Capital grants and contributions credited to the CIES that have been applied to capital financing and application of grants to capital financing from the Capital Grants Unapplied Account	1,619
305	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	424
151,388		**104,850**
(1,350)	Movements in the market value of Investment Properties debited or credited to the CIES	3,936
150,038	**Balance at 31 March**	**108,786**

24 UNUSABLE RESERVES (CONTINUED)

(iii) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

31/03/2012 £000		31/03/2013 £000
(567)	**Balance at 1 April**	**(559)**
-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-
8	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	8
8	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	8
(559)	**Balance at 31 March**	**(551)**

(iv) 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 pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between 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.

31/03/2012 £000		31/03/2013 £000
(43,588)	**Balance at 1 April**	**(51,042)**
(7,935)	Actuarial gains or losses on pensions assets and liabilities	(6,698)
(3,179)	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	(3,184)
3,660	Employer's pensions contributions and direct payments to pensioners payable in the year	3,438
(51,042)	**Balance at 31 March**	**(57,486)**

NOTES TO THE CORE FINANCIAL STATEMENTS

24 UNUSABLE RESERVES (CONTINUED)

(v) Deferred Capital Receipts Reserve

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

31/03/2012 £000		31/03/2013 £000
142	Balance at 1 April	**136**
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
(6)	Transfer to the Capital Receipts Reserve upon receipt of cash	(42)
136	Balance at 31 March	**94**

(vi) Collection Fund Adjustment Account

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

31/03/2012 £000		31/03/2013 £000
27	**Balance at 1 April**	**(64)**
(91)	Amount by which Council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	37
(64)	**Balance at 31 March**	**(27)**

(vii) Accumulated Absences Account

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

31/03/2012 £000		31/03/2013 £000
(42)	Balance at 1 April	**(54)**
42	Settlement or Cancellation of Accrual made at the end of the preceding year	54
(54)	Amounts accrued at the end of the current year	(109)
(54)	**Balance at 31 March**	**(109)**

NOTES TO THE CORE FINANCIAL STATEMENTS

25 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

Council 31/03/2012 £000	Group 31/03/2012 £000		Council 31/03/2013 £000	Group 31/03/2013 £000
(9,471)	**(8,398)**	(Deficit)/surplus on Provision of Services	**(50,093)**	**(49,496)**
-	90	Share of surplus/(deficit) on provision of services of associates and joint ventures	-	21
-	(242)	Share of other comprehensive loss/(income) of associates and joint ventures	-	60
5,976	6,029	Depreciation of property, plant and equipment	6,066	6,078
274	375	Amortisation of intangible assets	269	395
(160)	(160)	Losses/(gains) on disposal of non-current assets	(5,762)	(5,762)
-	-	Net book value of property, plant and equipment of subsidiary de-consolidated	-	109
4,769	4,770	Revaluation losses charged to net cost of services	55,424	55,424
(311)	(311)	Net revaluation surplus/(loss) taken to revaluation reserve	-	-
(481)	(580)	Adjustment in respect of pension fund deficit	(254)	(187)
10,067	**9,971**		**55,743**	**56,138**
		Adjustment for changes in working capital		
(1,211)	(1,211)	Increase in long-term debtors	(241)	(241)
(27)	(29)	Increase in inventories	(4)	13
2,990	1,385	(Increase)/decrease in short-term debtors	(2,960)	(1,326)
(3,382)	(1,917)	Increase/(decrease) in short-term creditors	3,163	640
(46)	(46)	Increase/(decrease) in capital grants received in advance	332	332
52	52	(Decrease)/Increase in provisions	(53)	(53)
(1,624)	**(1,766)**		**237**	**(635)**
(1,028)	**(193)**	**Net Cash flows from Operating Activities**	**5,887**	**6,007**
		The cash flows for operating activities include the following items:		
455	510	Interest received	371	374
(1,496)	(1,553)	Interest paid	(3,113)	(3,089)

26 CASH FLOW STATEMENT – INVESTING ACTIVITIES

Council 31/03/2012 £000	Group 31/03/2012 £000		Council 31/03/2013 £000	Group 31/03/2013 £000
		Assets and liabilities attributable at 31 March 2012 to subsidiary de-consolidated		
-	-	Property plant and equipment	-	(109)
-	-	Inventories	-	(17)
-	-	Short-term debtors	-	(202)
-	-	Short-term creditors	-	391
-	-		-	63
-	-	Cash and cash equivalents	-	(1,618)
-	-		-	(1,555)
(8,682)	(8,914)	Purchase of property, plant and equipment, investment property and intangible assets	(12,154)	(12,326)
-	(253)	Purchase of short-term and long-term investments	-	-
428	428	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,720	7,720
9,053	9,544	Proceeds from short-term and long-term investments	10,126	10,150
-	(85)	Other receipts from investing activities	-	(106)
799	**720**	**Net cash flows from investing activities**	**5,692**	**3,883**

27 CASH FLOW STATEMENT – FINANCING ACTIVITIES

Council 31/03/2012 £000	Group 31/03/2012 £000		Council 31/03/2013 £000	Group 31/03/2013 £000
10,000	10,000	Cash receipts of short- and long-term borrowing	-	-
(10,731)	(10,742)	Repayments of short- and long-term borrowing	(12,173)	(12,405)
(731)	**(742)**	**Net cash flows from financing activities**	**(12,173)**	**(12,405)**

28 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Council's principal directorates recorded in the budget reports for the year is as follows:

(i) Directorate Income and Expenditure 2012/13

	CORPORATE AND DEMOCRATIC CORE	CENTRAL SERVICES	CULTURAL, ENVIRON, PLAN SERVICES	HIGHWAYS, ROADS, TRANS SERVICES	HOUSING REVENUE ACCOUNT	HOUSING SERVICES	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(473)	(1,292)	(7,221)	(3,184)	(18,482)	(912)	(31,564)
Government grants	0	(8,710)	0	0	19	(45,740)	(54,431)
Total Income	**(473)**	**(10,002)**	**(7,221)**	**(3,184)**	**(18,463)**	**(46,652)**	**(85,995)**
Employee expenses	813	3,510	5,093	203	0	908	10,527
Other service expenses	2,136	17,281	16,175	3,321	13,350	46,940	99,203
Support service recharges	(777)	(7,606)	(1,617)	(62)	21	(129)	(10,170)
Total Expenditure	**2,172**	**13,185**	**19,651**	**3,462**	**13,371**	**47,719**	**99,560**
Net Expenditure	**1,699**	**3,183**	**12,430**	**278**	**(5,092)**	**1,067**	**13,565**

(ii) Directorate Income and Expenditure 2011/12

	CORPORATE AND DEMOCRATIC CORE	CENTRAL SERVICES	CULTURAL, ENVIRON, PLAN SERVICES	HIGHWAYS, ROADS, TRANS SERVICES	HOUSING REVENUE ACCOUNT	HOUSING SERVICES	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(432)	(1,204)	(5,049)	(3,104)	(17,212)	(197)	**(27,198)**
Government grants	(186)	(9,096)	(1,557)	(164)	2,091	(42,858)	**(51,770)**
Total Income	**(618)**	**(10,300)**	**(6,606)**	**(3,268)**	**(15,121)**	**(43,055)**	**(78,968)**
Employee expenses	721	3,792	5,148	208	1	1,336	**11,206**
Other Service expenses	89	6,175	10,960	3,164	15,259	42,368	**78,015**
Support service recharges	1,317	1,721	3,695	262	1,316	971	**9,282**
Total Expenditure	**2,127**	**11,688**	**19,803**	**3,634**	**16,576**	**44,675**	**98,503**
Net Expenditure	**1,509**	**1,388**	**13,197**	**366**	**1,455**	**1,620**	**19,535**

(iii) Group Income and Expenditure 2012/13

	Directorate Analysis	Subsidiaries Analysis	Group Total
	£000	£000	£000
Fees, charges & other service income	(31,564)	84	**(31,480)**
Government grants	(54,431)	0	**(54,431)**
Total Income	**(85,995)**	**84**	**(85,911)**
Employee expenses	10,527	3,318	**13,845**
Other service expenses	99,203	(3,972)	**95,231**
Support service recharges	(10,170)	0	**(10,170)**
Total Expenditure	**99,560**	**(654)**	**98,906**
Net Expenditure	**13,565**	**(570)**	**12,995**

(iv) Group Income and Expenditure 2011/12

	Directorate Analysis	Subsidiaries Analysis	Group Total
	£000	£000	£000
Fees, charges & other service income	(27,198)	(2,286)	**(29,484)**
Government grants	(51,770)	(25)	**(51,795)**
Total Income	**(78,968)**	**(2,311)**	**(81,279)**
Employee expenses	11,206	5,246	**16,452**
Other Service expenses	78,015	(5,858)	**72,157**
Support service recharges	9,282	2,016	**11,298**
Total Expenditure	**98,503**	**1,404**	**99,907**
Net Expenditure	**19,535**	**(907)**	**18,628**

NOTES TO THE CORE FINANCIAL STATEMENTS

28 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)

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

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	31/03/2013 £000	31/03/2012 £000
Net expenditure in the Directorate Analysis	13,565	19,535
Add Services not included in main analysis	59,447	3,591
Add amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(22,919)	(13,655)
Less amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-	-
Cost of Services in Comprehensive Income and Expenditure Statement	**50,093**	**9,471**

(vi) Reconciliation of Group Income and Expenditure to Group Cost of Services in the Comprehensive Income and Expenditure Statement

	31/03/2013 £000	31/03/2012 £000
Net expenditure in the Group Analysis	12,995	18,628
Add Services not included in Group Analysis	59,447	3,591
Add amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(22,946)	(13,821)
Less amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-	-
Cost of Services in Comprehensive Income and Expenditure Statement	**49,496**	**8,398**

NOTES TO THE CORE FINANCIAL STATEMENTS

29 RECONCILIATION TO SUBJECTIVE ANALYSIS

29 (i) Reconciliation to Subjective Analysis-Council

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

2012/13								
	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(31,564)	-	-	-	-	(31,564)	-	(31,564)
Interest and investment income	-	-	-	-	-	-	(1,045)	(1,045)
Income from council tax,	-	-	-	-	-	-	(7,363)	(7,363)
Government grants and contributions	(54,431)	-	-	-	-	(54,431)	(10,179)	(64,610)
Total Income	**(85,995)**	**-**	**-**	**-**	**-**	**(85,995)**	**(18,587)**	**(104,582)**
Employee expenses	10,527	-	-	-	-	10,527	-	10,527
Other service expenses	99,203	-	-	-	-	99,203	145	99,348
Support service recharges	(10,170)	-	-	-	-	(10,170)	-	(10,170)
Impairments arising on revaluation of non-current assets	-	-	-	-	-	-	55,221	55,221
Interest payments	-	-	-	-	-	-	5,077	5,077
Precepts & Levies	-	-	-	-	-	-	208	208
Payment to housing capital receipts pool	-	-	-	-	-	-	226	226
Gain or Loss on disposal of non-current assets	-	-	-	-	-	-	(5,812)	(5,812)
Gain or Loss on disposal of HRA assets	-	-	-	-	-	-	50	50
Total expenditure	**99,560**	**-**	**-**	**-**	**-**	**99,560**	**55,115**	**154,675**
Surplus or deficit on the provision of services	**13,565**	**-**	**-**	**-**	**-**	**13,565**	**36,528**	**50,093**

2011/12 Comparative Figures

2011/12								
	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(27,198)	-	-	-	-	(27,198)	-	(27,198)
Interest and investment income	-	-	-	-	-	-	(1,520)	(1,520)
Income from council tax,	-	-	-	-	-	-	(7,270)	(7,270)
Government grants and contributions	(51,770)	-	-	-	-	(51,770)	(9,911)	(61,681)
Total Income	**(78,968)**	**-**	**-**	**-**	**-**	**(78,968)**	**(18,701)**	**(97,669)**
Employee expenses	11,206	-	-	-	-	11,206	-	11,206
Other service expenses	78,015	-	-	-	-	78,015	3,591	81,606
Support service recharges	9,282	-	-	-	-	9,282	-	9,282
Impairments arising on revaluation of non-current assets	-	-	-	-	-	-	1,108	1,108
Interest payments	-	-	-	-	-	-	3,734	3,734
Precepts & Levies	-	-	-	-	-	-	202	202
Payment to housing capital receipts pool	-	-	-	-	-	-	162	162
Gain or Loss on disposal of non-current assets	-	-	-	-	-	-	(144)	(144)
Gain or Loss on disposal of HRA assets	-	-	-	-	-	-	(16)	(16)
Total expenditure	**98,503**	**-**	**-**	**-**	**-**	**98,503**	**8,637**	**107,140**
Surplus or Deficit on the Provision of Services	**19,535**	**-**	**-**	**-**	**-**	**19,535**	**(10,064)**	**9,471**

29 RECONCILIATION TO SUBJECTIVE ANALYSIS (Continued)

29 (ii) Reconciliation to Subjective Analysis - Group

2012/13	Directorate Analysis £000	Subsidiaries Analysis £000	Total £000
Fees, Charges & Other Service income	(31,564)	84	(31,480)
Interest and Investment income	(1,045)	(3)	(1,048)
Income from council tax	(7,363)	-	(7,363)
Government Grants and Contributions	(64,610)	-	(64,610)
Total Income	**(104,582)**	**81**	**(104,501)**
Employee expenses	10,527	3,318	13,845
Other service expenses	99,348	(3,972)	95,376
Support Service recharges	(10,170)	-	(10,170)
Impairments arising on revaluation of non-current assets	55,221	-	55,221
Interest Payments	5,077	(24)	5,053
Precepts & Levies	208	-	208
Payments to Housing Capital Receipts Pool	226	-	226
Gain or Loss on Disposal of non-current Assets	(5,812)	-	(5,812)
Gain or Loss on disposal of HRA assets	50	-	50
Total expenditure	**154,675**	**(678)**	**153,997**
Surplus or deficit on the provision of services	**50,093**	**(597)**	**49,496**

2011/12 Comparative Figures

2011/12	Directorate Analysis £000	Subsidiaries, Associates and Joint Venture Analysis £000	Total £000
Fees, Charges & Other Service income	(27,198)	(2,286)	(29,484)
Income from council tax	(1,520)	(136)	(1,656)
Interest and Investment income	(7,270)	-	(7,270)
Government Grants and Contributions	(61,681)	(25)	(61,706)
Total Income	**(97,669)**	**(2,447)**	**(100,116)**
Employee expenses	11,206	5,246	16,452
Other service expenses	81,606	(5,858)	75,748
Support Service recharges	9,282	2,016	11,298
Impairments arising on revaluation of non-current assets	1,108	-	1,108
Interest Payments	3,734	(30)	3,704
Precepts & Levies	202	-	202
Payments to Housing Capital Receipts Pool	162	-	162
Gain or Loss on Disposal of non-current Assets	(144)		(144)
Gain or Loss on disposal of HRA assets	(16)	-	(16)
Total expenditure	**107,140**	**1,374**	**108,514**
Surplus or Deficit on the Provision of Services	**9,471**	**(1,073)**	**8,398**

30 ACQUIRED, DISCONTINUED AND TRANSFERRED OPERATIONS

There have been no acquired or discontinued or transferred operations during the 2012/13 or 2011/12 financial years.

31 TRADING OPERATIONS

The council operates two markets, the Open and Eastgate markets and its investment properties, City Estates, on a trading basis. A number of other activities, including translation and building design services, are also classified as trading services. The income and expenditure relating to these operations are shown below.

	2012/13			2011/12		
	£000	£000	£000	£000	£000	£000
	Income	Expenditure	Net	Income	Expenditure	Net
City Estates	1,831	1,411	(420)	2,164	1,131	(1,033)
St.Oswald's Park	8	14	6	10	10	-
Eastgate Market	359	305	(54)	362	278	(84)
Open market and other markets	121	152	31	120	153	33
Lettings & Catering Services	1,001	1,064	63	1,213	1,315	102
Translation & Interpreting Services	(1)	-	1	41	69	28
Building Design Services	1,300	1,020	(280)	1,051	1,033	(18)
Legal & Office Services	867	1,013	146	918	1,018	100
Total	**5,486**	**4,979**	**(507)**	**5,879**	**5,007**	**(872)**

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Council's services to the public eg markets, whilst others are support services to the Council's services to the public e.g. legal.

The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. Only a residual amount of the net surplus on trading operations is charged as Financing and Investment Income and Expenditure (see Note 9):

	2012/13 £000	2011/12 £000
Net Surplus on Trading Operations	(507)	(872)
Services to the public included in Expenditure of Continuing Operations	-	-
Support services recharged to Expenditure of Continuing Operations	1,277	1,244
Net Deficit credited to Other Operating Expenditure	**770**	**372**

32 AGENCY SERVICES

The Council provides creditor and payroll services for Gloucester City Homes and Aspire Sports and Cultural Trust involving the payment of approximately £2.260 million (2011/12:£4.964 million) to employees and £0.362 million (2011/12:£1.131 million) to Her Majesty's Revenue and Customs. Charges are made to those bodies based on service level agreements.

	2012/13 £000	2011/12 £000
Expenditure incurred in providing payroll services to Aspire Cultural Trust and Gloucester City Homes	19	24
Management fee payable by Aspire and GCH	(19)	(24)
Net Surplus arising on the agency arrangement	-	-

33 MEMBERS' ALLOWANCES

The Authority paid the following amounts to members of the council during the year.

	2012/13 £000	2011/12 £000
Allowances	289	290
Expenses	2	5
Total	**291**	**295**

Details of the allowances paid to each individual councillor are published in the Gloucester Citizen newspaper and on the Council's website - www.gloucester.gov.uk

NOTES TO THE CORE FINANCIAL STATEMENTS

34 OFFICERS' REMUNERATION

The following table discloses the number of employees at the year end whose remuneration for the year (excluding pension contributions) was £50,000 or more in bands of £5,000.

The remuneration relates to actual payments to employees during the year. The remuneration of staff for the year ended 31 March 2013 and in the prior year includes officers in receipt of severance pay arising from management restructuring during these two periods. To ensure transparency, these have been shown separately from normal salary.

Remuneration Band	Normal salary Number of Employees	
	2011/12	2012/13
£50,000 to £54,999	5	4
£55,000 to £59,999	-	-
£60,000 to £64,999	-	-
£65,000 to £69,999	-	-
£70,000 to £74,999	-	-
£75,000 to £79,999	3	2
£80,000 to £84,999	-	-
£85,000 to £89,999	-	-
£90,000 to £94,999	-	-
£95,000 to £99,999	-	1
£100,000 to £104,999	-	-
£105,000 to £109,999	-	-
£110,000 to £114,999	-	-
£115,000 to £119,999	1	1

The following disclosure categories are in respect of senior employees' remuneration only. The remuneration categories are in accordance with the remuneration transparency and accountability legal requirement.

Senior Officer	Chief Executive (Head of Paid Service)		Corporate Director of Regeneration		Corporate Director of Resources (Section 151 Officer)	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
Salary, fees & allowances	£116,185	£113,732	£79,985	£97,145	£78,454	£78,255
Bonuses	-	-	-	-	-	-
Expenses allowance	-	-	-	-	-	-
Compensation for loss of employment	-	-	-	-	-	-
Employer's pension contribution	£17,624	£17,044	£12,572	£10,976	£12,388	£11,738
Any other emoluments	-	-	-	-	-	-
Total	**£133,809**	**£130,776**	**£92,557**	**£108,121**	**£90,842**	**£89,993**

Senior Officer	Corporate Director of Services & Neighbourhoods		Corporate Director of Strategy & Development	
	2011/12	2012/13	2011/12	2012/13
Salary, fees & allowances	£78,255	£78,255	£5,472	-
Bonuses	£0	-	-	-
Expenses allowance	£0	-	-	-
Compensation for loss of employment	£0	-	-	-
Employer's pension contribution	£11,738	£11,738	£1,118	-
Any other emoluments	-	-	-	-
Total	**£89,993**	**£89,993**	**£6,590**	**-**

35 EXTERNAL AUDIT COSTS

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

	2012/13 £'000	2011/12 £'000
Fees payable to the Audit Commission (KPMG LLP) for		
- external audit services	253	187
- statutory inspection	-	1
- certification of grant claims and returns	13	26
- other services provided by the appointed auditor	-	-
Total audit fees	**266**	**214**

NOTES TO THE CORE FINANCIAL STATEMENTS

36 GRANT INCOME (GCC and Group)

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

	2012/13 £'000	2011/12 £'000
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant	(133)	(1,782)
Contribution from NNDR Pool	(6,885)	(5,766)
Capital Grants	(1,683)	(1,168)
Council Tax Freeze	(178)	(177)
New Homes Bonus	(1,300)	(1,018)
	(10,179)	(9,911)
Credited to Services		
Homelessness and other housing	(398)	(306)
Mandatory rent allowances,Council Tax Benefits and Administration	(42,521)	(40,550)
Rent Rebates	(11,531)	(10,557)
Sports Grants	-	(3)
Community Grants	(52)	(74)
Other	(80)	(337)
	(54,582)	(51,827)
Total grants	**(64,761)**	**(61,738)**

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

Long-term Liabilities

	31/03/2013 £'000	31/03/2012 £'000
Capital Grants Received in Advance (GCC and Group)		
Coney Hill South	88	88
Cotswold View	213	560
Flood income	57	-
Green Farm	74	74
48 The Wheatridge	337	337
British Energy	150	150
HCA	129	-
Hempsted Grange	143	143
Hammersons	39	90
Oxstalls Tennis Centre	75	-
Railway Triangle	149	-
Travis Perkins	223	-
Other contributions	641	544
Total	**2,318**	**1,986**

There are no capital grants received in advance that are classified as current liabilities and the Council does not have any revenue grants received in advance.

37 RELATED PARTIES

The Council is required to disclose material transactions with related parties – defined as bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government
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 etc.). Grants received from Government departments are set out in the subjective analysis in Note 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2013 are shown in note 35.

Members
Transactions with members were restricted to the payment of members' allowances, which are detailed in note 32. There were no transactions with chief officers other than the payment of remuneration which is shown in note 33.

				Restated		
	2012/13			2011/12		
	Number of Related Parties	Payments Made or Due £'000	Income Rec'd £'000	Number of Related Parties	Payments Made or Due £'000	Income Rec'd £'000
Central Government						
Revenue Support Grant	1	-	(133)	1	-	(1,782)
Other Government grants	1	-	(1,876)	1	-	(1,434)
HRA negative subsidy	1	19		1	2,090	
Council Tax and Housing Benefit grants	1	-	(54,051)	1	-	(51,062)
Contribution from NNDR Pool	1	-	(6,885)	1	-	(5,887)
Other Local and Police Authorities						
Precepts	2	50,876	-	2	50,500	-
Gloucestershire County Council						
Pension Fund contributions	15	3,438	-	12	2,956	-
Gloucestershire Airport Limited						
Loan interest and rents	3	-	(57)	5	-	-
Quedgeley Parish Council	1	208	-	1	11	-
Others						
Gloucester Law Centre	4	103	-	3	105	-
EG Carter	-	-	-	1	646	-
Abbeydale Community Association	1	6	-	1	-	-
GL Communities	1	31	-	2	30	-
Citizens Advice Bureau	1	-	-	1	134	-
Gloucester City Homes	13	16,733	(288)	8	14,062	-
Marketing Gloucester Limited	1	-	(214)	-	-	-
Aspire Sports and Social Trust	5	1,073	(573)	5	1,650	-
CIVICA	1	1,595	(28)	4	83	-

Amounts due to or from related parties included in debtors and creditors as at 31 March 2013:

	2012/13 £'000	2011/12 £'000
Short-term debtors	236	323
Short-term investments	162	-
Long-term debtors	1,537	-
Short-term Creditors	3,064	95

Members
Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2012/13 is shown in Note 32. During 2012/13 works and services to the value of £18.154 million (2011/12:£16.611 million) were commissioned from companies in which 23 members had an interest.
Contracts were entered into in full compliance with the Council's standing orders.
The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interests which is open to public inspection at the North Warehouse during office hours.

Officers
During 2012/13 works and services to the value of £19.401 million (2011/12: £115.795 million) were commissioned from companies in which 11 officers had an interest. Those entities are: Gloucester City Homes, Aspire and CIVICA (detailed in the above table).

Contracts were entered into in full compliance with the Council's standing orders. The relevant officers did not take part in any discussion or decision relating to the payments.

The comparative amounts for the prior year have been restated to reflect the correct amounts and nature of transactions with regard to amounts due to and from Central Government. In addition a number of other entities have been excluded as they were included as related parties, however, did not meet the definition in the Code and the provisions of IFRS.

NOTES TO THE CORE FINANCIAL STATEMENTS

38 CAPITAL EXPENDITURE AND CAPITAL 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 and contracts), 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.

	2012/13	2011/12
	£000	£000
Opening Capital Financing Requirement	**70,586**	**65,571**
Capital investment		
- Property, Plant and Equipment and heritage assets	11,305	8,190
- Investment Properties	3	11
- Intangible Assets	847	481
- Long-term debtors	37	-
- HRA settlement payment re self-financing	-	2,143
- Revenue Expenditure Funded from Capital under Statute	938	2,055
	83,716	**78,451**
Sources of finance		
- Usable capital receipts	(3,328)	(617)
- Capital grants and contributions	(1,619)	(1,188)
- Self-financing	-	(2,143)
- Major Repairs Reserve	(3,129)	(3,612)
- Revenue contributions	-	-
Revenue Provision (including Minimum Revenue Provision)	(424)	(305)
Capital Receipts applied for debt repayment	(241)	-
Closing Capital Financing Requirement	**74,975**	**70,586**
Explanation of movements in year		
Increase in underlying need to borrow for capital investment:		
- supported by Government financial assistance	-	858
- unsupported by Government financial assistance	5,053	4,462
Amounts 'set aside' for debt repayment	(665)	(305)
Increase in Capital Financing Requirement	**4,388**	**5,015**

39 LEASES

(i) GCC as Lessor

Finance Leases

The Council has a finance lease which was entered into in the current year for a 125 year term in respect of land owned by the Council with the rental for the entire period being paid at inception. Accordingly there are no minimum lease payments outstanding at 31 March 2013.

The Council does not have any other finance leases as lessor.

Operating Leases

The Council leases out property under operating leases for the following purposes:

a) The provision of community services such as sports facilities; and
b) For economic development purposes to provide suitable accommodation for local businesses.

Rentals received during the year and included in the net cost of services were £1.681 million (2011/12:£1.769 million). The future minimum lease payments receivable under non-cancellable leases in future years are as follows:

		Restated
	2012/13	2011/12
	£'000	£'000
Not later than1 year	1,590	1,528
Later than 1 year and not later than 5 years	5,940	5,852
Later than 5 years	184,490	185,744
Total	**192,020**	**193,125**

The amounts for the prior year lease payments receivable have been restated as a result of more up to date and accurate information, particularly relating to the lease periods, being available in the current year.

39 LEASES (Continued)

(ii) GCC as Lessee

Operating Leases
The Council has operating leases, the leasing payments relating to buildings and

Total lease payments were £0.736 million in 2012/13 (2011/12 :£0.723 million).

The Council has the following commitments representing the minumum lease payments in respect of operating

		Restated
	2012/13	2011/12
	£'000	£'000
Not later than 1 year	592	670
Later than 1 year and not later than 5 years	1,800	1,926
Later than 5 years	33,811	34,254
Total	**36,203**	**36,850**

The amounts for the prior year lease commitments have been restated as a result of more up to date and accurate information, particularly relating to the lease periods, being available.

Finance Leases
The Council does not have any finance leases as lessee.

40 REVALUATION LOSSES
The Code requires disclosure by class of assets of the amounts for revaluation losses and reversals charged to impairment in the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 11,12 and 13 reconciling the movement over the year in the Property, Plant and Equipment, Investment Property and Intangible Asset balances.

41 CAPITALISATION OF BORROWING COSTS
No borrowing costs were capitalised during the year.

42 TERMINATION BENEFITS

Details of termination benefits paid in 2012/13 are as follows:

	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
		Restated		Restated		Restated		Restated
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
	Number	Number	Number	Number	Number	Number	£'000	£'000
Less than £20,000	-	3	-	17	-	20	-	215
Between £20,000 and £40,000	-	1	-	8	-	9	-	270
Between £40,000 and £60,000	-	-	-	4	-	4	-	189
Between £60,000 and £80,000	1	1	-	-	1	1	77	77
Total	1	5	-	29	1	34	77	751

In addition to the above amounts paid to employees as above the Council made lump sum payments in respect of pension entitlements totalling £48k.

The comparative information has been restated to analyse the amounts between £20,000 and £100,000 in bands of £20,000 as required by the Code.

43 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes
As part of the terms and conditions of employment of its officers, the Council offers retirement benefits. Although these benefits will not actually be paid until employees retire, the Council has a commitment to make the payments, which needs to be disclosed at the time employees earn their future entitlement.

The Council participates in the Gloucestershire County Council Pension Fund which is a defined benefit statutory pension scheme administered by the County Council in accordance with the Local Government Pension Scheme (LGPS) Regulations 1997 (as amended). It is contracted out of the State Second Pension. It is also a Funded scheme, meaning that the Council and employees pay contributions into a Fund, set at a level intended to balance pension liabilities with investment assets.

Further information can be found in the Gloucestershire County Council LGPS Annual Report which is available (from November each year) from:

Business Management Directorate
Gloucestershire County Council
Shire Hall
Westgate Street
Gloucester
GL1 2TG

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:

Comprehensive Income and Expenditure Account	2012/13 £000	2011/12 £000
Net Cost of Services :		
Current service cost (apportioned across services)	1,181	1,312
Past service costs/(credits), curtailments and settlements	-	184
Settlements and Curtailments (included in Non-Distributed costs)	19	39
Financing and Investment Income and Expenditure		
Interest cost	5,230	5,526
Expected return on assets in the scheme	(3,246)	(3,882)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3,184	3,179
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
- Actuarial gains and losses	(6,698)	(7,935)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(3,514)	(4,756)
Movement in Reserves Statement		
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(3,184)	(3,179)
Fund Balance for pensions in the year:		
- employer's contributions payable by the general fund to the scheme	3,438	3,660
- retirement benefits payable to pensioners	-	-
	(3,260)	**(4,275)**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a net deficit of £39.234 million (2011/12:£32.536 million).

Assets and Liabilities in Relation to Post-employment Benefits
Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Funded liabilities: Local Government Pension Scheme	
	2012/13 £000	2011/12 £000
Opening balance at 1 April	**110,545**	**101,750**
Current service cost	1,181	1,312
Interest cost	5,230	5,526
Contributions by scheme participants	437	517
Actuarial gains and losses	11,941	5,842
Benefits paid	(4,830)	(4,625)
Past service costs	-	184
Curtailments	19	39
Closing balance at 31 March	**124,523**	**110,545**

43 DEFINED BENEFIT PENSION SCHEMES (Continued)

Reconciliation of fair value of the scheme (plan) assets
Local Government Pension Scheme

	2012/13 £000	2011/12 £000
Opening balance at 1 April	**59,503**	**58,162**
Expected rate of return	3,246	3,882
Actuarial gains and losses	5,243	(2,093)
Employer contributions	3,438	3,660
Contributions by scheme participants	437	517
Benefits paid	(4,830)	(4,625)
Closing balance at 31 March	**67,037**	**59,503**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was 14.4% (2011/12: 3.1%).

Scheme History

	31-Mar-09 £'000	31-Mar-10 £'000	31-Mar-11 £'000	31-Mar-12 £'000	31-Mar-13 £'000
Present value of liabilities:					
Local Government Pension Scheme	(84,228)	(130,801)	(101,750)	(110,545)	(124,523)
Fair value of assets					
Local Government Pension Scheme	42,829	59,483	58,162	59,503	67,037
Deficit in the scheme	**(41,399)**	**(71,318)**	**(43,588)**	**(51,042)**	**(57,486)**
Experience gains/(losses) on plan assets	(16,940)	14,582	(4,952)	(2,093)	5,243
Experience gains/(losses) as a percentage of fair value of assets	(39.6)	24.5%	(8.5%)	(3.5%)	7.8%
Experience gains/(losses) on plan liabilities	(60)	(63)	9,072	(1,768)	151
Experience gains/(losses) as a percentage of the present value of the defined benefit obligation	0.1%	0.0%	8.9%	(1.6%)	0.1%

The liabilities show the underlying commitments that the Council has in the long run to pay post employment retirement benefits.
The total net liability of £57.486 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, however, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. Over the remaining working life of employees i.e. before payments fall due, as assessed by the scheme actuary, finance is only required to be raised to cover discretionary benefits when the pensions are actually paid. The total contributions made to the Local Government Pension Scheme by the Council for the year ended 31 March 2013 was £3.438 million (2011/12: £3.660 million).

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees i.e. before payments fall due, as assessed by the scheme actuary.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2013.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2012/13	2011/12
Long-term expected rate of return on assets in the scheme:		
Equity investments	4.50%	6.20%
Bonds	4.50%	3.90%
Other	4.50%	4.40%
Cash	4.50%	3.50%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	21.7 years	21.7 years
- Women	23.6 years	23.6 years
Longevity at 65 for future pensioners:		
- Men	23.5 years	23.5 years
- Women	25.8 years	25.8 years
Rate of inflation	2.80%	2.50%
Rate of increase in salaries	4.60%	4.30%
Rate of increase in pensions	4.50%	5.50%
Rate for discounting scheme liabilities	4.50%	4.80%
Take-up of option to convert annual pension into Retirement lump sum	75%	75%

43 DEFINED BENEFIT PENSION SCHEMES (Continued)

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31-Mar-13 %	31-Mar-12 %
Equity investments	75	71
Debt Instruments	17	21
Other assets	6	6
Cash	2	2

The group pension deficit includes the surpluses and deficits in respect of the pension funds for Gloucester City Homes Limited and Aspire Sports and Cultural Trust. Full details relating to these pension schemes can be obtained from the accounts of these subsidiaries.

44 CONTINGENT LIABILITIES

At 31 March 2013, the Council had three material contingent liabilities:

Municipal Mutual Insurance Ltd (MMI) liabilities
On the 19 January 1994 one of the Council's insurers MMI obtained High Court approval for a scheme of arrangement that will come into operation if the company becomes insolvent. If the scheme is implemented, the Council will have to pay the balance of any liabilities not met by the insurers. Claims settled to date total £703,749 and the estimated outstanding claims as at 31 March 2013 are £Nil. The Council could be required to pay a proportion of this depending on the final financial position of the company. Indications are that 15% of claims will be payable, although this amount is an estimate and the final amount could be higher or lower depending on the final outcome, and, accordingly, an accrual of £105,000 has been raised in the current year and charged to the net cost of services with a like amount transferred from the Council's Insurance Reserve to the General Fund (Refer to Note 7).

Liability for pensions shortfall for staff transferred
During 2005/06 and 2006/07 approximately 200 City Council staff were transferred to Gloucester City Homes, the housing maintenance contractor, and Enterprise Plc, the refuse collection, street cleaning and parks maintenance contractor. Under the terms of the transfers, the Council is liable for any pensions shortfall for the transferred staff over and above a specified 'cap'. A liability would arise for the Council in the event the pension fund actuary advised that pension contributions for these staff needed to increase above the respective caps.

Land charges personal searches
The statutory fee for Personal Searches was revoked in August 2011, and DEFRA advised that each Council would need to consider potential refunds to Personal Search Companies in respect of fees charged since January 2005. A group of property search companies are seeking to reclaim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of these claims at present is £111k plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive bahaviour. It is not clear what the value of any such claim against the Council would be. It is possible that additional claimants may come forward to submit claims for refunds but none have been intimated at present. The Council has received an amount of £34k from DCLG towards the cost of these claims which has been included in receipts in advance in short-term creditors.

Asbestos Claim
The Council has received a claim for £175k from the estate of a former employee following death as a result of asbestos. The Council is in the process of instructing it's legal team to dispute the claim on the grounds of the significant amount of time that has elapsed since the employee ceased working at the Council and his subsequent death. Accordingly the Council does not anticipate making any payment in respect of this claim.

45 CONTINGENT ASSETS

Additional receipts arising from South West bypass road development

During 2003/04 and 2005/06 the Council received £538,300 resulting from the reduction in its landholdings at Castlemeads and towards compensation for temporary loss of the car park, due to the construction of the South West bypass road. These amounts have been treated as capital receipts. Further receipts and revenue income are anticipated, however, these are subject to further negotiation and possible arbitration and, therefore, cannot be quantified at this stage.

46 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
The Council's activities expose it to a variety of financial risks:

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

46 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Credit Risk

This arises from deposits with banks and building societies and from credit exposure to the Council's customers. Deposits are not made with banks or building societies unless such institutions have independently assessed credit ratings at least equivalent to Fitch F1 short term and A- long term or, in the case of non-rated UK building societies, have total assets in excess of £500 million. Limits are placed on the amount and length of loans to individual institutions according to their respective credit rating or asset size.

Whilst the current credit crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria and it is considered that the risk of default remains low. See below for commentary on the Council's deposit with Heritable Bank.

The Council's maximum exposure to credit risk in relation to its short-term investments and deposits with banks and other financial institutions of £7.133 million (2011/12:£17.247 million) cannot be assessed generally as the risk of any insitution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments and, along with short-term investments with other public sector bodies, are considered to have a low credit risk.

Full details of long-term investments are disclosed in note 46 including the recoverability of the investment with Heritable Bank. Long-term debtors as detailed in note 17(i) include the loan to Gloucestershire Airport Limited of £1.537 million (2011/12:£1.202 million) and are considered to have a low credit risk.

The Council does not generally allow credit for customers and £2.147 million, net of impairments, of the debtors balance of £13.432 million (see note 14) is past its due date for payment as follows:

	£'000
Less than 4 months	1,766
4 months- 1 year	213
More than 1 year	168
Total	**2,147**

The Council has set aside provisions for unrecoverable or doubtful debts based on experience of uncollectability, and it is estimated uncollectible amounts will be able to be met from these.

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that not more than 20% of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

Long term loans - period until repayment	**Maximum**	**Actual 31/03/2013**
	%	**%**
Less than 1 year	20	4%
1 - 2 years	20	0%
2 - 5 years	50	14%
5 - 10 years	75	4%
Over 10 years	95	78%
		100%

Full details of the maturity analysis in respect of long-term borrowings are included in note 20(ii). All trade and other payables and short-term borrowings are due to be paid in less than one year.

Market Risk

Interest Rate Risk

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

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

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

The Council has a number of strategies for managing interest rate risk.

During periods of falling interest rates and,where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

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

	Average amount Outstanding	**Actual Interest rate**	**Actual Interest Paid/(Receivable)**	**Projected Interest Rate**	**Projected Interest Paid/Receivable**	**Variation**
	£000s	**%**	**£000s**	**%**	**£000s**	**£000s**
Borrowings						
Long-term-fixed rate(including £2.5m due within 1 year)	58,099	4.32%	2,509	4.32%	2,509	-
Short-term-variable	24,920	0.61%	151	1.61%	400	249
	83,019		2,660		2,909	249
Investments						
Short-term-variable	10,204	3.66%	(373)	4.66%	(475)	(102)
Net loss/(gain) on deficit/(surplus) for the year						**147**

46 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Price Risk
The Council does not invest in quoted shares and the shares it owns are not carried at fair value. As a result the Council is not exposed to movements in market prices. For the impact on the pension scheme, see note 42.

Foreign exchange Risk
The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

47 LONG-TERM INVESTMENTS
Long term investments are investments repayable in (or intended to be held for) more than 1 year and are shown at cost.
They consist of the following:

	GCC		Group	
	31-Mar-13 £'000	**31-Mar-12 £'000**	**31-Mar-13 £'000**	**31-Mar-12 £'000**
Share capital - Gloucestershire Airport Ltd	435	435	-	-
Government Stock	2	2	2	2
Heritable Bank	394	436	394	436
Total	**831**	**873**	**396**	**438**

The shares in Gloucestershire Airport Limited have been eliminated on consolidation from the group accounts and replaced by the Council's share of the net asset value of the company of £15.681m. The net asset value has been determined after taking into account the revaluation of the assets of Gloucestershire Airport Limited at 31 March 2012.
The Government stock is held on behalf of John Ward Charity and represents external investment of part of the money deposited by the Trust with the Council.
The investment with Heritable Bank was initially a short term investment and is now subject to a long term arrangement for repayment following the collapse of the Icelandic Banks in October 2008. The Council made an initial investment in February 2008 with Heritable Bank with an interest rate of 5.67% per annum.
Heritable Bank is a UK registered bank under Scottish law and the company was placed in administration on 7 October 2008. The current position on actual payments received is as shown in the table below:

Date	**Repayment**
Received prior to 31 March 2012	67.90%
April 2012	3.79%
July 2012	3.50%
January 2013	3.50%
April 2013	5.81%
	84.50%

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 6 October 2008.

The carrying amount of the investment is made up as follows:

	GCC and Group	
	31-Mar-13 £'000	**31-Mar-12 £'000**
Initial investment	2,000	2,000
Interest accrued to 31 March 2013	56	49
Payments received	(1,600)	(1,406)
Impairment	(62)	(207)
Balance at 31 March	**394**	**436**

Based on the latest report from the administrator he estimated recovery is considered to be between 86% and 90%, however,subsequent to the year-end the Council has received an offer from a major financial institution of in excess of 96% of the full amount invested. In view of this the impairment has been reduced to reflect a 97% recovery with the effect of reducing the impairment by a further £145k in the current year.

48 NOTES TO THE GROUP ACCOUNTS

The Council's group accounts combine the Council's accounts with those of Gloucestershire Airport Limited in which the Council has a 50% shareholding (the remaining 50% of the shares are owned by Cheltenham Borough Council), Gloucester City Homes Limited and Marketing Gloucester (50% owned by the Council) . Gloucestershire Airport is accounted for as a joint venture and Gloucester City Homes Limited as a subsidiary.

The following entities in which the Council has an interest have not been included in the Group accounts as the Council's share of income and net assets is considered to be immaterial and that their inclusion would have an insignificant impact on the group:

	Council Share
GL1 Sports Limited	100%
Marketing Gloucester Limited	50%
Barton & Tredworth Developments Limited	25%
Gloucester Heritage Urban Regeneration Limited	50%
Gloucester Law Centre	36%
Linking Communities	29%
Race Equality Council for Gloucesterhire	31%
GL Communities	21%

In previous years Aspire Sports and Social Trust(Aspire) has been accounted for as a wholly-owned subsidiary of the Council when preparing the group accounts. During the current financial year the Council reviewed the criteria for continuing treating the Trust as a subsidiary in the group accounts. The Council has determined that, although the Council has a degree of control over the activities of Aspire by way of board representation and other provisions in the management agreement, the level of control is not considered sufficient to meet the definition of a subsidiary according to the Code or the provisions of IAS 27. Accordingly the Council has taken the decision to exclude the accounts of Aspire from the group accounts in 2012/13. The effect of the exclusion of Aspire from the group accounts is to reduce the usable reserves of the group by £1.555 million in the current year which represents the net asset value of Aspire at 31 March 2012 made up as follows:

	£'000
Property, plant and equipment	109
Inventories	17
Short-term debtors	202
Short-term creditors	(391)
Cash and cash equivalents	1,618
	1,555

In the previous year an amount of £0.511 million, representing the net operating surplus for Aspire for the year ended 31 March 2012, was included in the group accountsin arriving at the group deficit from the provision of services.

The purpose of the Group Accounts is to reflect the full value of the Council's investments in these entities within the Council's financial statements, since the Council's shareholdings may not fully reflect it's share of the respective entities' assets and liabilities.

Gloucester City Homes have been categorised as a subsidiary company of Gloucester City Council and their interests have been consolidated in accordance with IAS 27.

IAS 27 requires income and expenditure, assets and liabilities to be consolidated on a line-by-line basis. The operating income and expenditure has been included within the local authority housing (HRA) line before net cost of services.

The Group Balance Sheet has been prepared by combining Gloucester City Homes' assets and liabilities with those of the Council on a line by line basis, eliminating inter-organisation debtors and creditors.

Gloucestershire Airport Limited has been categorised as a joint venture company as the decisions regarding the operating and financial policies of the company require the consent of all parties. For the purposes of the group accounts Gloucestershire Airport has been treated as a jointly controlled entity (joint venture) and has been consolidated in accordance with IAS 31.

Aspire Sports and Cultural Trust (Aspire)

The Trust was set up on 1st October 2008 as a company limited by guarantee. This is an alternative type of incorporation and used by not-for-profit organisations that require company status. A guarantee company does not have a share capital but have members who are guarantors instead of shareholders. There is a management agreement between the Council and the Trust which sets out the funding and the relationship with the Council.

The Trust's draft accounts for the year ended 31 March 2013 reflected the following:

	2012/13 £000	2011/12 £000
Gross income	3,950	4,090
Net operating (deficit)/surplus	(443)	511
Net assets	1,112	1,555

Gloucestershire Airport Limited (GAL)

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

The registered name of the airport company is Gloucestershire Airport Ltd (Registered Number 2774189). The draft accounts of the company for the year ended 31 March 2013 reflected the following:

	2012/13 £000	2011/12 £000
After tax operating profit	28	92
Net assets	634	903

The main reason net assets have reduced is due to a significant increase in the net pension deficit, resulting mainly from an actuarial loss of £0.297 million. The Council's commitment to meet losses is limited to the shares that it holds. The prior year amounts have been restated as a result of the recognition of a deferred tax asset on the pension fund liability of £0.418 million.

For the purposes of the accounts the Airport has been classified as a Joint Venture as it is jointly owned by two local authorities, neither of which has overall control. These show the full value of the Council's investment within its financial statements, since the value of the Council's shares do not fully reflect the value of the airport land.

48 NOTES TO THE GROUP ACCOUNTS (continued)

The Group Balance Sheet has been prepared by combining the Council's 50% share of the Airport's assets and liabilities as a long-term investment, eliminating the share capital. Since the Airport's accounts show fixed assets at historic cost, they were re-valued at 31 March 2012 and shown in the group balance sheet at fair value, to bring them in line with the Council's accounting policies:

- Operational assets added at leasehold existing use value (50% share) total £9.468 million (31 March 2012:£9.468million).

- Non-operational assets added at leasehold market value (50% share) total £6.556 million (31 March 2012:£6.556 million).

This upward revaluation results in an increase in Unusable Reserves compared to the Council's own accounts of £15.6 million, of which £9.5 million relates to operational property (so included in the Revaluation Reserve) and £6.5 million investment property (so included in the Capital Adjustment Account). If the Airport charged depreciation on the operational element of the re-valued assets the charge would be around £0.5 million, based on a life of 30 years.

There is no requirement to adjust for transactions carried out and balances held between the Council and Gloucestershire Airport Limited. The cash flows of the Airport are also not required to be included in the Group Cash flow Statement.

In the autumn of 2009, the Council agreed to facilitate borrowing to finance the runway safety project at Gloucestershire Airport, to provide a safer runway with a computerised instrument landing system (ILS)which was completed in the 2012/13 financial year. The benefits of the runway safety project are anticipated to be seen by the airport from 2013 onwards. The Council has loaned £1.537 million (2011/12: £1.202 million*)* to the Airport to help fund this project. This Loan is shown as a long term debtor on the Council's balance sheet pending its conversion to a long term loan.

The following table discloses the council's share of the Airport's net assets as follows:

	Gloucestershire Airport Limited £ 2012/13 £000	Gloucester City Council's Share £ 2012/13 £000	Gloucestershire Airport Limited £ 2011/12 Restated £000	Gloucester City Council's Share £ 2011/12 Restated £000
Turnover	4,369	2,185	4,249	2,122
Profit on ordinary activities before taxation	68	34	108	56
Tax on profit on ordinary activities	(40)	(20)	(16)	0
Profit for the financial year after taxation	28	14	92	56
Fixed Assets	5,250	2,625	4,379	2,189
Current Assets	1,113	557	1,187	593
Liabilities due within one year	1,370	685	1,222	611
Liabilities due after one year	2,422	1,211	1,769	884
Net pension liability	1,938	969	1,672	836

The net assets of Gloucester Airport Limited are valued at cost (in accordance with company accounting rules) and may not therefore reflect their market value. The value of the Airport company could vary to that suggested by the stated net assets of the company or the share capital issued.

The Airport did not pay any dividend for the year ended 31st March 2013 (2012:£Nil). Equity dividends proposed by the Board of Directors of the Airport are not recorded in the Airport financial statements until they are approved by the shareholders at the annual general meeting and are recorded as a movement on retained profits.

The accounts of GAL for the year ending 31 March 2013 can be obtained from the Airport Company Secretary at the company's registered office
- The Terminal Building, Staverton, Nr Cheltenham, Glos, GL51 6SR.

Gloucester City Homes Limited (GCH)

This company was established by the Council during 2005/06 as an Arm's Length Management Organisation (ALMO) to manage the Council's housing stock. The Company (registration number 5611409) is a private limited company wholly owned and controlled by the Council, with an issued share capital of £1, and began trading on 12 December 2005.

The Company's draft accounts reflected the following:

	2012/13 £000	2011/12 £000
Gross income	16,913	12,547
Net profit after tax	594	568
Net assets	611	735

The company trades mainly with the Council's Housing Revenue Account (HRA).
The Council's commitment to meet losses is limited to the shares that it holds.

48 NOTES TO THE GROUP ACCOUNTS (continued)

ADJUSTMENTS BETWEEN GROUP ACCOUNTS AND GCC ACCOUNTS

Long term Investments
The group long term investment amount differs from that reflected in the Council's single-entity accounts by the investment in shares in Gloucestershire Airport Limited of £0.435 million which has been replaced in the group accounts by an investment in joint ventures of £15.681 million.

Adjusting for Intra-group Transactions and Balances
Adjustments have been made in respect of inter-group debtors and creditor balances between the Council and it's subsidiaries. Inter-group transactions relating to services and other charges have also been eliminated on consolidation. This adjustment has been made in accordance with the Code.

Usable and Unusable Reserves
Transfers have been made between usable reserves and unusable reserves in respect of the classification of the pension reserves in subsidiary companies which are, effectively, included in retained earnings. In the group accounts these have been transferred from usable reserves to unusable reserves to ensure consistency of treatment with the Council's accounts.

49 GROUP PROPERTY, PLANT AND EQUIPMENT

Movements in 2012/13	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation						
At 1 April 2012	**218,666**	**59,715**	**6,669**	**14,857**	**153**	**300,060**
Additions	**7,770**	**1,586**	**140**	**1,414**	**13**	**10,923**
Derecognition following de-consolidation of subsidiary	**-**	**-**	**(154)**	**-**	**-**	**(154)**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	**(49,735)**	**3,705**	**-**	**4,624**	**-**	**(41,406)**
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	**(44,841)**	**(13,551)**	**-**	**(910)**	**-**	**(59,302)**
Derecognition – Disposals	**(915)**	**(622)**	**-**	**-**	**-**	**(1,537)**
Assets reclassified as held for sale	**(35)**	**(365)**	**-**	**-**	**-**	**(400)**
Other movements in cost or valuation	**-**	**12**	**-**	**(70)**	**-**	**(58)**
At 31 March 2013	**130,910**	**50,480**	**6,655**	**19,915**	**166**	**208,126**
Accumulated Depreciation and Impairment						**-**
At 1 April 2012	**12,183**	**5,897**	**4,028**	**4,070**	**14**	**26,192**
Depreciation Charge	3,120	2,030	363	553	12	**6,078**
Derecognition following de-consolidation of subsidiary	-	(45)	-	-	-	**(45)**
Derecognition – Disposals	(64)	(33)	-	-	-	**(97)**
At 31 March 2013	**15,239**	**7,849**	**4,391**	**4,623**	**26**	**32,128**
Net book value as at 31 March 2013	**115,671**	**42,631**	**2,264**	**15,292**	**140**	**175,998**
Net book value as at 31 March 2012	**206,483**	**53,818**	**2,641**	**10,787**	**139**	**273,868**

Comparative figures 2011/12

Movements in 2011/12	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Total Property, Plant and Equipment £'000
Cost of Valuation						
At 1 April 2011	**218,123**	**59,887**	**6,345**	**14,034**	**153**	**298,542**
Additions	3,980	3,132	324	823	-	**8,259**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	84	(3,411)	-	-	-	**(3,327)**
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	(3,240)	(179)	-	-	-	**(3,419)**
Derecognition – Disposals	(281)	(24)	-	-	-	**(305)**
Other movements in cost or valuation	-	310	-	-	-	**310**
At 31 March 2012	**218,666**	**59,715**	**6,669**	**14,857**	**153**	**300,060**
Accumulated Depreciation and Impairment						
At 1 April 2011	**9,078**	**3,954**	**3,618**	**3,546**	**3**	**20,199**
Depreciation Charge	3,121	1,964	410	524	11	**6,030**
Drecognition-disposals	(16)	(21)	-	-	-	**(37)**
At 31 March 2012	12,183	5,897	4,028	4,070	14	**26,192**
						-
Net book value as at 31 March 2012	**206,483**	**53,818**	**2,641**	**10,787**	**139**	**273,868**

NOTES TO THE CORE FINANCIAL STATEMENTS

50 GROUP INTANGIBLE ASSETS

Movements in 2012/13	Computer Software: Internally Generated Assets £000	Computer Software: Other Assets £000	Goodwill £000	2012/13 Total £000
Balance at start of year:				
- Gross carrying amounts	202	3,282	1,182	4,666
- Accumulated amortisation	20	2,049	1,182	3,251
Net carrying amount at start of year	182	1,233	-	1,415
Additions:				
- Internal development	533	-	-	533
- Purchases	-	470	-	470
Amortisation for the period	20	375	-	395
Net carrying amount at end of year	**695**	**1,328**	**-**	**2,023**
Comprising:				
- Gross carrying amounts	735	3,752	1,182	5,669
- Accumulated amortisation	40	2,424	1,182	3,646
	695	**1,328**	**-**	**2,023**

Movements in 2011/12	Computer Software: Internally Generated Assets £000	Computer Software: Other Assets £000	Goodwill £000	2011/12 Total £000
Balance at start of year:				
- Gross carrying amounts	102	2,778	1,182	4,062
- Accumulated amortisation	-	1,694	1,182	2,876
Net carrying amount at start of year	102	1,084	-	1,186
Additions:				
- Purchases	100	504	-	604
Amortisation for the period	20	355	-	375
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-	-	-
Net carrying amount at end of year	**182**	**1,233**	**-**	**1,415**
Comprising:				
- Gross carrying amounts	202	3,282	1,182	4,666
- Accumulated amortisation	20	2,049	1,182	3,251
	182	**1,233**	**-**	**1,415**

51 PRIOR YEAR ADJUSTMENT-GROUP

Gloucestershire Airport Limited

The prior year accounts for the joint venture, Gloucestershire Airport Limited, were restated following the recognition of a deferred tax asset in respect of the pension deficit amounting to £0.448million of which the Council's share was £0.209million. As the group share of this prior year adjustment is not considered material from a group perspective this has not been accounted for as a prior year adjustment in the group accounts of the Council and has been included as part of the current year other comprehensive income.

SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT

HOUSING REVENUE ACCOUNT COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT For the year ended 31 March 2013						
2011/12				2012/13		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Description	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			Expenditure			
3,476	-	3,476	Repairs & Maintenance	3,851	-	3,851
6,425	-	6,425	Management & Supervision	5,962	-	5,962
91	-	91	Rents, rates, taxes and other charges	135	-	135
2,091	-	2,091	Housing Subsidy payable	19	-	19
6,361	-	6,361	Depreciation and Impairment of fixed assets	3,129	-	3,129
81	-	81	Debt Management costs	54	-	54
142	-	142	Increase in provision for bad / doubtful debts	241	-	241
			Income			
-	(15,959)	(15,959)	Dwelling Rents	-	(16,872)	(16,872)
-	(240)	(240)	Non-Dwelling Rents	-	(273)	(273)
-	(1,013)	(1,013)	Charges for Services and facilities	-	(1,338)	(1,338)
18,667	**(17,212)**	**1,455**	**Net Cost of HRA Services**	**13,391**	**(18,483)**	**(5,092)**
			Exceptional items			
2,143	-	2,143	Settlement determination payment	-	-	-
-	-	-	Impairment of fixed assets	44,841	-	44,841
			Other operating income and Expenditure			
-	-	-	Losses on the disposal of HRA Assets	50	-	50
			Financing and Investment Income and expenditure			
-	-	-	Interest and Investment Income	-	-	-
1,921	-	1,921	Interest payable and similar charges	2,408	-	2,408
-	-	-	Surplus or deficit of discontinued operations	-	-	-
-	-	-	Taxation and non-specific grant income	-	-	-
22,731	**(17,212)**	**5,519**	**(Surplus) or Deficit on Provision of services**	**60,690**	**(18,483)**	**42,207**
-	-	-	Surplus or deficit on revaluation of Property, Plant and Equipment assets	-	-	-
-	-	-	Surplus or deficit on revaluation of available for sale financial assets	-	-	-
-	-	-	Actuarial gains/losses on pension assets / liabilities	-	-	-
-	-	-	***Other Comprehensive Income and Expenditure***	-	-	-
22,731	**(17,212)**	**5,519**	**(Surplus) or deficit for the year on HRA services**	**60,690**	**(18,483)**	**42,207**

The Housing Revenue Account fulfils a statutory obligation to account separately for local authority housing provision, as defined in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of expenditure on council houses - maintenance, administration and depreciation costs - and how these are met by rents and other income. The accounts are included in the Comprehensive Income and Expenditure account (page 39) and balance sheet (page 41).

Movement on the HRA Statement

The statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2011/12 £'000		2012/13 £'000	2012/13 £'000
(1,968)	**Balance on the HRA at end of the previous year**		**(1,376)**
5,519	**(Surplus) or deficit for the year on the HRA Income and Expenditure Statement**	42,207	
(4,927)	**Adjustments between accounting basis and funding basis and funding basis under statute**	(44,348)	
592	**Net (increase) or decrease before transfers to or from reserves**	(2,141)	
-	**Transfers to or (from) reserves**	-	
592	**(Increase) or decrease in year on the HRA**		(2,141)
(1,376)	**Balance on the HRA at the end of the current year**		**(3,517)**

HOUSING REVENUE ACCOUNT

1 **Note of reconciling items for the Movement on the HRA Statement**

2011/12 £'000		2012/13 £'000
	Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Statement	
(4)	Amortisation of premiums and discounts	(4)
6,361	Impairment losses and depreciation	47,970
265	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	851
(281)	Transfer of sale proceeds credited as part of the sale of non-current assets	(801)
(3,120)	Transfer to major repairs reserve	(3,129)
2,143	Settlement payment determination	-
-	Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	21
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(12)
-	Revenue expenditure charged to capital under statute	-
(437)	Pension contributions	(548)
4,927		**44,348**
-	**Items not included in the HRA Income and Expenditure Account but included in the Movement on the HRA Statement**	-
4,927	**Net adjustments between accounting basis and funding basis under regulations**	**44,348**

2 **The Housing Revenue Account (HRA)**

The housing revenue account fulfils a statutory obligation to account separately for local authority housing provision, as defined in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of expenditure on council houses - maintenance, administration and depreciation costs - and how these are met by rents and other income. The account is included within the Council's Comprehensive Income and Expenditure account (page 39) and balance sheet (page 41).

3 **Repairs and Maintenance**

The Council, as landlord, is responsible for the majority of repairs and maintenance to council dwellings. The figure shown is gross with contributions from leaseholders shown under 'charges for services and facilities'.

With effect from 1 April 2006 the repairs have been undertaken by a private contractor under the supervision of Gloucester City Homes Ltd.

4 **Management and Supervision**

This includes the processing of council house applications, rent collection, maintaining the waiting list, general administration, the operation of sheltered housing schemes for elderly persons' homes and administration of the housing repairs and maintenance contract.

With effect from 12 December 2005 these services have been provided by Gloucester City Homes Ltd (GCH), a wholly owned arm's length management company of the Council (see note 47 on page 82).

5 **Housing Revenue Account Subsidy**

Prior to the 2012/13 financial year a subsidy was payable or receivable from Central Government. The HRA subsidy comprised two elements:

* A subsidy towards the cost of repurchasing pre-reinforced concrete houses
* An adjustment to take account of any net deficit or surplus on the account which the Government calculates as achievable. The account was deemed to make a surplus of £2.114 million in 2011/12,therefore, this amount is deducted from the other element as a "negative subsidy".

If the overall subsidy due is negative, then this amount was payable to the Government. This subsidy ceased in 2012/13 and the HRA account is now self-funded.

The figures shown are made up as follows:-

	2012/13 £'000	2011/12 £'000
"Negative subsidy" for year	(19)	(2,114)
Net subsidy payable for the year	**(19)**	**(2,114)**

The current year charge is an overprovision in respect of the final subsidy payment due at 31 March 2013.

HOUSING REVENUE ACCOUNT

6 **Depreciation and Impairment of fixed assets**

The depreciation charged to dwellings in 2012/13 is equal to the Major Repairs Allowance, which represents a measure of the 'wearing out' of the HRA's operational assets during the year. The depreciation is credited to the Major Repairs Reserve (see note 10 below), which is used to finance HRA capital expenditure.

The depreciation charge to the HRA for the use of assets is as follows:

2011/12 £'000	Type of Tangible fixed asset	2012/13 £'000
3,121	Dwellings	3,120
-	Other Land & Buildings	1
-	Vehicles, plant and equipment	8
3,121	**Total Depreciation**	**3,129**

A total of £44.841m (2011/12 £3.240 million) was charged to the Comprehensive Income and Expenditure Statement as impairment of non current assets following an independent professional valuation during the year. To comply with statute, this charge has been reversed out in the Movement in Reserves Statement.

7 **Bad or Doubtful Debts**

The increased provision comprises a contribution in the year to the bad debts provision for rent arrears.
The bad debts provision for rent arrears was £0.246 million at 31 March 2013 (£0.247 million at 31 March 2012). The amount of rent arrears in respect of current and former tenants at 31 March 2013 was £0.553 million (£0.536 million at 31 March 2012). This is equivalent to approximately 0.82% of the total due from tenants in 2012/13 (0.89% in 2011/12).

8 **Dwelling Rents**

Rents for council dwellings are calculated according to the value of dwelling, the number of bedrooms, average earnings for the county of Gloucestershire and facilities. For those on low incomes, assistance towards rents is available in the form of rent rebates (charged to the council's general fund).

9 **Interest payable and amortisation of premiums and discounts**

Both these charges are calculated in accordance with statutory determinations.

10 **Major Repairs Reserve (MRR)**

The authority has a duty to keep a Major Repairs Reserve. In 2012/13 a sum of £3.129 million (representing the depreciation on HRA assets) was credited to this account. Subsequently £3.129 million was used to finance capital expenditure.
The balance on the Major Repairs Reserve at the beginning and end of the year was £Nil.

12 **HRA Balance**

Of the HRA revenue balance, no amount is earmarked for specific purposes as shown below.

	Balance at I April £'000	Approp'ns to balance in year £'000	Approp'ns from balance in year £'000	Balance at 31 March £'000
Unallocated balance				
Total 2012/13	**1,376**	**2,141**	**-**	**3,517**
Total 2011/12	**1,968**	**-**	**592**	**1,376**

13 **Capital Expenditure**

Total capital expenditure on HRA assets during the year was £7.770 million, £0.069 million of which was spent on improvements and modernisations to dwellings, and £7.701 million on property acquisitions.
Capital expenditure requiring financing was £7.770 million, which was financed by £4.641 million borrowing and £3.129 million from the Major Repairs Reserve.

14 **Non Current Assets**

Government regulations requires a full stock valuation on council dwellings to be carried out every 5 years. This exercise was undertaken in this financial year, as at 1April 2013.

15 **Council Housing Stock and Value**

	Number of dwellings	
Analysis by Type	**31/03/2013**	**31/03/2012**
Houses	2,322	2,331
Flats	2,170	2,172
Shared ownership (whole equivalents)	24	24
Total Stock	**4,516**	**4,527**
Age Analysis		
Pre 1919	50	50
1919 - 1944	688	693
1945 - 1964	2,239	2,243
1964 onwards	1,539	1,541
Total Stock	**4,516**	**4,527**

The dwellings were valued at 31 March 2013 at £115.706 million (£206.483 million at 31 March 2012) - see note 11 to the balance sheet, page 51.

Other operational assets, comprising shops and garages, were valued at £2.287 million at 31 March 2013 (£1.863 million at 31 March 2012).

16 Value of HRA Vacant Possession Dwellings

In accordance with government guidelines council house valuations have been reduced by a regional adjustment factor in recognition of their status as social housing. The estimated value of the stock, after applying the discount factor, was £115.706 million at 31 March 2013. With vacant possession the dwellings would have had an estimated value of £373.245 million, thereby recognising an economic cost of providing council housing at less than open market rents of £257.539 million.

The social housing adjustment factor used is 31% .

17 HRA Capital Receipts

From April 2004, the requirement to split capital receipts between usable and reserved and use the reserved element to either repay debt or as a provision for future credit liabilities ceased. Seventy five per cent of receipts are now paid over to the Government and pooled nationally, whereby they are re-distributed to authorities according to need.

The figures shown are net of administration costs.

2011/12 £000's	HRA Capital Receipts Receivable	2012/13 £000's
281	Dwellings	867
281	**Total**	**867**

18 Pensions

From 2009/10 a charge in respect of pension costs for the remaining staff chargeable to the HRA ('client' staff) has been made to the Net Cost of HRA Services. To ensure the account complies with statute, this charge has been reversed out in the Movement in Reserves Statement in the HRA. It has then been replaced with the actual contributions to the Pension Fund in respect of these staff and staff transferred to Gloucester City Homes and the housing repairs contractor, for which the Council has committed to meet the pensions deficit in respect of these staff up to the date of their transfer. The contribution charged to the HRA is a share of the total contributions required by the pension fund actuary from the Council for the year.

COLLECTION FUND

2011/2012 £'000	COLLECION FUND INCOME AND EXPENDITURE STATEMENT For the year ended 31 March 2013	Note	2012/13 £'000	2012/13 £'000
	INCOME			
	Non Domestic Rates			
47,590	Collectable from Business Ratepayers	2,4		48,514
	Council Tax			
49,027	Collectable from Council Tax Payers	1	49,715	
8,581	Council tax benefits		8,626	
-	Decrease in Council Tax Bad Debt Provision		12	
57,608				58,353
105,198				**106,867**
	EXPENDITURE			
	Non-Domestic Rates			
46,811	Payment To National Pool		47,115	
198	Cost of Collection		180	
101	Write-Offs		66	
480	Increase in Bad Debt Provision		1,153	
47,590				48,514
	Council Tax			
	Precepts & Demands			
7,263	Gloucester City Council		7,322	
42,684	Gloucestershire County Council		43,002	
7,816	Gloucestershire Police Authority		7,874	
57,763		1	58,198	
209	Council Tax Write-Offs		394	
96	Increase in Council Tax Bad Debt Provision		-	
58,068				58,592
50	Distribution of previous years' estimated Collection Fund surplus			27
105,708				**107,133**
(510)	**Decrease in Fund**			**(266)**
562	Balance of Fund at beginning of year			52
(510)	Decrease in year	3		(266)
52	**Balance of Fund at 31 March**			**(214)**

COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and non-domestic rates.

1 Council Tax

The figure shown is net of Council Tax benefits and transitional relief which are paid for by the Council's general fund.

Council tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by setting the amount of income required to be taken from the collection fund by the City and County Councils and Gloucestershire Police Authority for the forthcoming year (the precepts) and dividing this by the Council Tax base. The tax base is the total number of properties in each band (adjusted by discounts) converted to a band D equivalent. This basic amount Council Tax for a band D property is multiplied by the proportion specified for the particular band to give an individual amount due.

The Council Tax base for the year (to the nearest whole equivalent) was calculated as follows:

Band	Estimated No. of taxable properties after effect of discounts	Ratio	Band D equivalent dwellings
A Disabled	75	5/9	42
A	13,343	6/9	8,895
B	13,235	7/9	10,294
C	11,517	8/9	10,238
D	5,078	9/9	5,078
E	3,224	11/9	3,940
F	755	13/9	1,090
G	149	15/9	248
H	3	18/9	5
Total	**47,379**		**39,830**
Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, disabled persons relief and exempt properties (1.25% of total band D equivalent dwellings)			39,332
Add contributions in lieu of government properties			101
Council Tax Base for 2012/13			**39,433**
Council Tax Base for 2011/12			**39,142**

The Council Tax Base for 2012/13 multiplied by the Average Band D Council Tax Charge gives the Total of Precepts and Demands for the Year:

Tax Base	39,433
	X
Average Band D Charge	1,475.87
Precepts and Demands	58,198

COLLECTION FUND

1 Council Tax (continued)

	Variance to Tax Base Assumptions £000
Differences between actual and assumed:	
- Debit	(22)
- Exemptions	(401)
- Discounts	20
- Disregards	(46)
- Disabled Relief	(10)
- Government Properties	8
- Losses on Collection	212
	(239)
Distributed Surplus	(27)
Decrease in Collection Fund for the Year	(266)

2 Income from Business Ratepayers

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate (the Multiplier) set by the Government. Certain reliefs are available and the figure shown as collectable is net of these reliefs.

The total amount collected, less deductions for the cost of collection and bad and doubtful debts, is paid to a central pool (the NNDR pool) managed by central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head. The Council's share of the pool is recognised in its Income and Expenditure Account.

The total non-domestic rateable value at 31 March 2013 was £126.06 million (£124.78 million at 31 March 2012) and the national non-domestic multiplier for 2012/13 was 45.8p (2011/12 :43.3p), resulting in gross income before transitional, small property, empty property and mandatory relief, write offs, provision for bad debts and interest of approximately £57.736 million. The income shown in the collection fund of £48.514 million is net of these adjustments.

3 Fund Balance

The balance of the fund is shared between the Council and its major precepting authorities in the following year. The billing authority has to estimate the surplus/deficit for the end of each financial year by January 15 of that year.

Of the balance, any amounts arising from community charge benefits the City Council, whereas that arising from Council Tax are shared by the City and County Councils and Gloucestershire Police Authority according to the proportion that their precept constitutes of the total for precepts for that year.

The effect of the 2010 Code of Practice is that the Collection Fund balance in the Balance Sheet disappeared. The surplus/deficit will be shared out in its entirety between the Council and County Council and Police Authority. The County Council and Police Authority share will be carried as creditors/debtors and the Council's share will be credited to the Comprehensive Income and Expenditure Account. The Collection Fund Adjustment Account is then needed to reconcile the net credit made to the Comprehensive Income and Expenditure Account for Council Tax to the statutory amount in the Statement of General Fund Movement.

The deficit for 2012/13 is £0.266 million (2011/12 deficit £0.510 million). This is apportioned as follows:

	2012/13 £'000	2011/12 £'000
Gloucestershire County Council	(196)	(377)
Gloucestershire Police Authority	(36)	(69)
Gloucester City Council	(34)	(64)
Total	**(266)**	**(510)**

4 Non-Domestic Rates Appeals

When the new arrangements for the retention of business rates come into effect on 1 April 2013, local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

This will include amounts that were paid over to Central Government in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the local authorities, but would have been transferred to DCLG.

The new arrangements give rise to a non-adjusting event after the reporting period (the need for a provision relating to non-domestic rating appeals). This provision is borne by the City and the County Council in proportion to their share of non-Domestic Rate income.

For 2013-14 the estimated adjustment due to appeals (from the NNDR1 return) is £2,003,240. This is the best available estimate as at 31/3/13 and is apportioned between Central Government, the City Council and the County Council as follows:

	%	2012/13 £'000
Central Government	50	1002
Gloucestershire City Council	40	801
Gloucester County Council	10	200
Total		**2,003**

The City Council has entered into pooling arrangements in respect of non-domestic rates, as such the impact of business rates appeals will only crystalise after 31 March 2014 at the point that all pool members have accounted for the impact of business rates appeals on their Collection Fund.

GLOSSARY OF FINANCIAL TERMS

To help you understand Gloucester City Council's accounts, some of the terms used are briefly explained below :

Accounting Period
The period of time covered by the accounts, normally a period of twelve months, commencing on 1st April for local authority accounts.

Account
A generic term for statements setting out details of income and expenditure or assets and liabilities or both, in a structured manner. Accounts may be categorised by the type of transactions they record, e.g. management accounts, balance sheets.

Accruals
Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

Amortised Cost
The original cost less any depreciation or impairment (if applicable).

Bad or Doubtful Debts
It is common practice for an organisation to create a provision for bad debts representing the estimated amount of debt existing at the 31 March which is deemed to be irrecoverable.

Balances
Also known as 'working balances', these are 'contingency' reserves not set aside for any specific purpose but to cover possible unforeseen and unavoidable expenditure.

Budget
The Council's aims and policies in financial terms. Also referred to as 'Estimate'.

Capital Expenditure
Expenditure on capital assets which have a long term value to the authority e.g. land, buildings and equipment (known as fixed assets) or the payment of grants to other people for the purchase or improvement of capital assets e.g. house renovation grants (known as deferred charges).

Capital Financing
The raising of money to pay for capital expenditure. In the past the cost of capital assets was often met by borrowing, but capital expenditure may also be financed by other means such as contributions from revenue accounts, the proceeds from the sale of capital assets, capital grants, and contributions from developers or others.

Capital Financing Costs
Principal and interest repayments relating to loans.

Capital Grants
Grants from the Government, the National Lottery and developers towards capital expenditure on a specific service or project.

Capital Receipts
Proceeds arising from the sale of capital assets or from the repayment to the Council of capital grants and loans. Capital receipts may be used to finance additional capital spending.

Collection Fund
The collection fund brings together income from council tax and business ratepayers. From this fund the City, County Council and Police Authority precept for their annual net expenditure.

Community assets
Assets that the local authority intends to hold in perpetuity, and that have no determinable useful life. Examples of community assets are parks and historic buildings.

Contingent Liability
A liability which exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events, for example the default by a borrower on a loan from a third party for which the authority has given a guarantee.

Contingent Asset
As with contingent liability, only an asset.

Creditors
Amounts owed by the authority for work done, goods received or services rendered within an accounting period, but for which payment was not made at the balance sheet date.

Current Assets
Assets which can be expected to be consumed or realised during the next accounting period.

Current Liabilities
Amounts which will become due or could be called upon during the next accounting period.

Revenue expenditure funded from capital under statute
Expenditure which may be financed from capital resources but which does not result in tangible assets, for example on house renovation grants.

Depreciation
The cost of the "wearing out" of a fixed asset.

Debtors
Amounts owed to the authority but for which payment was not made at the balance sheet date.

Employee Costs
These include salaries, wages and related national insurance and pension costs payable by the City Council, together with training expenses and charges relating to the index - linking of the pensions of former employees.

Fair Value
The value at which a liability (eg a loan) may be settled or extinguished.

Final Accounts

Accounts prepared for an accounting period, usually in a summarised form. These accounts show the net surplus (profit) or deficit (loss) on individual services together with a balance sheet. They are produced as a record of stewardship and are available to interested parties. Local authorities are required to publish each year a Statement of Accounts (final accounts and balance sheet) as specified in the Accounts and Audit Regulations (England) Regulations 2011.

Finance Lease
A lease whereby at the end of the lease period the Council receives part of the proceeds arising from the sale of the asset.

Financial Year
The local authority financial year commences 1st April and finishes 31st March the following year.

Fixed assets
Assets that yield benefits to the local authority for a period of more than one year.

General Fund
The Council's main account which includes all services except Council Housing. The net expenditure on the account is financed from government revenue support grant,

Government Grants
Payments by central government towards local authority expenditure. They may be specific e.g. Housing Benefits, or general e.g. Revenue Support Grant.

Gross Book Value
The historical cost or current value of a fixed asset.

Gross Expenditure
The total cost of providing services before any income is deducted.

Impairment
A reduction in market value of an asset as a result for example of damage or reduction in market price.

Improvement Grants
Statutory or discretionary payments that local authorities make to tenants or owners of houses lacking basic amenities to enable them to bring dwellings up to modern standards. The maximum amounts payable are determined by government, which reimburses the authority for part of the cost it incurs in providing the grants.

Infrastructure Assets
A type of fixed asset, for example highways and footpaths.

Interest
An amount received or paid for the use of a sum of money when it is invested or borrowed.

Investment Properties
Interest in land and/or buildings which is held for its investment potential.

Minimum Revenue Provision
The minimum amount which must be charged to an authority's revenue accounts for repayment of debt. It is calculated by applying a prescribed percentage to outstanding debt less certain allowances.

National Non Domestic Rates (NNDR)
An NNDR multiplier is set annually by central government and the rates due, calculated by multiplying the rate by a business property's rateable value, is collected by charging authorities and paid into a central pool maintained by the Government.

The proceeds are redistributed by the government between local authorities according to a formula.

Net Book Value
The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Expenditure
Gross expenditure less any related income.

Non-Distributed Costs
Costs which are not attributable to any specific service, and are therefore retained at the corporate centre.

Operating Lease
A lease whereby at the end of the lease period the Council does not receive any proceeds arising from the sale of the asset.

Precept
The amount which a Precepting Authority (i.e. a County Council) requires from a Charging Authority (district council) to meet its expenditure requirements.

Provision
An amount set aside in a separate account to cover known or likely losses. An example of a provision is the Insurance Provision.

Reserve
An amount set aside in a separate account for future use. Reserves may be capital (can only be used for capital purposes) or revenue (can be used by revenue accounts). Reserves can be earmarked for a specific purpose or classified as general i.e. not earmarked for a particular purpose, for example the general fund revenue balance.

Revenue Account
Accounts covering income and expenditure relating to the day to day running of Council services.

Revenue Support Grant
A general grant paid to all authorities to help finance the cost of services.

Revised Budget
An estimate of likely actual expenditure, made towards the end of the financial year. Also referred to as 'Revised Estimate'.

Stock
Items of raw materials and stores an authority has purchased to use on a continuing basis which are not used at the year end.

Value For Money
An expression describing the benefit obtained (not just in financial terms) for a given input of cash. The phrase is widely used within public bodies, but there are many difficulties in its use because value is a subjective measure and there are rarely supporting objective measures. The Audit Commission is required to consider value for money with the three objectives of economy of input, efficiency of operation and effectiveness of output in service provision.

Gloucester City Council

Meeting:	**GLT**	**Date:**	**10th September 2013**
	Audit and Governance Committee		**23rd September 2013**
	Cabinet Briefing		**25th September 2013**
	Cabinet		**16th October 2013**
Subject:	**Treasury Management Update – Quarter 1 Report 2013/14**		
Report Of:	**Corporate Director of Resources**		
Wards Affected:	**All**		
Key Decision:	**No**	**Budget/Policy Framework:**	**Yes**
Contact Officer:	**Kevin Buckerfield**		
	Kevin.buckerfield@gloucester.gov.uk		**Tel: 396416**
Appendices:	**1. Treasury Management Investments**		
	2. Prudential and Treasury Indicators		

1.0 Purpose of Report

1.1 One of the requirements of the revised Code of Practice for Treasury Management in November 2011 recommends that members should be updated on treasury management activities at least twice a year, but preferably quarterly. This report fulfils that requirement.

2.0 Recommendations

2.1 Audit and Governance Committee is asked to **RESOLVE** that the report be noted.

3.0 Economic Background

3.1 During the quarter ended 30th June 2013:-

- Indicators suggested that the economy accelerated;
- Stronger household spending, both on and off the high street;
- Inflation remained above the Monetary Policy Committee's (MPC) 2% target;
- The MPC awaited the arrival of Mark Carney, the new Governor of the Bank of England.
- 10-year gilt yields rose above 2.5% and the Financial Times Stock Exchange (FTSE) 100 fell below 6,100;
- The Federal Reserve discussed tapering the pace of asset purchases under Quantitative Easing 3 (QE3).

3.1.1 After avoiding recession in the first quarter with a 0.3% quarterly expansion, it looks likely that the economy grew even more strongly in Q2. On the basis of past form, the Chartered Institute of Purchasing and Supply (CIPS)/Market business surveys for April and May point to 0.5% quarterly growth in the second quarter of 2013. Official output data echoed the message from the business surveys. The 3m/3m change in industrial production reached 0.9% in April, the strongest pace since July 2010. Similarly, the service sector expanded by 0.8% on the same basis. And while output in the volatile construction sector in April was 1% lower than a year ago, it was the smallest annual fall since the end of 2011, raising the prospect that the sector supported the recovery in Q2.

3.1.2 There have been signs of renewed vigour in household spending in the second quarter. May's 2.1% monthly rise in retail sales overturned April's 1.1% fall. This tallied with information from the Bank of England agents, who reported a further pick-up in retail sales values in May. Non-high street spending looks to have been robust too, with new car registrations up by 20% in the year to May.

3.1.3 The pick-up in economic growth appears to have supported the labour market, with employment rising by 24,000 in the three months to April. Admittedly, this was a lot slower than the 113,000 quarterly gain in employment seen on average over the past twelve months. But the rise in employment was still strong enough to reduce the level of unemployment further. The International Labour Organisation (ILO) measure fell by 5,000 in the three months to April while the timelier claimant count measure reported an 8,600 fall in May. Meanwhile, pay growth rebounded strongly in April, though this was mostly driven by high earners delaying bonuses until after April's cut in the additional rate of income tax. Excluding bonuses, earnings rose by just 1.3% y/y, well below the rate of inflation at 2.7% in May.

3.1.4 Meanwhile, the Bank of England extended its Funding for Lending Scheme (FLS) into 2015 and sharpened the incentives for banks to extend more business funding. To date, the mortgage market still appears to have been the biggest beneficiary from the scheme, with the quoted interest rate on a 2-year fixed rate mortgage at a 90% loan-to-value ratio now 4.6%, around 130 basis-points lower in May than when the FLS was introduced in August 2012.

3.1.5 Alongside the Government's Help to Buy scheme, which provides equity loans to credit-constrained borrowers, this is helping to boost demand in the housing market. Mortgage approvals by high street banks, as measured by the British Bankers Association (BBA), rose from 33,000 to 36,100 in May. Excluding a stamp-duty holiday related spike in January 2012, this was the highest level for over three years. The rise in demand has helped to push up house prices, with both the Halifax and Nationwide measures reporting a 0.4% monthly gain in May. On an annual basis, measured prices were up by 3.7% and 1.1% respectively.

3.1.6 Turning to the fiscal situation, the public borrowing figures continued to be distorted by a number of one-off factors. On an underlying basis, borrowing in Q2 looked to be broadly in line with last year's figures, highlighting the government's difficulty in reducing borrowing while economic growth is relatively lacklustre.

3.1.7 Meanwhile, the 2013 Spending Review, covering only 2015/16, made no changes to the headline Government spending plan. Total expenditure was still forecast to be broadly flat in real terms in 2015/16 and the £50bn planned capital expenditure announced for that fiscal year was identical to the amount already outlined in March's Budget.

3.1.8 On the monetary policy front, June's MPC meeting, the last chaired by the outgoing Governor Mervyn King, showed that the Committee remained in limbo ahead of the arrival of his replacement, Mark Carney. The Committee voted 6-3 to keep the level of asset purchases unchanged at £375bn, with the majority judging that the current stimulus and Funding for Lending Scheme would be sufficient to support growth in the context of price stability.

3.1.9 Having fallen from 2.8% to 2.4% in April, Consumer Price Index (CPI) inflation rose to 2.7% in May. May's rise mostly reflected price changes due to the earlier timing of Easter, which depressed inflation in April. Even so, inflation is still likely to have risen further in June due to base effects, with last year's fuel price falls providing an unfavourable annual comparison. That said, underlying price pressures do seem to be easing, with wages and producer prices both growing at subdued rates. Indeed, if anything, the inflation outlook brightened over the second quarter, with the price of oil falling from $108pb to $103pb while sterling appreciated by around 1.5% on a trade-weighted basis.

3.1.10 Having continued to rally over April and May, financial markets sold off in June following a Federal Reserve statement that suggested the central bank may 'taper' its asset purchases earlier than anticipated. The resulting rise in US Treasury yields was replicated in the UK, with 10 year gilt yields rising to 2.5% from 1.8% at the start of the quarter. Equities were hit too, with the FTSE 100 falling from 6,411 at the start of the quarter to below 6,100 before ending the quarter a bit higher at 6,240.

3.1.11 In the US, the statement from the Fed took the limelight. The Fed's comments sparked a sharp sell-off in the Treasury market, with 10-year Treasury yields hitting 2.54%. The Fed move was a response to the improving economic outlook in the US. Indeed, payroll figures showed that the US added 175,000 new jobs in May, helping to pull the unemployment rate down to 7.6%, from 8.2% a year ago. In the housing market, house prices rose by 12% in the year to April, which helped to bring more households out of negative equity.

3.1.12 Meanwhile, tensions in the Eurozone eased over the second quarter, but there remained a number of triggers for a potential flare-up. For example, the Democratic Left party left the Greek governing coalition in June, causing 10 year Greek government bond yields to surge to 11.5% from around 8% a month ago. And while the economic survey data improved consistently over the first half of the year, the composite Eurozone Purchasing Managers Index (PMI) is still pointing to a further contraction in output in Q2. If this materialises, it would be the seventh quarter of Eurozone recession, the longest on record.

3.2 Interest Rate Forecast

3.2.1 The Council's treasury advisor, Sector, has provided the following forecast:

	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%
5yr PWLB rate	1.80%	1.80%	1.90%	2.00%	2.10%	2.20%	2.40%
10yr PWLB rate	2.90%	2.90%	3.00%	3.10%	3.20%	3.30%	3.50%
25yr PWLB rate	4.10%	4.10%	4.20%	4.20%	4.30%	4.40%	4.60%
50yr PWLB rate	4.20%	4.20%	4.40%	4.40%	4.50%	4.60%	4.70%

3.2.2 Sector undertook a review of its interest rate forecasts following the issue of the latest Bank of England Inflation Report in May 2013. Sector has left unchanged its forecast for the first increase in Bank Rate to be in March 2015. However, forecasts for Public Works Loan Board (PWLB) rates have been increased as a result of the marked recovery in confidence in equity markets, anticipating stronger economic recovery in America, supported by growth in the Far East. The rise in equity prices was dented towards the end of the quarter by comments from Ben Bernanke, chairman of the Federal Reserve, that QE3 would be tapered off in the not too distant future. This seemed to catch financial markets by surprise and generated a bit of a stampede out of bonds and equities. This sharp selloff in bonds caused ten year bond yields to jump up nearly 90 bps between the low and high for the quarter.

3.3 SUMMARY OUTLOOK

UK economy

In Mervyn King's last Inflation Report as Governor of the Bank of England, there was a distinct shift towards optimism in terms of a marginal upgrading of growth forecasts so that the wording changed for the recovery from "remain weak by historical standards" to "modest and sustained recovery over the next three years". In addition, there was a lowering of the inflation forecast to now hit the 2% target within two years. However, this is still a long way away from strong recovery though the chances of there being more quantitative easing (QE) have receded due to business surveys indicating that the economy is on the up. QE has not increased from a total of £375bn since October 2012 and other measures have been implemented in preference to further QE. Thus the Funding for Lending Scheme (FLS), (started in August 2012), was expanded in April to provide further incentive to banks to expand lending to small and medium size enterprises. The FLS certainly seems to be having a positive effect in terms of stimulating house purchases (though levels are still far below the pre crisis level), and a marginal increase in house prices. However, concerns are increasing that QE and FLS are also in danger of causing asset price bubbles. Investors may seek higher returns by switching investment of cash from deposit accounts (yielding very low rates) and from government and corporate bonds - ahead of the eventual end of QE - to equities, whilst FLS may have the side effect of inflating house prices, creating the potential for prices in each of these markets to be pushed at some point in time to potentially unsustainable levels. In summary, our current views are centred around the following: -

UK

- Mark Carney starts on 1st July as the new Governor of the Bank of England. His appointment could lead to some changes to the way the MPC operates and makes decisions and announcements. It is possible there could be forward guidance e.g. that Bank Rate will not go up until some target rate, e.g. unemployment, had fallen to a specified level. Some commentators are guessing that this could effectively close the door to any increase in Bank Rate until sometime in 2016.
- Growth in Q1 of 2013 was confirmed at +0.3%. Q2 looks likely to be even higher at around +0.5%. The so called double dip recession at the beginning of 2012 was erased by the latest revision of statistics.
- Business surveys, consumer confidence, consumer borrowing and house prices are all on the up and may help to create a wide spread feel good factor. But this is still a long way away from the UK getting back to strong growth.
- A fair proportion of UK Gross Domestic Product (GDP) is dependent on overseas trade; the high correlation of UK growth to US and EU GDP growth means that the UK economy is likely to register growth rates below the long term average in 2013 and 2014, though this should be on an improving trend.
- Consumers are likely to remain focused on paying down debt and consumer expenditure is likely to remain suppressed by inflation being higher than increases in average earnings i.e. disposable income will continue to be eroded.
- The Coalition government is hampered in promoting growth by the need to tackle the budget deficit. However, the March budget did contain measures to boost house building and the supply of mortgages, and brought forward, by one year to April 2014, the start of a £10,000 tax free allowance for incomes.
- Little sign of a co-ordinated strategy for the private sector to finance a major expansion of infrastructure investment to boost UK growth.
- Government inspired measures to increase the supply of credit to small and medium enterprises (which are key to achieving stronger growth) by banks are not succeeding.
- There is little potential for more QE in 2013 in the UK and so gilt yields are vulnerable to pressures to rise, especially as gilt yields are powerfully influenced by American treasury yields and American investors have been spooked by Bernanke's comments on tapering QE in America.
- In February 2013 Moody's downgraded the UK's AAA credit rating one notch to AA+ and Fitch followed suit in April. There was little reaction in financial markets, as this had been widely anticipated.

Eurozone

- Most Eurozone countries are now battling against recession, although Germany is experiencing a resurgence of business confidence and surveys are pointing towards a resumption of growth. Growth prospects for many Eurozone countries are poor due to the need to adopt austerity programmes to bring government deficits under control.
- The ECB cut its central rate from 0.75% to 0.5% in this quarter but this is unlikely to lead to much in the way of improvement in the prospects for GDP growth.

- Although market anxiety about Greece has subsided after the agreement to a further major financial support package amounting to nearly €50bn in December. In addition, business surveys are indicating some improvement in the economy, concerns are building that yet another haircut to reduce total debt to a more manageable level will eventually be required, together with more bail out funds. Whether all parties to such a deal would be prepared to pour more money into Greece remains an open question. The eventual end game could therefore still be that Greece is eventually forced to exit (dubbed “Grexit”) the Eurozone and to return to the drachma.
- There is also increasing concern that the contraction in Spain’s economy and the very high level of unemployment of 27%, similar to the level in Greece and Portugal, could mean that all three countries could get into a downward deflationary spiral, which makes achieving fiscal correction increasingly difficult and possibly unachievable. The European Central Bank’s (ECB) pledge to provide unlimited bond buying support for countries that request an official bailout means that market anxiety about these countries is likely to be subdued in the immediate future. However, the poor economic fundamentals and outlook for these economies could well mean that a storm in financial markets has only been delayed, not cancelled. Spain has resisted asking for an official national bailout, although it has received financial support to recapitalise its four largest banks.
- The general election in Italy has created a highly unstable political situation where the two dominant parties have formed an unlikely coalition due to the blocking power of the new upstart Five Star anti-austerity party which has 25% of seats and has refused to enter a coalition agreement with ANY party. Whether such a coalition could effectively implement an agreed policy of austerity is very much open to question – which will make Italy vulnerable to swings in investor confidence.
- There could therefore be volatility in Spanish and Italian bond yields over the next year, depending on political and economic developments.
- A general election is due in Germany in the autumn of 2013. It currently looks likely that this will lead to little change in current policy on the Euro and support for peripheral countries. However, polls are indicating that 25% of the electorate now favour Germany leaving the Euro and stopping the flow of money from Germany to profligate southern countries. Any further disasters in the Eurozone could see this sentiment increase significantly.
- A bailout for Cyprus was eventually agreed in the last week of March. Slovenia, however, looks increasingly likely to be the next in line for a bailout, so their bond yields have risen. However, huge damage will be done to the Cypriot economy by the fallout from this bailout and many commentators consider it is only a matter of time before another bailout will be needed – or exit from the Euro.
- There are also concerns about the way austerity programmes are affecting economic growth in Ireland and Portugal. The Eurozone remains particularly vulnerable to investor fears of contagion if one country gets into major difficulty. Chancellor Merkel will be hoping that no major blow up occurs before the German general election which requires Germany to pour yet more money into a floundering country.

US

- There has been a marked improvement in consumer, investor and business confidence this year.
- Unemployment has continued on a steady, but unspectacular decline to 7.6%, but still a long way from the target rate of 6.5% for an increase in the Federal rate.
- The housing market has turned a corner, both in rising price rises and the volume of house sales. Many householders are now not in negative equity.
- US equities reached all time highs, and so added to the feel good factor, until Ben Bernanke's words on tapering QE3 spooked investors.
- There has been a strong resurgence of confidence in US financial markets due to the "fiscal cliff" being largely averted or postponed. However, tax increases and cuts in Government expenditure leading to cuts in jobs, are damping the potential for recovery in growth rates.
- GDP in Q1 was disappointingly downgraded from +2.4% to a sub par +1.8%.
- The shale gas revolution is providing some solid underpinning to the US economy by enhancing its international competitiveness through cheap costs of fuel.
- There has been a start to the rehoming of manufacturing production from China to the USA as Chinese labour costs have continued their inexorable rise and new forms of high tech production have made home based production more viable and flexible.

China

- GDP growth has been disappointing in 2013. There are still concerns around an unbalanced economy which is heavily dependent on new investment expenditure, and for a potential bubble in the property sector to burst, as it did in Japan in the 1990s, with its consequent impact on the financial health of the banking sector.
- There are also increasing concerns around the potential size, and dubious creditworthiness, of some bank lending to local government organisations and major corporates during the Government promoted expansion of credit, aimed at protecting the overall rate of growth in the economy since the Lehmans crisis.
- Since the change of national leadership, the new leaders have taken action to test the robustness of the banking system which has caused a rise in fear that there could be a credit crunch looming up in China.

Japan

- The initial euphoria generated by "Abenomics", the huge QE operation instituted by the Japanese government to buy Japanese debt, has quickly evaporated as the follow through measures to reform the financial system and introduce other economic reforms, appears to have stalled.

3.4 Sector's forward view

3.4.1 Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely during 2013/14 as investor fears and confidence ebb and flow between favouring more risky assets i.e., equities, and safer bonds. Key areas of uncertainty include:

- The potential for a significant increase in negative reactions of populaces in Eurozone countries against austerity programmes, especially in countries with very high unemployment rates e.g. Greece and Spain, which face huge challenges in engineering economic growth to correct their budget deficits on a sustainable basis.
- The Italian political situation is frail and unstable.
- Problems in other Eurozone heavily indebted countries could also generate safe haven flows into UK gilts.
- Monetary policy action failing to stimulate growth in western economies, especially the Eurozone and Japan.
- The potential for weak growth or recession in the UK's main trading partners - the EU and US.
- The impact of the UK Government's austerity plan in dampening confidence and growth.
- Geopolitical risks e.g. Syria, Iran, North Korea

3.4.2 However, there is particular potential for upside risks to UK gilt yields and PWLB rates, especially for longer term PWLB rates, as follows: -

- UK inflation being significantly higher than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.
- A renewed increase in investor confidence that robust world economic growth is firmly expected, together with a reduction or end of QE operations in the US, causing a flow of funds out of bonds into equities.
- A reversal of Sterling's safe-haven status on an improvement in financial stresses in the Eurozone.
- In the longer term - a reversal of QE; this could initially be implemented by allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held.
- Further downgrading by credit rating agencies of the creditworthiness and credit rating of UK Government debt, consequent upon repeated failure to achieve fiscal correction targets and recovery of economic growth.

3.4.2 The overall balance of risks to economic recovery in the UK is now evenly weighted. Sector believes that the longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Near-term, the prospect of further QE has diminished but measures other than QE may be more favoured by Governor Carney if additional support is viewed as being required.

3.4.3 Given the generally weak outlook for economic growth, Sector sees the prospects for any increase in Bank Rate before 2015 as limited. Indeed, the first increase could be even further delayed if the tentative signs of growth failed to be maintained.

4.0 Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2013/14, which includes the Annual Investment Strategy, was approved by the Council on 10th April 2013. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield

4.1 The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover short term cash flow needs but also to seek out value available in higher rates in periods up to 12 months with highly credit rated financial institutions, using Sector's suggested creditworthiness approach, including sovereign credit rating and Credit Default Swap (CDS) overlay information provided by Sector.

4.2 Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ending 30th June 2013.

4.3 Investment rates available in the market have continued at historically low levels and have fallen further during the quarter as a result of the Funding for Lending Scheme. The average level of funds available for investment purposes during the quarter was £9.05m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme.

4.4 Investment performance for quarter ended 30th June 2013

Benchmark	Benchmark Return	Council Performance	Investment Interest Earned
7 day	0.26%	0.19%	£17,479

Following advice from the Council's treasury advisors, Sector, to reduce short term borrowing and adopt a more prudent approach to investments, there will be a reduction of net interest income for the year. This will comprise a reduction of investment income offset in part by reduced interest payments.

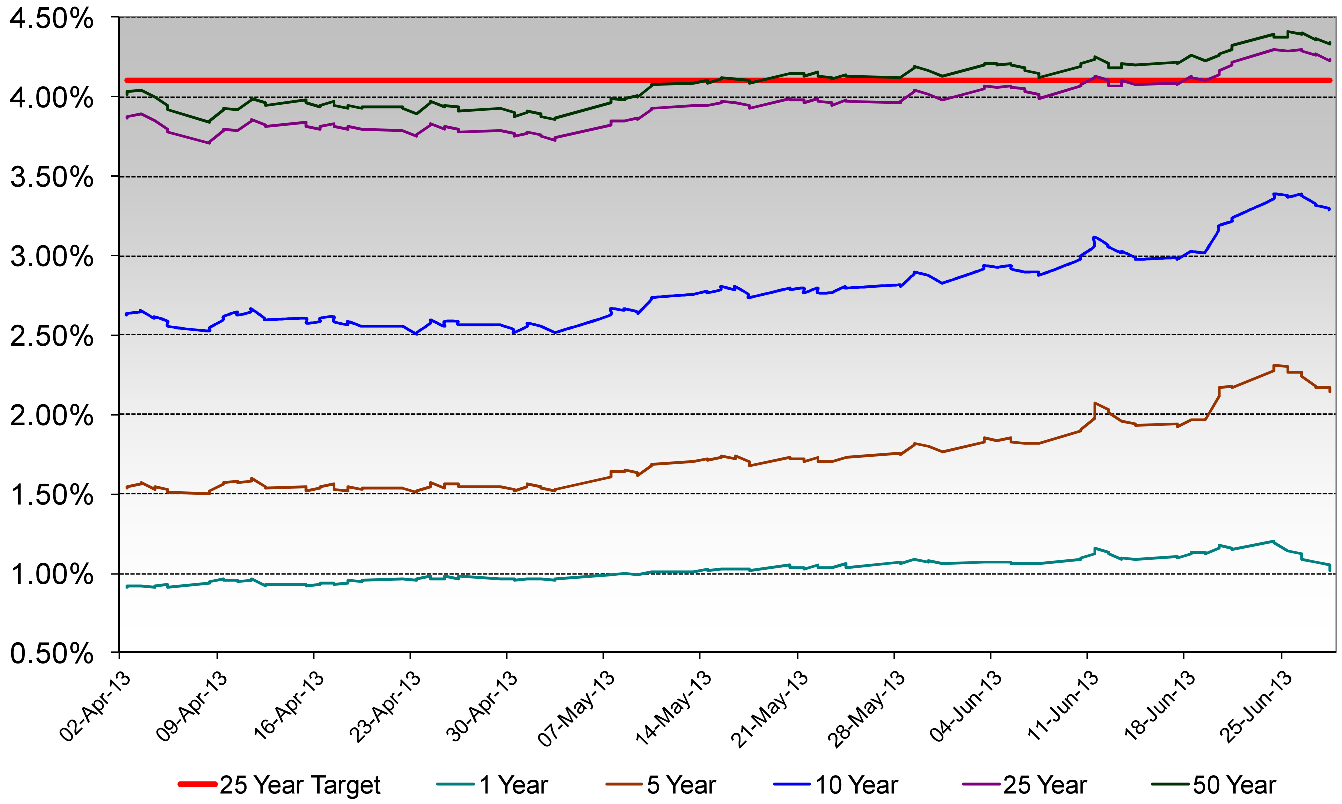
5.0 New Borrowing

5.1 Sector's 25 year PWLB target rate for new long term borrowing for the quarter was unchanged at 4.10% in its revised May forecasts.

5.2 No Long-term borrowing was undertaken during the quarter.

5.3 **PWLB certainty rates, quarter ended 30th June 2013**

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.91%	1.50%	2.51%	3.71%	3.84%
Date	02/04/2013	08/04/2013	23/04/2013	08/04/2013	08/04/2013
High	1.20%	2.31%	3.39%	4.30%	4.41%
Date	24/06/2013	24/06/2013	24/06/2013	24/06/2013	25/06/2013
Average	1.02%	1.75%	2.81%	3.95%	4.09%



5.4 To minimise investment risk, the Council has reduced external investments in lieu of new external borrowing. At the commencement of 2013/14 external investments were £6 million and by the end of June 2013 investments were reduced to £1.5 million.

5.5 **Borrowing in advance of need.**

This Council has not borrowed in advance of need during the quarter ended 30th June 2013 and has no intention to borrow in advance in 2013/14.

6.0 Debt Rescheduling

6.1 Debt rescheduling opportunities have been limited in the current economic climate and following the increase in the margin added to gilt yields which has impacted

PWLB new borrowing rates since October 2010. During the quarter ended 30th June 2013, no debt rescheduling was undertaken during the quarter.

7.0 Compliance with Treasury and Prudential Limits

7.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits (affordable capital expenditure limits – Scottish local authorities). The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

7.2 During the financial year to date the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The prudential and treasury Indicators are shown in appendix 1.

8.0 Other

8.1 During the first quarter of 2013/14 the Council continued to maintain an under-borrowing position. The position at 30th June 2013 is almost level with a small under-borrowing of £0.1m.

8.2 This under-borrowing reflects that the Council resources such as reserves and provisions will have reduced debt rather than be externally invested. This strategy is sensible, at this point in time, for two reasons. Firstly, there is no differential between the marginal borrowing rate and investment rate so there is nothing to be gained by investing Council resources externally. Secondly, by using the resources to reduce debt the Council will reduce exposure to investment counterparty risk.

8.3 Following approval by the Council, an amount of £1.2 million, representing the amount advanced to Gloucestershire Airport to finance the expansion of the runway, has been taken out with Public Works Loan board (PWLB). The further advance of £350,000 repayable to Gloucester City Council within 3 years has now been extended to 5 years.

APPENDIX 1:

Prudential and Treasury Indicators as at 30th June 2013

Treasury Indicators	2013/14 Budget £'000	Quarter 1 Actual £'000
Authorised limit for external debt	£84m	£67.6m
Operational boundary for external debt	£83m	£67.6m
Gross external debt	£84m	£67.6m
Investments	Nil	£1.5m
Net borrowing	£84m	£66.1m
Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	0% - 85%	31.9%
12 months to 2 years	0% - 85%	0%
2 years to 5 years	0% - 85%	21.3%
5 years to 10 years	0% - 90%	6.7%
10 years to 20 years *1	5% - 95%	13.5%
20 years to 30 years *1	5% - 95%	26.6%
30 years to 40 years *1	5% - 95%	0%
40 years to 50 years *1	5% - 95%	0%
Upper limit of fixed interest rates based on net debt *2	100%	55.6%
Upper limit of variable interest rates based on net debt *2	100%	44.4%
Upper limit for principal sums invested for over 364 days	£2m	Nil

Prudential Indicators	2013/14 Budget £'000	Quarter 1 Actual £'000
Capital expenditure * • **HRA** • **GF**	£5.066m £7.208m	£0.020m £0.532m
Capital Financing Requirement (CFR) * • **HRA** • **GF**	£62.750m £17.436m	N/A N/A
Annual change in CFR *	£5.021m	N/A
In year borrowing requirement	Nil	Nil
Ratio of financing costs to net revenue stream * • **HRA** • **GF**	12.7% 9.4%	N/A N/A

Incremental impact of capital investment decisions:-		
a) Increase in council tax (band change) per annum.	£2.41	N/A
b) Increase in precept for police, fire or other precepting authorities.	£0.00	£0.00
c) Increase in average housing rent per week (housing authorities only).	£0.63	£2.76

Notes
* *Housing authorities should split these lines into HRA and non HRA*
* *1 paragraph 229 2013 Code: requires debt to be split into 10 year bands if most debt is over 10 years.*
* *2 page 62 of the Code: alternative option based on net interest*

The CIPFA Treasury Management Code of Practice 2011, page 36 on TMP6 Reporting Requirements, stipulates that midyear and / or quarterly update reports on treasury management must include updates on the treasury indicators. However, this is a minimum requirement which means that each local authority needs to decide if updates of the prudential indicators should also be included e.g. if a major capital project is cancelled or incurs major slippage, then the borrowing requirement and CFR prudential indicators may require significant updating, and therefore inclusion in this report, so that members can gain a proper understanding of the consequent impact on, and the changes required, to the treasury indicators. It would then also be appropriate if the above table was expanded to include a separate column for revised prudential and treasury indicators besides the column for the original indicators.

APPENDIX 2:

Investment Portfolio
Investments held as at 30th June 2013 compared to Sector's counterparty list:

Name	£'000	Date of Redemption	Counterparty Limits
Goldman Sachs	£1,500	Overnight	£5m
Total Investments as at 30/06/13	**£1,500**		

UPDATE ON THE ISA 260 RECOMMENDATIONS SEPTEMBER 2013

18/09/13

KPMG					GCC	KPMG	GCC		GCC		
No.	Year	Priority	Risk	Recommendation	Management Response	Status at February 2013	Current Status	RAG	Current Priority	Target Date	Owner
1	2012	1	**Budgetary Control** At our interim visit we highlighted to you as part of our Interim Report 2011/12 that we had concerns over budget monitoring and reporting. We confirmed that detailed reports had not been produced since September 2011 and that we have not been able to reconcile the figures produced back to the finance system Our audit procedures also identified an error where a missing invoice was found in 2011/12 that related to 2010/11, relating to a significant contract. If there had been effective budgetary control during the year then such an error would have been identified through the budget monitoring process.	Budget monitoring should be completed on a monthly basis. The summary reports presented to Cabinet should reconcile to the detailed monitoring reports produced by Finance.	We are aware that the budget figures in Cedar do not necessarily agree fully with the budget submitted to and agreed with finance. This issue will be addressed with regard to the 2013/14 budget in that the overall process will be driven by finance. Currently discussions and training sessions are being held with budget holders and managers about the budget process and the importance pertaining to accuracy and the monitoring process. Once the budget has been approved by Cabinet finance will ensure that the correct budget figures are entered into the system. The processes being developed and implemented are a work-in-progress and will be adapted and enhanced to satisfy the needs of the business and changing circumstances. **The project is considered to continue to be in a status of WIP.**		All Service Managers budget submissions are uploaded onto Cedar CP module to enable efficient monitoring during 2013/14.The outstanding items are the 'Project Plans' relating to each budget saving stream, these have to be agreed by the delivery Service Manager and will include a timeplan and actions taken to be delivered together with the monthly cycle achievement basis.	G	1	**Dec-13**	KB
2	2012	1	**Bank Reconciliation** Our work and that of Internal Audit has identified that bank reconciliations are not being performed correctly. There are a number of balancing figures that appear on the monthly reconciliation. Although these amounts are not significant they are in effect 'balancing figures' meaning that the bank accounts do not reconcile to the general ledger. Our work on cash at year end also identified that a bank account had been missed out of the reconciliation process which resulted in cash in the financial statements being understated.	Identify what is causing the unreconciled amounts. Future bank reconciliations should be performed on a zero variance basis. All bank accounts should be reviewed by a senior member of the Finance team to ensure that they are all reconciled at month end correctly and all accounts are being captured.	All bank reconciliations are now being performed on a monthly basis and balanced correctly with no balancing entries. All reconciliations are being reviewed by the interim finance change manager who also ensures that all bank accounts are being reconciled.		The accounts for the current year transactions are in balance. However, there are two balancing entries that relate to prior years. These will be resolved before the year end and not carried forward to 2013/14.	B	1	**Delivered**	KB
3	2012	1	**Quality of Draft Accounts** We have received three versions of the accounts during our audit. All three versions have had a number of material audit differences There were also a number of Code changes and LAAP Bulletin updates issued during the year which were not recognised in the initial versions of the accounts. A large number of these differences could have been identified prior to the accounts being presented to audit if a detailed review by a senior officer had been undertaken.	Senior members of the Finance team need to ensure they keep abreast of all current Code updates and LAAP Bulletins that are issued during the year. This is to ensure that the Council can consider its approach to accounting requirements and book the necessary entries that are required under the Code.	Ideally we would aim to have a final draft of the accounts available for prior to the commencement of the audit with very few, if any, subsequent adjustments. For a number of reasons, mainly relating to staff issues, this has not been the case this year. Consequently the accounts, although presented to audit, were still incomplete in a number of areas such as group accounts and disclosures as these were still being worked on. This was made clear to the audit team at the commencement of the audit. In 2011/12 we have prepared four versions of the draft accounts compared to eight in the previous year so this does represent a substantial improvement. It should be pointed out that the vast majority of the adjustments relate to errors identified by the Council and it is not correct to refer to them all as audit adjustments. We do not fully agree that Code changes and LAAP Bulletins were not recognised in the initial versions of the accounts. The only significant change to the Code was in respect of Heritage assets which were correctly included in the draft accounts in accordance with the Code. Initially these assets were not treated as a prior year adjustment on the grounds of immateriality, however, this was subsequently treated as such following the discovery by the Council of an error in the calculation which made the final adjustment material. It is anticipated that with the right staff structure and procedures aligned with proper planning a lot of the difficulties encountered with the current year's accounts preparation and subsequent audit will be mitigated. The preparation of monthly management accounts and reconciliation of control accounts will assist with this objective. Every effort will be made in future to ensure that we are compliant in all material aspects with the Code and any LAAP Bulletins and that the accounts are reviewed subsequent to issue as a final draft.		We are in receipt of the KPMG suggested timetable of events to complete the Annual Accounts process to enable signing before 30/09/13. An internal timetable is currently under review to establish the desired delivery. The review process includes a lessons learnt aspect; the initial improvements cover 'Generic' working paper outlines and clear instructions to the business and individuals within finance to ensure clarity of information provided to KPMG and that data to be easily audited.	B	1	2012/13 Draft Accounts completed 24/05/13	Finance / KB
4	2012	1	**Resources Within Finance** The Councils accounts and accounting treatments are complex. It is paramount within a finance department that you have suitable qualified staff who have the technical ability in local government accounting to deal and account for these transactions.	We recommend that a permanent finance structure is put in place urgently.	The finance team is currently undergoing a period of transition with existing procedures being strengthened or adapted with new procedures being introduced where considered appropriate with a view to achieve efficiencies and maximise existing capacity. Existing staff structures and staff requirements, taking into account experience and qualifications, are to be reviewed to determine the ideal structure. Where considered necessary recruitment of additional staff will be made. In the short-term the interim team, who are considered to have the required technical expertise, will remain in place to develop and implement the new and improved procedures and ensure a smooth transition to the new team.		Recruitment to the permanent posts is currently underway. In addition to establishing the permanent professional team, it has been agreed that the interim team will provide an overlap with the new appointments. Three key areas of business are being focussed on for delivery: (1) Closure of accounts and production of the annual financial statements for 2012/13 (2) implementing this improvement plan and other improvements/actions identified by the Director and the Internal Audit Service (3) Supporting the Councils budget savings targets for 2013/14. These priorities for financial services require ongoing interim resource to ensure sucessful delivery. June 2013 - Permanant positions to advert, Management Accountant & Systems Accountant. Head of Financial Services under offer. **September 2013,Head of Financial Services & Management Accountant roles - recruited.**	G	1	**01/12/13**	PG

5	2012	1	**Coding of Invoices** It is paramount that Finance staff code transactions to the correct general ledger codes within Cedar. If this does not occur then balances will be posted to incorrect codes and budget holders will not know the true cost of a service or contract. Our review of post balance sheet invoices identified that there are a number of invoices that had been mis-posted. The mis-posting related to payments on the Enterprise contract which should have gone against this contract, instead they have been posted to Mobile Phones code. This had not been identified by finance or the budget holders. Even though the value in monetary terms for the invoices we have identified is immaterial for audit purposes, this could lead to incorrect decisions by budget holders and provides Committees and Cabinet with the incorrect information. This also reinforces the issue noted above regarding the effectiveness of budgetary control processes.	Care should be taken by Finance staff to ensure correct general ledger codes are used.	As commented in point 1 the Council is currently implementing procedures to strengthen budgetary controls and monitoring as well as the budget process. It is expected that this will mitigate the risk of such errors in coding going undetected in future.		A paper has been prepared for approval by GLT to recommend changes to the e-procurement system that formalises the approval level of managers and officers in the business. This process effectively limits the financial commitment that can be incurred by an officer without the knowledge of their line manager. There are six levels of approval where a Service Manager can approve expenditure up to £5k to a purchase in excess of £7.5m requiring Cabinet sanction. The raising of a purchase requisition and order will drive the coding of invoices removing the reliance for accurate coding on finance and placing it with those who are requesting/approving the spend.	G	2	P7 13/14	Finance / JT
6	2012	1	**Revenue Reconciliations** Each month the revenues department provides finance with a reconciliation of all transactions on council tax and NNDR movements. The reconciliation enables finance to post monthly journals to the general ledger to account for the council tax and NNDR transactions. At the year end, the finance team use these reconciliations to support any council tax and NNDR debtors and creditor balances. It was identified by the interim finance team that the monthly reconciliations provided by the revenues department are not accurate and do not reconcile to the revenue systems at month end. The difference between the reconciliation and the revenue system is due to cash receipts that come in on the last few days of the month. For example, cash will be received and banked on the 31 March 2012 and included in the revenue system but revenues do not include this cash in their reconciliation to finance, they will include it in the following month. This means that even though the cash has been banked and included in the general ledger the receipt has not been taken off the individual debtor balance correctly.	The Revenues department must ensure that they provide finance with accurate information. Reconciliations should provide details of all transactions up to the month end date which agree back their systems. Revenue must report to finance any amounts which are received or paid at month end but are booked on their system post month end to ensure that finance account for transaction correctly.	Cash is received, banked and recorded in the general ledger but not in the Open Revenues System. The reconciliation provided to finance notes that the cash has been received but does not record that there is a timing mismatch in the Open Revenues System. The accounting treatment agreed with the audit team takes a prudent approach to the treatment of the unreconciled balance on the Collection Fund holding account. The accounting treatment adopted will be reviewed to ensure that the debtor and creditor balances are correctly stated at 31 March 2013. A reconciliation that does identify the cash timing mismatch between the General Ledger and the Open Revenues System is produced and will in future be provided to the Finance Team.		The situation identified at audit has not been satisfactorily resolved. The Revenues manager has assured the Finance Team that a complete month-end reconciliation is being performed and this will be tested by Finance at P11. Any remaining issues identified will be resolved by an external project team which has been identified as a resource capable of delivering a resolution. **June 2013 - Workshops held to improve process and control of the relationship with Civica**	A	1	P7 13/14	External Project Team
7	2012	2	**Fixed Asset Additions** Our testing of capital expenditure in the year identified that all costs relating to a project are being capitalised . For example, all costs relating to the Museum project are being capitalised; eg costs relating to promotional events, hire of actors etc. Even though the items we tested are not material in value, they are not capital and should be treated as revenue under the Code. There is a need to enhance the guidance available to Council staff on the difference between capital and revenue expenditure for spend on capital projects. Given that there is sometimes difficulty in differentiating between what constitutes revenue and what is an enhancement or increasing the life of an asset, it is possible that errors could arise due to lack of internal clarity.	Ensure that a policy is in place for determining whether expenditure is either capital or revenue. Additionally, ensure that sufficient training is provided to all relevant employees to assist them in correctly identifying the different types of expenditure. Controls should also be implemented to ensure that management independently and regularly review postings made to ensure the spend is being assigned appropriately.	Subsequent to the year end a new capital expenditure procedure has been developed and implemented. This covers all aspects of capital spending including the following: 1.Standard rules with regard to all capital expenditure 2. Clear definition distinguishing between capital and revenue. 3. The approval process stressing the need for a business case, discounted cash flows etc.. 4. Review and approval of project costs at every stage of the project. All budget holders and other appropriate staff have been notified of the new process and, where, considered necessary training of these staff will be provided.		The Capital Project Steering Group (CPSG) was formed in October 2012 and meets monthly. The function of the CPSG is to formally approve projects for submission to GLT/ Cabinet / Council for approval. All capital projects undergo a rigourous process to ensure that the project meets Corporate objectives and is delivered under a formal project management process with timely stage reviews and regular reports on stated objectives and achievements. This process should ensure that best value for money is achieved and spend is targeted in a controlled manner.	B	2	Delivered	Ongoing Monthly Meetings
8	2012	2	**Valuation Reports** The Council's valuations department performs a rolling programme of property valuations on an annual basis. These include a mix of other land and buildings and investment properties. The valuation report is passed to Finance to account for the movement on assets between the fixed asset register, the revaluation reserve and I&E account. Our review of the year end valuation report indicated that there had been an overall reduction in Investment Property values. These movements in asset values had been accounted for in the Revaluation Reserve instead of the I&E account. Under the Code all investment property changes in values should be accounted for in the I&E account. We have also identified that Finance are classing some of the assets into a different fixed asset category when compared to the valuation report. For example, the "Oxbode shops" of £371k are being shown as "other land and buildings" within the accounts verses the valuation report classing them as investment properties. This will not only affect where future increase/decrease in valuations are booked but also the depreciation that is being charged on them.	All movements in the fair value of Investment Properties should be accounted for in the I&E account in accordance with the requirements of the Code of Practice. The Finance department should perform a detailed review of the year end valuation report and ensure that assets are being classed correctly within their fixed asset register and year end accounts.	There was a net revaluation surplus of investment property in the current year and this was, initially, reflected in the accounts as a credit to the CIES which is the correct accounting treatment in accordance with the Code. This was inadvertently changed in error when the analysis of the revaluation reserve was completed with the result that the revaluations and impairments for the current year and prior year were grossed up with the impairments being expensed and the revaluation reserve credited. This has been adjusted in the final accounts		The lessons learnt from production of the 2011/12 accounts will be applied to future years. A full property valuation has been instigated at March 2013 to ensure a 100% verification is available to finance to agree to the General Ledger and the Statement of Accounts. Property Services have identified resources to complete this task which includes the procurement of a software tool to enable a faster and more accurate process of reconciliation to the financial records.	B	2	Delivered	Prop Services /Finance - For Annual Review
9	2012	2	**Fixed Asset Register** The Council has been using an excel spreadsheet created from a download from the general ledger to account and record the movements on its fixed assets. This means that for many years the Council has been unable to identify what the historic cost of its assets are. Under the Code there is requirement for councils to keep this information. In addition, by using simple downloads of the ledgers this does not have the sophistication required to account for the Council's complex asset base or to cope with component accounting.	The Council should consider investing in and maintaining a fixed asset register which is independent of the general ledger so that it is able to record assets more easily and be able to identify asset components, as required under the Code. The register should be reconciled to the general ledger each month.	Prior to the current financial year the fixed assets register was on the Cedar fixed assets module which did record the historical cost of the assets. Due to problems encountered with the Cedar fixed assets module in the current year the assets register was prepared using Excel spreadsheets. It is, therefore, not factually correct to state that the Council has been able to identify the historical cost of its assets for many years. The use of Excel spreadsheets for maintaining the assets register is an interim measure while looking at suitable alternatives. A new assets module is expected to be implemented with effect from the beginning of the next financial year (2013/14). In the interim period the assets register will be maintained on Excel spreadsheets and will be reconciled to the general ledger each month.		The business continues to use a spreadsheet to manage it's fixed assets. This method provides acceptable controls when reconciled to the General Ledger. Currently this process is completed on a quarterly basis. At which time a high level assessment of the asset categorisation is undertaken. The upgrade to cedar 4.4 (under initial testing) is targeted for P7 2013/14. It is at this time that the controlled migration from spreadsheet to integrated system will be implemented.	G	2	Q4 2013/14 - Parallel run	Finance / KB
10	2012	2	**Monitoring of Capital Spend** Total capital spending should be agreed by the Council at their Cabinet meetings as part of the budget process. Finance should monitor actual spend against the agreed budget to ensure that unnecessary projects are not taking place and that the Council is not overspending on capital. There should be an approval process in place whereby departments requesting capital expenditure obtain finance approval to ensure there is sufficient cash in place to finance the projects and that the spend is in line with the priorities of the Council. We have not seen any	Finance should ensure that a policy is in place setting out the approval process that is required for any capital spending. This should be distributed to budget holders.	As noted in our response to point 7 a new capital expenditure procedure has been developed and implemented which deals with, inter alia, the monitoring of capital spending.		See response in point 7. In future all references to this item will be reported on in that items commentary.	B	2	Closed	Closed

11	2012	2	**Journals** Only one member of staff within Finance has the required knowledge of how to produce journal reports. During our audit this member of staff was on sick leave and the journal list could not be produced. Upon our request of this report, the interim Finance team had to go back to their Cedar supplier to obtain the report. We also identified that a material error was made by a member of Finance where a journal was posted the wrong way round. This journal had not been reviewed prior to being posted.	Process notes for key finance processes should be maintained to ensure that knowledge is not lost when there is a turnover or unavailability of key staff. Material journals should be reviewed and approved by a senior member of the Finance team either prior to being posted or retrospectively.	The journal report was run at the final audit visit by the financial planning accountant and it is not correct that the Council had to go back to the Cedar supplier to obtain this report although we did encounter some difficulty in getting the report in the required format. Procedures are being drafted with regard to the posting of journals, including the authorisation process, as well as the running of journal reports. This will be completed and implemented before the end of the current financial year. The details of the material journal posted the wrong way round have not been discussed or brought to our attention.		A detailed process note is being written to ensure the situation experienced in 2011/12 is repeated.	B	2	14/03/13	Finance / KB
12	2012	2	**Headcount Figures** Human Resource (HR) should be able to produce monthly headcount figures which are based on full time equivalents. Due to way that Councils operate there is usually a high proportion of part time workers within a Council and therefore a full time equivalent number is need to make sense of any payroll charges. When auditing the annual payroll charge that has gone through the Council's accounts, the full time equivalent of staff numbers is one of the main factors that is taken into account. Without this calculation it is very difficult to understand if the movements within the payroll charge is what we would expect. The council were unable to provide the full time equivalent numbers as we had requested in our Protocol. When information was received back from HR the reports and detailed information did not agree back to headline figures.	We understand that the payroll system is a live system and therefore, HR should ensure that at each month end date they keep a copy of the full time equivalents report for audit purposes.	The required reports providing the full-time equivalents for the required months have subsequently been produced and provided to audit.		HR to be informed of the requirements of KPMG before the year end process begins.	B	2	28/03/13	RS
13	2010	2	**Periodic reconciliation of the NNDR system to the cash receipting system** Reconciliations should be signed/dated as reviewed by an independent finance officer.	Periodic reconciliation of the NNDR system to the cash receipting system.	The revenues and benefits service was outsourced to Civica in October 2011. The reconciliation between business rates and cash receipting is now completed via the contractor, Civica. The Council will ensure that the contract is monitored on an ongoing basis and part of this will be ensuring that core reconciliations have been completed.	Refer to our management responses under recommendation 6	See response in point 10. In future all references to this item will be reported on in that items commentary.	B	2	Closed	Closed
14	2011	2	**Valuation of Investment Properties** The IFRS Code requires investment properties to be valued on an annual basis to assess for revaluation gains or losses. To date, investment properties have been valued on a rolling basis every five years. To ensure compliance with the Code, the Council must value its investment property on an annual basis and adjust accordingly for any gains or losses.	Carry out valuation of investment properties on an annual basis.		All Council properties, including investment property, are to be valued at 31 March 2013. The property division have been advised with exact details of our requirements to be finalised in good time before 31 March 2013.	See response in point 8. In future all references to this item will be reported on in that items commentary.	B	2	Closed	Closed
15	2010	2	**Cashflow statements** The Cedar ledger system should be capable of accurately producing a cashflow statement but, following SORP changes, it has not been remapped to allow this to properly occur. This resulted in a significant amount of time spent by both finance and audit teams in attempting to reconcile this data.	With the introduction of IFRS, the Cedar system needs to be diligently remapped to ensure that this problem does not reoccur. Consideration might also be given to moving the cashflow disclosure to being made using the indirect method which is often both easier to calculate and clearer to the reader.		For the 2012 accounts the cash flow statement has been prepared on the indirect basis. As the cash flow currently being produced by Cedar is cumbersome and makes the production of the cash flow time consuming this was not used for preparing the cash flow for 2012. A separate spreadsheet has been developed for the current year to prepare the cash flow for the Council and group and this is suitable for use in future years.	The method of production in the 2011/12 Accounts will be replicated for the 2012/13 Statements. The complexity of the document does not lend itself to automatic production. As the data required to prepare the statement needs to be analaysis and opinion based following business rules. On the basis that KPMG were satisfied with the methodology and signed off on that basis is is proposed not to change the existing process.	G	2	Apr-14	JT
16	2010	2	**Change management** There are documented processes for making changes to systems but there is a lack of evidence of it being formally followed. This could result in inappropriate updates being made to the live system environment.	Change management procedures should have written evidence of them being enforced.		No further action has been taken to date-as commented on previously this has not been identified as a priority.	This process has been formally adopted from 2011. Documentary evidence has been seen as to the evidence of the process.	B	2	Closed	Closed
17	2010	2	**Access rights** There is no documentation to map an appropriate group of access rights for users based on their job role. The systems in question were: Payroll, the Financial Management System; Cash receipting; Council Tax; NNDR and Benefits.	That user access rights are mapped to job roles. The response of application system administrators to this recommendation will be collated by the IT department.			This process has been formally adopted from 2011. Documentary evidence has been seen as to the evidence of the process.	B	2	Closed	Closed
18	2010	1	**Removing user network access** When staff leave the Council's employment their rights to access Council IT systems need to be removed promptly. If this does not happen, there is a risk that the individual (or others) may gain inappropriate access to systems or data. There is no formalised procedure for removing user access to the network and applications when staff leave the Council. Five out of a sample of eleven staff we tested who had left in the year still had accounts on the system. Some limited mitigation exists as users with significant administration rights are known to IT staff and so are likely to be removed if they leave.	Develop a procedure with HR to ensure IT are notified promptly when an individual leaves and to allow the removal of their access profiles.			A process has been operated since December 2011 albeit until now not documented by HR to inform IT of any leavers even if that leaver will not be terminated until a defined point in the future	B	1	Closed	Closed
19	2010	1	**Authorisation of journals** Journals are not being authorised appropriately and our prior year recommendation of reviewing individual access to both raise and post journals has not been implemented. We note that the Council has a relatively small finance department and that the staff who have this high level of access are qualified finance officers but would still recommend a segregation of duties between raising and posting journals is introduced. We further note that one of the users with this access to the ledgers is, in fact, an employee of Gloucester City Homes not GCC.	journals should be reviewed and suitable measures to mitigate this risk put into place.		See item 11	See response in point 11. In future all references to this item will be reported on in that items commentary.	B	1	Closed	Closed

20	2010	2	**Circularisation of establishment lists** There is a risk that departing employees may not be removed from the payroll system subsequent to their departure	Payroll verification lists should be run monthly and reviewed by relevant managers on a departmental basis.			A process has been operated since December 2011 albeit until now not documented by HR to inform IT of any leavers even if that leaver will not be terminated until a defined point in the future	B	2	Closed	Closed
21	2011	2	**Financial ratios monitoring** A number of key statistics are currently monitored by management on a monthly basis (including overdue council tax and rents). This would be strengthened by including a wider range of areas, such as cash flow ratios and gearing analysis.	Include a wider range of areas, such as cash flow ratios and gearing analysis in the key financial ratios monitored by the Council.		This forms part of the budgetary control process and details of actions and procedures being taken are fully detailed in our management responses to recommendation 1	See response in point 8. In future all references to this item will be reported on in that items commentary.	B	2	Closed	Closed
22	2011	3	**Component accounting** IFRS accounting rules require the adoption of 'component accounting' and the Council has now adopted a threshold of assets that exceed £500k in individual cost for this. This is at the higher end of our experience of other local authorities, especially for a district council.	Review the appropriateness of the £500,000 threshold for component accounting.			The level of componentisation for the 2011/12 financial year was reduced to £350k. This value was agreed with KPMG, a review of that level will be performed as part of the valuation exercise being completed in March 2013.	B	3	Closed	Closed

UPDATE ON THE INTERNAL AUDIT RECOMMENDATIONS SEPTEMBER 2013

18/09/2013

INTERNAL AUDIT						GCC	GCC		GCC		
No.	**Year**	**Priority**	**Risk**	**Recommendation**	**Accepted**	**Action to be taken**	**Current Status**	**RAG**	**Current Priority**	**Target Date**	**Owner**
			Budgetary Control								
1	2012/13	3	Cost centre managers are unclear on their obligations. Budget monitoring is not consistent	Consideration should be given to preparing a budget manual or detailed guidance setting out in detail how cost centre managers should fulfil their budget monitoring obligations	Y	The 13/14 budget has been prepared with more involvement and accountability from service managers. Regular monthly meetings will be held to review performance in a timely manner and place corrective action plans into operation. **WIP currently - rollout of training and system use by Service Managers.**		G	WIP	01/12/13	KB / JP/ JT/New Management Accountant
2	2012/13	2	Unallocated budgets are not being monitored	Cost centres assigned to former staff should be promptly reallocated to current staff.	Y	HR / BT&T have been requested to inform Cedar finances administrator when staff leave. A review of all cost centre managers is being undertaken with the revised management structure implementation. The result will be that all cost centres will have a current named individual. **September 2013 - Ongoing process.**		G	WIP	01/12/13	JP

3	2012/13	2	Officers, Members and the Public are not able to engage with the budget setting process.	Consideration should be given to reintroducing a detailed Budget Book and Money Plan from 2014/15	Y	The production of the 13/14 budget has re-visited the disciplines of traditional budgeting methodology. The involvement of budget holders and review of the budgets by GLT with a system of monitoring budget saving initiatives, has significantly moved on the process from a one page summary. The budget is available by business unit/department/ cost centre and expense code. This will be the basis for monthly management accounts that will be presented to GLT / Cabinet / Audit & Governance and if required at Council . Budget consultation sessions were held with members of the community during February 2013.		G	WIP	01/04/13	PG / KB - Ongoing Improvement process.
4	2012/13	1	The Council will not achieve the budget set by Members.	The annual budget should be loaded into Cedar from 1 April and should agree to the net budget requirement as agreed by Members.	Y	Completed for 13/14 Systems are in place to enable monitoring of CC		B		01/04/13	KB/JP
5	2012/13	1	Cost centre managers are unable to monitor their budgets.	The CP system needs to be rolled out to all cost centre managers.	Y	Ongoing Rollout program to all managers - process tested and partial implementation		G		01/12/13	JP

6	2012/13	3	The audit trail from the original budget to the final budget is unclear.	Virement requests and approvals should be retained in a folder on the finance drive.	Y	The preparation for 13/14 includes a summary of movement from original budget to final, with individual savings programs and monitoring mechanisms.	Ongoing Rollout program to all managers - process tested and partial implementation	G	WIP	01/12/13	KB/JP
7	2012/13	1	Members are unable to scrutinise actual performance during the year.	Management accounts should be provided to GLT and Cabinet on a quarterly basis.	Y	Included in the budget monitoring process for 13/14,supported by monthly management accounts.	Evolving and renewable process. To be issued to members for Q2 2013/14.	G		Sept 2012 ongoing April 2013	KB
			Capital Accounting								
8	2012/13	2	The Council will not achieve the capital budget set by Members	There should be a reconciliation between the capital budget approved by Members and the budget being monitored on the Capital Monitoring Spreadsheet to demonstrate that the projects being monitored have been appropriately approved.	Y	Actual spend is reported and monitored on amonthly basis for 13/14. This report will form part of the management accounts pack which is available to GLT / Cabinet .		B		01/04/13	KB / KPL
9	2012/13	2	Budget managers are not monitoring their budgets. Project expenditure is not adequately controlled.	There has been a lack of formal budget monitoring in 2012/13 as budget managers have provided either bland or no explanations to support variances/ expected outturn on projects and virements.	Y	The CPSG was formed to approve, monitor and report on capital projects. The control disciplines offered by this group will ensure project managers are fully informed of any variance to budget. The projects are monitored on a chronological lifecycle.		B		01/11/12	CPSG / KPL

10	2012/13	1	The GCH budget agreed by members is significantly overspent.	The 2012/13 HRA budget of £2.9m does not have any supporting analysis and significantly differs from the budget actually used by GCH. Procedures should be agreed with GCH whereby they submit a detailed annual budget request which is scrutinised by CPSG and then approved by Council.	Y	See response as in item 2.	A detailed expenditure forecast is prepared by GCH for approval by GCC at the beginning of the year. This budgeted expenditure is monitored monthly as is the GCC capital project spend with a paper beinb discussed at GLT.	B		01/11/12	CPSG / KPL
11	2012/13	2	The asset register is not kept up to date.	The asset register opening balances need to be reconciled to the general ledger and the final 2011/12 accounts. Thereafter there should be a monthly/ quarterly reconciliation to the general ledger.	Y	The opening balances were subject to last minute final audit adjustments relating to revaluation and prior year adjustments. This has been rectified for the 12/13 closure. The FAR is updated monthly for additions and depreciation, albeit, not reconciled in detail to the GL. This will be rectified for 13/14.		B		01/04/13	KPL / SL
			Cash To Bank								
12	2012/13	1	Bank reconciliations are an important control which if completed effectively ensures that all transactions have been processed and that income has not been lost or misappropriated	Bank reconciliations should be: - Completed by an Independent Officer. - Reviewed and signed off by the Finance Manager - Long standing differences and old reconciling items on the Expenditure Account and the Cashiers Account need to be resolved.	Y	The in year bank transactions for 12/13 have been reconciled on a monthly basis. The reconciliation is now being performed by an independent officer; who has corrected the identified differences at March 2013. These reconciliations have been approved by the FCM and this process will continue on a monthly basis.		B		01/03/13	JB / KB
13	2012/13	3	Amounts posted through the interface do not agree with actual income received.	It would assist in management review and control if reasons for any differences/ adjustments with the interface were noted on the Flex reconciliation spreadsheets.	Y	To be included for 2013/14	This is included in the monthly management accounts process, as a review item.	B		01/04/13	VH

14	2012/13	2	Amounts posted through the interface do not agree with actual income received.	Further action/ resources are needed to resolve the Aspire Trust Flex interface differences to provide assurance that income reported in the general ledger is complete and accurate.	Y	Investigation into all interface files has begun to ensure that with the implementation of the next version of Cedar that interface files will collect data from the correct sources and be posted correctly within Cedar GL.	New interfaces are being written and tested as a component of the v4 Cedar upgrade	G		01/10/13	VH
15	2012/13	1	Income is not completely and accurately recorded in the general ledger. Possible loss of income through not pursuing unpaid debts.	Further action/ resources are needed to resolve unallocated cash suspense transactions before the year end. Identification of unpaid cheques and direct debits could result in losses to the Council if the debtor is not promptly identified and pursued for payment. Letters to the Bank of the payee in respect of unidentified receipts are more likely to be effective if sent out promptly. A monthly review of the unallocated transactions by the Finance Manager would also be beneficial in identifying suspense transactions or further action that needs to be taken.	Y	This is related to the review of the Ash debtors audit together with the work being performed by RCL into the Civica contract.	Awaiting final reconciliations and process notes from RCL.	A		01/10/13	RCL
			Creditors								
16	2012/13	2	Orders are not being matched to GRN's and invoices. Commitments in budget monitoring reports are not accurate.	Further action is required to remove very old orders 'stuck' in the accruals system and to action old current year open orders – these could be emailed to CCM's on a quarterly basis	Y	Liasing with Cedar financials to resolve issue. Once resolved will be included in monthly review process for the production of management accounts.	Relates to upgrade of Cedar	G		Initially Oct 2012, then monthly following Cedar release 4.1	HB

17	2012/13	2	Orders are not being matched to GRN's and invoices. Commitments in budget monitoring reports are not accurate.	It would be beneficial to run a quarterly report of orders not receipted (similar to the accruals report). Orders over 6 months old could then be sent to CCM's to investigate further. This would improve the reliability of commitments as shown in the Budget Monitoring reports.	N	Eproc users to be reminded formally regarding their responsibility to review all outstanding orders for possible completion. Also, finance currently review the report annually; this will be changed to a Bi – annual frequency.	Monthly Process	G	WIP	01/04/13	HB
18	2012/13	2	Procurement rules are not being complied with.	Consideration should be given to implementing a third approval for orders over £5,000 to ensure that quotation/ tender requirements have been met and that orders clearly specify the price, quantity, quality and delivery requirements.	Y	Additional level of approval is included with Cedar upgrade, the process is being tested in the 'test' environment for rollout ASAP.	Relates to upgrade of Cedar	G	WIP	01/10/13	HB
19	2012/13	3	Old cheques are not being promptly reversed in the general ledger.	Prior year unpresented cheques on the unreconciled cheques report need to be investigated and appropriate corrections made to the General Ledger.	Y	Actioned – to be included in bank reconciliation process from March 2013		B		01/03/13	JB
20	2012/13	2	The Council are not complying with best payment practice.	The Council should sign up to the Prompt Payment Code and disclose payment terms in a user friendly/ readily accessible form on the website.	Y	GCC make payments to suppliers on a weekly basis, following a stringent approval process. Investigations will be undertaken to comply with the code during 2013.		A	WIP	01/11/13	SL

21	2012/13	2	The Council are not complying with best payment practice.	Financial Services should report actual payment performance on a monthly/ quarterly basis and take action where particular CCM's are causing delays in payment.	Y	Will be included in the improvement register for 2013/14.	Review following upgrade of Cedar.	A		01/03/14	HB / SL
22	2012/13	1	The Council are not complying with the DCLG Code of Practice on Transparency.	Financial Services should disclose on the website payments over £500 since March 2011 on a monthly basis in accordance with the DCLG Code of Practice on transparency.	Y	Reports are being specified for publication through business objects, which is included in the Cedar solution upgrade.	**All data uploaded to website and a subject of regular review and update. Will move to blue in October.**	G	Complete	01/09/13	HB / DM
			General Ledger								
23	2012/13	2	Erroneous or incorrect interface/ journal entries are being posted in the GL.	It would improve the level of internal control if responsibility for control/ suspense account reviews were allocated to the Financial Planning Accountants and when each monthly/ quarterly reconciliation is carried out; this should be noted on the control sheet held on the shared drive.	N	The interface / source coding files must be re-engineered to minimise errors. This is included in the upgrade in September, key interfaces have been reviewed by Cedar, changes logged and scheduled for testing from June 2013.	Review following upgrade of Cedar.	G		01/10/13	HB / Cedar
24	2012/13	2	Income is not completely and accurately recorded in the general ledger. Possible loss of income through not pursuing unpaid debts.	The unidentified income suspense accounts ZX100-901 and ZX100-902 should be reconciled and cleared on a monthly/ quarterly basis.	Y	Process adopted following 12/13 Annual accounts. On a daily basis		B		01/04/13	VH / IP

25	2012/13	2	VAT is being incorrectly accounted for.	The posting of VAT on employee parking permits to account ZX100-924 should be reviewed and an appropriate adjustment made to the payroll interface journal	Y	All payroll controls and the processes are currently being re-visited following more detailed data being made available from the payroll provider. Any changes to the costing file to be implemented as identified but no later than July 2013.	All controls are agreed and approved on a monthly basis.	G		June 2013	ST/HB/KPL
26	2012/13	2	Erroneous or incorrect journal entries are being posted.	Consideration should be given to producing exception reports for significant journals particularly between revenue/ capital, journals relating to the HRA, journals processed by new staff which should then be retrospectively reviewed by a senior member of Financial Services on a monthly/ quarterly basis.	Y N	The journal listing report will be made available for senior financial review commencing June 2013 for the April and May management accounts, and then weekly thereafter.		B		June 2013	RS / KB
			Sundry Debtors								
27	2012/13	2	Management not being aware of Financial irregularities between the ASH and Cedar systems. Reconciliation not being satisfactorily concluded.	The reconciliation process is to include a review by a third party, preferably a senior officer / manager	Y	Sign-off by a Senior Manager at the Financial year end and monthly thereafter.		B		31/03/13	KB
28	2012/13	2	Not readily demonstrable that the reconciliation has been reviewed by an officer independent of the reconciliation process	The reconciliation front sheet is to be formatted in such a way that Financial Services can readily demonstrate who the reconciling and reviewing officers' were, and when these actions were performed.	Y	A new account reconciliation format has been prepared and implemented from 31/03/13		B		31/03/13	KB

29	2012/13	3	Inability to perform the reconciliation to a satisfactory conclusion due to lack of guidance.	Procedure notes to be drafted in order to assist other Finance Officers with reconciling the Sundry Debtor System (ASH) to the General Ledger (Cedar).	N	Inability to carry out a complete reconciliation, is due to a failure to capture sufficient information in the interface between Ash & Cedar, in relation to cash. This is a result of the interface specification. All interfaces are scheduled for review and re-write during the implementation of the upgraded Cedar system.		A		01/10/13	RCL
30	2012/13	2	Inability to perform administrative actions within the software.	Consideration should be given to obtaining client side administration rights for each of the key software applications being used by Civica for the provision of the managed services	Y	This will be addressed by the Client team at the next formal meeting.		A		November 2013	ST
			Treasury Management								
31	2012/13	1	Oversight by Members of treasury management decisions is an important control to ensure that investment limits have not been exceeded, the treasury management strategy is being followed and that the potential for financial losses is minimised.	Positive confirmation has not been provided to the Audit and Governance Committee on a quarterly basis during 2012/13 that lending to/from counterparties has been maintained within the limits set by the Treasury Management Strategy Statement.	Y	It would be good practice to up date the Treasury management procedures manual to act as a central reference for all Finance staff that details the approved processes and controls.		**B**		April 2013	SL / KB
32	2012/13	3	Staff may not be fully aware of the approved processes and their responsibilities resulting in financial losses.	It would be good practice to up date the Treasury management procedures manual to act as a central reference for all Finance staff that details the approved processes and controls.	Y	To be done during 2013/14		A		March 2014	SL / JT

33	**2012/13**	**2**	No documentation is in place to confirm who holds the investment risk of the GCH/Council inter company loan account.	A documented agreement should be drawn up between GCH and the Council that clearly states which organisation is exposed to risk should inter company loan account investments fail.	Y	The Management Agreement requires legal review.		A		December 2013	Sue Mullins / Peter Gillett / Rob Wharton
34	**2012/13**	**2**	Inappropriate inter company loan account transactions could take place.	A treasury management service level agreement (or other form of document) with GCH, to ensure that both parties are aware of the agreed appropriate treasury management approach (to include processes and controls e.g. the names of Council/ GCH officers who have the authority to deal with inter company transactions).	Y	The Management Agreement requires legal review.		A		December 2013	Sue Mullins / Peter Gillett / Rob Wharton
35	**2012/13**	**3**	Contractual obligations with the brokers are unclear.	It would be good practice to obtain current versions of contracts/ service agreements from the brokers so that contractual obligations are clear to the Council	N	We don't have a contractual obligation with a Broker. I have however provide Terms of Agreements from both Brokers and sent them to Audit		**B**		N/A	SL
36	**2012/13**	**2**	A misstatement of investments may result in excessive exposures going unnoticed and possible financial losses.	The Investment/ Loan Record Sheet should always be signed by the person checking the accuracy of the deal details. The Authorised box should also be completed by the Finance Manager as a check that the loan/ investment is with an approved counterparty and the amount is within appropriate limits.	Y	Loan Records to be signed by Kevin Buckerfield		**B**		IMM	SL