



## AUDIT AND GOVERNANCE COMMITTEE

**Meeting: Monday, 8th September 2014 at 18.30 hours  
in Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP**

### ADDENDUM

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

6.	<b>UPDATE ON PAYROLL CONTRACT SLA (PAGES 3 - 4)</b> To consider a brief written report from the HR & OD Manager.
10.	<b>EXTERNAL AUDIT ISA 260 REPORT (KPMG) (PAGES 5- 32)</b> To consider the report of KPMG.
11.	<b>TECHNICAL UPDATE (KPMG) (PAGES 33 - 48)</b> To consider a written update from KPMG.
12.	<b>AUDITED STATEMENT OF ACCOUNTS (PAGES 49 - 154)</b> To consider the report of the Head of Finance.
14.	<b>ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2014-15 - UPDATE (PAGES 155 - 166)</b> To consider Appendix A1 which was not available at the time of publication of the main agenda.

Yours sincerely

*mshields*

.....  
**Martin Shields**  
**Corporate Director of Services and Neighbourhoods**

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## **Audit & Governance Committee, 08 September 2015**

### **Update – Payroll Service Provision**

#### **Ruth Aldridge – Head of HR & OD / Jon Topping – Head of Financial Services**

##### **Background**

Up to 31<sup>st</sup> May 2012, the City Council Payroll service was delivered by an in-house team within Financial Services via the CHRIS21 system (which held both Payroll and HR modules).

The City Council Payroll provision transferred to an external provider and the use of the SAP integrated Payroll and HR system on 01<sup>st</sup> June 2012. Under TUPE regulations, this involved the transfer of 1FTE.

The Service Level Agreement (SLA) detailing the payroll service to be provided still requires formal agreement by both parties. Both the HR & OD Manager and the Head of Finance have been in discussions with the contractor to agree a revised SLA.

As a result of some operational issues with the current Payroll service provision, a review is required and is currently underway.

##### **Progress / Aims of the Payroll Review**

Following the Payroll Supervisor's transfer to the new payroll service provider,, the City Council did not have a dedicated Payroll Officer. An agency Payroll Administrator was employed between October 2012 and March 2014 to deliver the retained payroll service provision provided to a partner organisation on the CHRIS21 system. This partner organisation has now made arrangements to provide their own in-house payroll service.

Following the recent review of the HR & OD service, an HR Officer has been appointed (03 September 2014 start date) who will be mandated with the overall role of providing direction, guidance and managing the growth, operation and maintenance of the City Council's HR systems and programmes (including Payroll processes).

The Payroll Review that is underway (HR&OD and Financial Services) will include a review of current business needs against the current level of service delivery to identify any gaps. Once the business needs have been agreed these will form the basis of an agreed SLA with the service provider, and which will be regularly monitored to ensure services are provided in accordance with the agreement.

The review will be completed and recommendations presented by the Head of HR & OD / Head of Financial Services in December 2014.

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<b>Meeting:</b>	<b>Audit &amp; Governance Committee</b>	<b>Date:</b>	<b>8<sup>th</sup> September 2014</b>
<b>Subject:</b>	<b>ISA 260 - Report to those charged with governance 2013/14</b>		
<b>Report Of:</b>	<b>Head of Financial Services</b>		
<b>Wards Affected:</b>	<b>Not applicable</b>		
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework:</b>	<b>No</b>
<b>Contact Officer:</b>	<b>Jon Topping, Head of Financial Services</b>		
	<b>Email:</b> <a href="mailto:jon.topping@gloucester.gov.uk">jon.topping@gloucester.gov.uk</a>		<b>Tel:</b> 396430
<b>Appendices:</b>	1. Report to those charged with governance (ISA 260) 2013/14 , KPMG, September 2014		

## FOR GENERAL RELEASE

### 1.0 Purpose of Report

- 1.1 To provide members with a copy of the report produced by KPMG on 2<sup>nd</sup> September 2014.

### 2.0 Recommendations.

- 2.1 Audit & Governance Committee is asked to **RESOLVE** that:-

- (1) The ISA 260 report to those charged with governance be noted, and
- (2) To note the continued improvements made since the previous external audit process.

### 3.0 Background and Key Issues

- 3.1 The external auditor is required to produce an annual report to “those charged with governance” at the council. The ISA 260 report attached as Appendix 1 essentially summarises the key issues identified by KPMG during the audit of the City Council’s financial statements for 2013/14 and provides the auditors’ assessment of the City Council’s arrangements to secure value for money in its use of Resources.

- 3.2 It is pleasing to note the report commends the council for continuing improvements seen over the last year, and confirms that KPMG anticipate issuing an unqualified audit opinion on the City Councils financial statements well in advance of the 30<sup>th</sup> September 2014, and based on the further improvements put in place since the previous audit, issue an unqualified Value for Money Conclusion prior to 30<sup>th</sup> September 2014. This follows completion of the first full draft set of accounts before 30<sup>th</sup> May, and certification by myself as Head of Financial Services on the pre-audit statements before the deadline of 30<sup>th</sup> June 2014.
- 3.3 The on-site audit of the council's financial statements for 2013/14 commenced on 21<sup>st</sup> July and finished on Tuesday 5<sup>th</sup> August. This was followed by a period of off-site review by the external audit team, culminating in a final audit closure meeting on 27<sup>th</sup> August 2014.
- 3.4 The report also identifies audit differences and critical accounting matters as well as highlighting key issues and recommendations.
- 3.5 The report highlights only 3 key issues and recommendations and one recommendation from 2012/13 still to be completed. These are included in pages 16 and 17 of the appended report, along with the management response from the City Council.

#### **4.0 Alternative Options Considered**

- 4.1 Not applicable.

#### **5.0 Reasons for Recommendations**

- 5.1 There is a legal requirement for the council to receive an annual report to 'those charged with governance' at the council.
- 5.2 Implementing the recommendations of KPMG's ISA 260 report, represents part of the council's ongoing improvements in its financial management arrangements.

#### **6.0 Future Work and Conclusions**

- 6.1 The latest ISA 260 highlights the continued improvement in the accounts production and audit process. Further improvement

#### **7.0 Financial Implications**

- 7.1 As detailed in this report.

## **8.0 Legal Implications**

- 8.1 Accounts and Audit Regulations require the Council and its External Auditor to have completed the audit of the annual financial statements by 30<sup>th</sup> September, and for the auditor to issue an annual report to “those charged with governance”.

## **9.0 Risk & Opportunity Management Implications**

- 9.1 Delays in response to acceptance/implementation of audit recommendations could lead to weaknesses in systems or processes, with a potential for fraud and error to occur.

## **10.0 People Impact Assessment (PIA):**

- 10.1 The PIA Screening Stage was completed and did not identify any potential or actual negative impact, therefore a full PIA was not required.

## **11.0 Other Corporate Implications**

### Community Safety/Sustainability/Staffing & Trade Union

- 11.1 There are no community safety, sustainability or staffing/Trade Union implications arising out of this report.

## **Background Documents:**

Report to those charged with governance (ISA 260) 2013/14  
KPMG September 2014 (Appended to this report)

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# Report to those charged with governance (ISA 260) 2013/14

# Gloucester City Council

September 2014

## The contacts at KPMG in connection with this report are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at [www.auditcommission.gov.uk](http://www.auditcommission.gov.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk), who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3<sup>rd</sup> Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to [complaints@audit-commission.gsi.gov.uk](mailto:complaints@audit-commission.gsi.gov.uk). Their telephone number is 0303 4448 330.

## This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2014 for the Authority; and
- our assessment of the Authority's arrangements to secure value for money.

## Scope of this report

This report summarises the key findings arising from:

- our audit work at Gloucester City Council ('the Authority') in relation to the Authority's 2013/14 financial statements; and
- the work to support our 2013/14 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

## Financial statements

Our *External Audit Plan 2013/14*, presented to you in March 2014, set out the four stages of our financial statements audit process.



We previously reported on our work on the first two stages in our *Interim Audit Report 2013/14* issued in June 2014.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during July and August 2014.

It also includes any additional findings in respect of our control evaluation which we have identified since we issued our *Interim Audit Report 2013/14*.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

## VFM conclusion

Our *External Audit Plan 2013/14* explained our risk-based approach to VFM work and we included early findings in our *Interim Audit Report 2013/14*. We have now completed the work to support our 2013/14 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion;
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas; and
- carrying out additional risk-based work.

## Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2013/14 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior recommendations and this is detailed in Appendix 2.

## Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages. Sections three and four of this report provide further details on each area.

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Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2014. We will also report that the wording of your Annual Governance Statement accords with our understanding.
Audit adjustments and recommendations	<p>We identified two corrected and one uncorrected significant audit adjustments which are reclassifications on the balance sheet and have no impact upon the General Fund. These are presented within Appendix 3 and 4.</p> <p>In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the <i>Code of Practice on Local Authority Accounting the United Kingdom 2013/14</i> ('the Code'). The Authority has addressed these where significant. The Authority has not addressed rounding differences within the accounts.</p> <p>We have raised three recommendations which are summarised in Appendix 1. They are to recommend that the Authority performs bank reconciliations after all relevant journals have been posted and that the Authority should not depreciate land.</p> <p>The Authority has implemented three of the four recommendations in our <i>ISA 260 Report 2012/13</i> relating to the financial statements. The outstanding recommendation relating to the historic cost depreciation adjustment is reiterated in Appendix 2.</p>
Key financial statements audit risks	We have worked with officers throughout the year to discuss specific risk areas. The Authority has addressed these issues appropriately.
Accounts production and audit process	<p>We have noted an improvement in the quality of the accounts and the supporting working papers this year.</p> <p>The draft version of the accounts provided to us met the 30 June deadline. This version had been reviewed by senior management to ensure the quality of the draft.</p> <p>The version has also required little in the way of revision following KPMG review with the majority of our comments being minor. Improvements have also been made to ensure notes are internally consistent within the statements provided.</p> <p>Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p>

This table summarises the headline messages. Sections three and four of this report provide further details on each area.

Completion	<p>At the date of this report our audit of the financial statements is substantially complete. The only information that is outstanding relates to:</p> <ul style="list-style-type: none"> <li>■ Gloucestershire Pension Fund controls report due from Grant Thornton.</li> </ul> <p>Before we can issue our opinion we require a signed management representation letter.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.</p>
VFM conclusion and risk areas	<p>We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2014.</p>
WGA	<p>We have reviewed the consolidation pack which the Authority prepared to support the production of the Whole of Government Accounts by HM Treasury. We report that the Authority's pack is consistent with the audited financial statements.</p>



Our audit has identified a total of three significant audit adjustments.

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2014.

The wording of your Annual Governance Statement accords with our understanding.

## Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit Committee.

## Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

We identified two corrected significant audit adjustments which are reclassifications on the balance sheet and have no impact upon the General Fund. They are as follows:

- £478k of PPE additions to investment property additions; and
- £377k Group accounts consolidation correcting journal to increase both income and expenditure.

We identified one uncorrected significant audit adjustment which is a reclassification on the balance sheet and has no impact upon the General Fund. It is as follows:

- £433k NNDR appeals from creditors to provisions.

The above adjustment has not been corrected by officers.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2013/14* ('the Code'). The Authority has addressed these where significant. The However, the Authority has not addressed some identified rounding differences within the accounts.

## Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

We have made a number of comments in respect of its format and content. Our significant comments were that the Annual Governance Statement should include:

- narrative on contract management where internal audit provided limited assurance following their review and raised a large number of recommendations; and
- that the Authority has operated with only one Corporate Director for a period of time.

The Authority has amended the AGS accordingly.

## Section three

### Key financial statements audit risks


We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

In our *External Audit Plan 2013/14*, presented to you in March, we identified the key risks affecting the Authority's 2013/14 financial statements. We have now completed our testing of these areas and set out our evaluation following our substantive work.


The table below sets out our detailed findings for each of the risks that are specific to the Authority.

Additionally, we considered the risk of management override of controls, which is a standard risk for all organisations.

In response to this risk, we performed controls testing and substantive audit procedures which included testing of journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise. We did not identify any issues from our work.


Key audit risk	Issue	Findings
	<p>The Authority has made good progress in the last two years to improve the quality of accounts presented for audit, but there has historically been a large number of adjustments made between the draft and final versions of the accounts and there remains a need to demonstrate significant improvement in these arrangements. The Authority needs to continue this direction of travel and ensure it produces a good quality set of draft financial statements for audit.</p>	<p>The Authority has continued in making improvements in the closedown and accounts preparation process and we have noted an improvement in the quality of the accounts and the supporting working papers this year.</p> <p>The draft version of the accounts provided to us met the 30 June deadline. This version has not been substantially revised by the Authority, as was necessary in previous years due, to internal senior management reviews to ensure the quality of the first draft.</p> <p>During our audit we have identified three significant audit adjustments, all of which are reclassifications on the balance sheet between already recognised balances which have no impact upon the General Fund.</p> <p>A small number of presentational errors have been noted during the audit. None are individually significant but the Authority should aim to eliminate these as the next stage of improving the financial statements process.</p>

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

Key audit risk	Issue	Findings
	<p>During the year, the Gloucestershire County Council Pension Fund has undergone a triennial valuation. The pension cost and net liability figures for the Authority to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts.</p>	<p>We have undertaken detailed testing to ensure that the Authority has correctly accounted for the results of the triennial valuation.</p> <p>We have also confirmed that appropriate processes and controls have been implemented to ensure that data provided for the purposes of the valuation is accurate and complete.</p> <p>In order to provide the actuarial valuation, Hymans Robertson made a series of assumptions in relation to factors such as discount rates, salary inflation and mortality figures. We have benchmarked these assumptions against our expectations and found no significant issues.</p>



We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

Key audit risk	Issue	Findings
	<p>Recent audits have highlighted weaknesses in the accounting for fixed assets and there is therefore a risk around the completeness and accuracy of data.</p>	<p>In 2013/14 we have audited a sample of additions, revaluations and transfers.</p> <p>The Authority performed the annual revaluation of its Investment Properties at the year end as required by the Local Government Code.</p> <p>We have performed detailed testing on the assets which has been revalued during the year, agreeing a sample of these assets to underlying records and the valuation report. We have held a number of meetings with officers to ensure that where no revaluation took place that officers were satisfied with the carrying value of the assets held within PPE. We did not identify any issues from our work.</p> <p>From auditing the fixed asset register we identified two recommendations on depreciation of land (which should not occur) and historic cost depreciation transfers which are detailed in Appendix 2. We also identified one audit adjustment for £478k of assets recognised as PPE additions rather than investment property additions.</p> <p>We note that the fixed asset excel spreadsheet has been used for the 2013/14 year end due to a delay in the implementation of the Cedar asset management software. We understand from Officers that the Cedar asset management system is now live and we will review the register as part of our 2014/15 audit.</p>

We have noted an improvement in the quality of the accounts and the supporting working papers this year.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

The Authority has implemented three of the four recommendations in our *ISA 260 Report 2012/13*.

## Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
<b>Accounting practices and financial reporting</b>	<p>The Authority has strengthened its financial reporting process through self review of the accounts and checks of internal consistency of the accounts.</p> <p>We consider that accounting practices are generally appropriate. However, the Authority does not make an historic cost depreciation adjustment in the accounts. This is an issue we have raised in previous years.</p> <p>This year there has been a change in accounting for defined benefit pensions schemes per the Local Government Code. The Authority may restate the prior year for the impact of this if material. The Authority has decided to restate the comparative year by £413k.</p> <p>We believe that the restatement is not required as this amount is not material enough to justify a restatement. However, we do not view the inclusion of the restatement as an audit misstatement.</p>

Element	Commentary
<b>Completeness of draft accounts</b>	<p>We received a complete set of draft accounts by the 30 June deadline.</p> <p>We have noted an improvement in the quality of the accounts, with the draft version provided to us not requiring substantial revision by the Authority as in previous years.</p>
<b>Response to audit queries</b>	<p>Officers resolved our audit queries in a reasonable time.</p>
<b>Quality of supporting working papers</b>	<p>Our <i>Accounts Audit Protocol</i>, which we issued on 10 March 2014 and discussed with Head of Financial Services, set out our working paper requirements for the audit.</p> <p>The quality of working papers provided met the standards specified in our <i>Accounts Audit Protocol</i> and marks an improvement from prior years.</p>
<b>Group audit</b>	<p>To gain assurance over the Authority's group accounts, we have performed specific audit procedures for both Gloucester City Homes Ltd and Gloucestershire Airport Ltd.</p> <p>There are no specific matters which we need to bring to your attention.</p>

**We have noted an improvement in the quality of the accounts and the supporting working papers this year.**

**Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.**

**The Authority has implemented three of the four recommendations in our ISA 260 Report 2012/13.**

#### **Additional findings in respect of the control environment for key financial systems**

We have substantively tested the year end bank reconciliations prepared by the Authority. The first reconciliation provided to us did not reconcile the bank statements to the reported balances in the trial balance and financial statements. Therefore, a recommendation has been raised in Appendix 1.

#### **Prior year recommendations**

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

The Authority has implemented three of the four recommendations in our *ISA 260 Report 2012/13*. The Authority has not implemented the posting of a historic depreciation transfer journal.

Appendix 2 provides further details.

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.**

**Before we can issue our opinion we require a signed management representation letter.**

**Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.**

### Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Gloucester City Council for the year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and Gloucester City Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

### Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Head of Financial Services for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

### Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance

with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

We have just one matter to note. As part of the Local Government Finance Act 2012, the Government implemented a Business Rate Retention Scheme from April 2013, whereby Non Domestic Rates (NDR) are collected and distributed locally via the Collection Fund (this has previously been distributed nationally).

We have noted that this year the Authority has reported a deficit on the NDR element of the Collection Fund of £0.375 million. This has contributed to an overall deficit on the Collection Fund of £0.587 million.

The Authority submitted its NNDR 1 form at the start of the financial year which stated the forecasted business rate income for the year. This is based on a complex formula and a number assumptions were made by the Authority. This was due to very little guidance being issued by the DCLG in this area. During the year, the Authority made payments to/from the Collection Fund based on the forecasted income. After the year end, the Authority is required to submit a NNDR 3 which shows the final outturn position. Due to the number of assumptions that were made at the start of the year this has left the NDR balance in deficit.

The Authority has an obligation to make up the deficit but this is borne by the Collection Fund and distributed to preceptors in future years through the declaration of a surplus or deficit on the fund.

The Authority has confirmed that a more robust process for 2014/15 has been implemented.

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2013/14 financial statements.

**Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.**

**We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.**

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### Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

### Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.

The following pages include further details of our VFM risk assessment and our specific risk-based work.

### Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓



We have identified a number of specific VFM risks.

We are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

#### Work completed


In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

- assessed the Authority's key business risks which are relevant to our VFM conclusion;
- identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;
- considered the results of relevant work by the Authority, inspectorates and review agencies in relation to these risk areas; and
- completed specific local risk based work.

#### Key findings

Below we set out the findings in respect of those areas where we have identified a residual audit risk for our VFM conclusion.

We concluded that we needed to carry out additional work for some of these risks. This work is now complete and we also report on this below.



Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>The Council has a number of contracts with third parties to provide services, such as neighbourhood services and IT.</p> <p>An Internal Audit review in 2012/13 identified that the Council had overpaid on one of its contracts.</p> <p>There is a risk that the Council is not carrying out effective contract monitoring to ensure that it pays the correct amount for services provided and that it obtains value for money from its contractors.</p> <p>This is relevant to the economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p>Internal audit have performed two contract monitoring audits at the Authority providing limited assurance and raising a large number of recommendations.</p> <p>We understand that the Authority has implemented an action plan to address the recommendations raised and that the Authority is making progress against the plan.</p> <p>The Authority has also pursued an overpayment identified within a contract with a waste management provider ensuring the Authority received reimbursement and protecting the economy of the contract.</p> <p>The Authority has carried out effective reviews of contract monitoring and has detailed plans in place to address shortcomings and instances of contract discrepancies.</p> <p>We have found that contract monitoring risks are being appropriately addressed.</p>

## Section four

### Specific VFM risks (continued)

We are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

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Key VFM risk	Risk description and link to VFM conclusion	Assessment
	<p>The savings plan target for the Authority for 2013/14 is £1.9m. This was built into the budget agreed by the Authority and Cabinet at the start of the year.</p> <p>There is a risk that savings plans are not being monitored and that the Authority does not make the required savings in order to meet its budget.</p> <p>This is relevant to the financial resilience criteria of the VFM conclusion.</p>	<p>The Authority achieved a deficit of £296k in the year which shows final net spending was close to budget at 1.8% of the total budget for 2013/14.</p> <p>The savings plan target for the Authority for 2013/14 was £1.9m. This was built into the budget agreed by the Authority and Cabinet at the start of the year.</p> <p>The savings plan is monitored as part of the budgetary monitoring that has been implemented during the year, explained within the box below. The Authority has reviewed the savings planned against actual spending in year to identify areas of achievement and weakness within the savings plan.</p> <p>We have found that the monitoring of the savings plan is appropriate.</p>
	<p>The Authority took steps last year to address weaknesses relating to its budgetary control arrangements. This process has continued during the year. Robust budgetary control and monitoring is key to delivering value for money, so we will follow up the recommendations made in our 2012/13 <i>Report to Those Charged with Governance (ISA 260 Report)</i>.</p> <p>This is relevant to both the financial resilience and economy, efficiency and effectiveness criteria of the VFM conclusion.</p>	<p>The Authority has implemented a new budgeting process in January 2014 to support previous budget monitoring. Management accounts prepared by Finance now provide variance analysis to budgets by subjective areas and are presented to Cabinet and Audit Committee.</p> <p>Meeting are also held between Finance staff and budget holders to discuss individual budgets and ensure accountability and understanding of variances.</p> <p>We have reviewed the newly implemented monitoring to ensure it is monitoring spending at an appropriate level. We have found the monitoring to be appropriate.</p>

## Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

### Priority rating for recommendations

- |   |   |  |
|---|---|--|
| <b>1</b> <b>Priority one:</b> issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk. | <b>2</b> <b>Priority two:</b> issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system. | <b>3</b> <b>Priority three:</b> issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them. |
|---|---|--|

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	2	<b>Bank account reconciliation</b> The year end bank reconciliations did not reconcile the bank statements to the trial balance or draft financial statements. At the year end the reconciliations were performed by Finance before all year end cash journals had been posted. The reconciliations were not re-performed once all journals were posted and the differences were not identified by senior management review.  As a result of this we reviewed the May and June 2014 bank reconciliations and confirm that the control was now operating effectively.  <b>Recommendation</b> Bank reconciliations should be performed subsequent to the posting of cash journals. Reviews should also be put in place to ensure that reconciliations performed reconcile to reported balances.	Bank reconciliations were completed reconciling the year end trial balance to bank statements; subsequent cash journals posted resulted in timing differences.  New reconciliation procedures introduced address the identified issue as noted in the subsequent Auditor review of bank reconciliations completed for May and June 2014.  Financial Accountant – Implemented Q1 2014/15.



We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
2	2	<p><b>Consideration of the value of assets not subject to a formal valuation in the year</b></p> <p>Accounting standards require that assets must be revalued end of the reporting period. Finance staff held discussions with the Authority's in-house valuer at year end and concluded that any difference between fair value and carrying value would not be material, but there is only very limited documentary support of these discussions and, importantly, no quantified analysis to demonstrate the conclusion reached</p> <p><b>Recommendation</b></p> <p>The Authority should conduct valuations in line with the CIPFA technical alert on the frequency of PPE valuations. The frequency and approach to revaluations should also be kept under review to enable the Authority to respond should there be indications of a possible material difference between current value and fair value.</p>	<p>The Council's policy is to value 2 categories of Assets each year, one of which is investment properties. The second category is selected in rotation from the remaining 3 categories so the Authority revalues all assets within a 3 year cycle. The Authority valued PPE in the 2013 revaluation but accept as the cycle progresses there is a need to demonstrate that there is no material difference between fair and carrying value. This matter was considered and the view is that the market had not significantly altered since the previous valuation</p> <p>Responsible Officer : Asset Manager</p>
3	3	<p><b>Depreciation of land assets</b></p> <p>During our audit of the fixed asset register we identified that depreciation has been charged against three land assets in 2013/14 with a value of £3,300.</p> <p>Even though the balance is clearly small the Local Government Code of Practice states that depreciation should not be charged against land assets. Whilst the charge is immaterial in 2013/14 the cumulative impact of annual depreciation could be become material.</p> <p><b>Recommendation</b></p> <p>Review all land assets to ensure no depreciation is charged in future years.</p>	<p>Implementation of new fixed asset register will ensure depreciation is not charged against land assets.</p> <p>Financial Accountant – Implemented Q1 2014/15.</p>

The Authority has implemented the majority of the recommendations in our ISA 260 Report 2012/13.

We re-iterate the importance of the outstanding recommendation but note that the Council is part way through the process of addressing the recommendation.

This appendix summarises the progress made to implement the recommendations identified in our ISA 260 Report 2012/13 and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	4
Implemented in year or superseded	3
Remain outstanding (re-iterated below)	1

No.	Risk	Prior year issue and recommendation	Status as at September 2014
1	2	<p><b>Historic cost depreciation adjustment</b></p> <p>As in previous years, the Authority has not made a historic cost depreciation adjustment in 2012/13.</p> <p>The Authority has identified that there are excess balances on the revaluation reserve where the net book value of the asset is nil. These are now being written off to the Capital Adjustment Account but are the result of not making historic cost depreciation adjustments in previous years.</p> <p><b>Recommendation</b></p> <p>Make an adjustment each year between the Revaluation Reserve and the Capital Adjustment Account to ensure that, where assets are fully written down, there is no residual balance in the Revaluation Reserve.</p> <p><b>Management response 2012/13</b></p>	<p>Implementation of new fixed asset register will provide additional information to analyse the revaluation reserve.</p> <p>Financial Accountant – Implemented Q1 2014/15.</p>

## Appendix 3: Corrected audit differences

This appendix sets out the audit differences.

It is our understanding that these will not be adjusted.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

### Corrected audit differences

There are two corrected audit differences to report.

No.	Income and Expenditure Statement	Movement in Reserves Statement	Impact			Basis of audit difference
			Assets	Liabilities	Reserves	
1	Dr Consolidated HRA expenditure £377k Cr Consolidated HRA income £377k	-	-	-	-	An intercompany consolidation journal between Gloucester City Council and Gloucester City Homes was incorrectly posted to eliminate income when the original transaction was recorded in expenses.
2	-		Dr PPE transfers £478k Cr PPE additions £478k Dr Investment property additions £478k Cr Investment property transfer £478k	-		£478k of additions recognised within Other Land and Building were subsequently transferred to Investment Properties during the year.  These assets should have been initially recognised as investment properties. Additions.
	<b>No net impact</b>	<b>No net impact</b>	<b>No net impact</b>	<b>No net impact</b>	<b>No net impact</b>	<b>Total impact of uncorrected audit differences</b>

## Appendix 4: Uncorrected audit differences

This appendix sets out the audit differences.

It is our understanding that these will not be adjusted.

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We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

### Uncorrected audit differences

The following table sets out the uncorrected audit difference identified by our audit of Gloucester City Council's financial statements for the year ended 31 March 2014.

No.	Impact					Basis of audit difference
	Income and Expenditure Statement	Movement in Reserves Statement	Assets	Liabilities	Reserves	
1	-	-	-	Dr Creditors £433k  Cr Provisions £433k	-	£433k is recognised for non-domestic rate appeals as a creditor within the financial statements. Due to the timing of the liability being uncertain the balance should be recognised as a provision.

**The Code of Audit Practice requires us to exercise our professional judgement and act independently of both the Commission and the Authority.**

### Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the 'Code') which states that:

*"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."*

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission's *Standing Guidance for Local Government Auditors* ('Audit Commission Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 *Communication of Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.

- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

### General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.**

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Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

#### **Auditor declaration**

In relation to the audit of the financial statements of Gloucester City Council for the financial year ending 31 March 2014, we confirm that there were no relationships between KPMG LLP and Gloucester City Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.



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# External audit progress report and technical update

**Gloucester City Council**

September 2014

This report provides the Audit Committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

- High impact
- Medium impact
- Low impact
- For info

KPMG RESOURCES					
KPMG/Shelter report: Fix the housing shortage or see house prices quadruple in 20 years					3
TECHNICAL UPDATE					
Audit Commission calls for improved quality and accuracy in grant and subsidy claims and returns	<span style="color: orange;">●</span>	5	Value for money data briefing on waste collection	<span style="color: grey;">●</span>	10
2014/15 work programme and scales of fees for the National Fraud Initiative	<span style="color: green;">●</span>	5	Financial ratios tool	<span style="color: grey;">●</span>	10
Housing Revenue Account Borrowing Programme	<span style="color: grey;">●</span>	6	The NAO's role in local audit	<span style="color: grey;">●</span>	11
NFI – June 2014 National Report Published	<span style="color: grey;">●</span>	6	Local government funding: Assurance to Parliament (NAO report)	<span style="color: grey;">●</span>	11
Audit Commission 14/15 Scale Fees confirmed	<span style="color: grey;">●</span>	7	Maintaining strategic infrastructure: roads (NAO report)	<span style="color: grey;">●</span>	11
Update to VFM profiles – Children & Young People	<span style="color: grey;">●</span>	7	Tenfold difference in outsource spending revealed (Local Government Chronicle article)	<span style="color: grey;">●</span>	12
VFM briefings, Managing council property assets: Using data from the VFM Profiles	<span style="color: grey;">●</span>	9	Rural Services Delivery funding announcement	<span style="color: grey;">●</span>	12
APPENDIX					
Appendix 1 – 2013/14 audit deliverables					14



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# KPMG resources



Area	Comments
<p><b>KPMG/Shelter report: Fix the housing shortage or see house prices quadruple in 20 years</b></p> <p>Page 36</p>	<p>Without a radical programme of house building average house prices in England could double in just ten years to £446,000, according to new research. In twenty years they could quadruple, with the average house price estimated to rise to over £900,000 by 2034 if current trends continue.</p> <p>The research from KPMG and Shelter also reveals that more than half of all 20-34 year olds could be living with their parents by 2040, as soaring housing costs caused by the shortage of affordable homes leave more and more people priced out of a home of their own.</p> <p>The warning comes as KPMG and Shelter launch a landmark new report, outlining how the 2015 government can turn the tide on the nation's housing shortage within a single parliament.</p> <p>With recent government figures showing that homeownership in England has been falling for over a decade, the consequences of our housing shortage are already being felt.</p> <p>The report sets out a blueprint for the essential reforms that will increase the supply of affordable homes and stabilise England's rollercoaster housing market.</p> <p>It calls on politicians to commit to an integrated range of key measures, including:</p> <ul style="list-style-type: none"> <li>■ Giving planning authorities the power to create 'New Homes Zones' that would drive forward the development of new homes. Combined with infrastructure, this would be led by local authorities, the private sector and local communities, and self-financed by sharing in the rising value of the land.</li> <li>■ Unlocking stalled sites to speed up development and stop land being left dormant, by charging council tax on the homes that should have been built after a reasonable period for construction has passed.</li> <li>■ Introducing a new National Housing Investment Bank to provide low cost, long term loans for housing providers, as part of a programme of innovative ways to finance affordable house building.</li> <li>■ Helping small builders to get back into the house building market by using government guarantees to improve access to finance.</li> <li>■ Fully integrating new homes with local infrastructure and putting housing at the very centre of City Deals, to make sure towns and cities have the power to build the homes their communities need.</li> </ul> <p>To read the report, visit <a href="https://portal.ema.kworld.kpmg.com/uk/Documents/NewsroomDocs/2014/KPMG%20Shelter%20report%20FINAL.pdf">https://portal.ema.kworld.kpmg.com/uk/Documents/NewsroomDocs/2014/KPMG%20Shelter%20report%20FINAL.pdf</a>.</p> <p>For more information, please contact a member of the audit team.</p>



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# Technical update


Area	Level of Impact	Comments	KPMG perspective
<b>Audit Commission calls for improved quality and accuracy in grant and subsidy claims and returns</b> Page 38	 <b>Medium</b>	<p>78 per cent of councils' claims to the grant-paying body for housing benefit subsidies for 2012/13 were challenged by the Audit Commission's appointed auditors. Auditors issued a qualification letter in 35 per cent (360) of the 1,023 claims and returns made by councils for 2012/13 in respect of seven schemes for grants or subsidies. 255 of the 360 (71 per cent) qualifications related to claims for housing and council tax benefit subsidy. In total, these seven schemes transfer £50.5 billion of public money from central to local government.</p> <p>The full findings in <i>Local Government Claims and Returns: Auditor's Certification Work for 2012/13</i>, also provide an overview of how local authority handling of claims and subsidies has changed since the Commission first produced a national report for the 2008/09 financial year. For example, between 2009 and 2013, auditors made amendments to about one quarter of teachers' pensions returns. 55 teachers' pensions returns (36 per cent) for 2012/13 were qualified, double that for 2011/12.</p> <p>To view the full report, visit <a href="http://www.audit-commission.gov.uk/audit-regime/certifying-claims-and-returns/">http://www.audit-commission.gov.uk/audit-regime/certifying-claims-and-returns/</a></p>	<i><b>We will report the findings of our 2013/14 certification work in January 2015.</b></i>
<b>2014/15 work programme and scales of fees for the National Fraud Initiative</b>	 <b>Low</b>	<p>On Monday 30 June 2014 the Audit Commission published the final 2014/15 work programme and scale of fees for National Fraud Initiative (NFI).</p> <p>The Commission has considered the small number of consultation responses received. Respondents generally supported the Commission's decision to recognise the financial pressures that public bodies are facing in the current economic climate by keeping the scale of fees the same as for NFI 2012/13. They also raised some specific points, on which the Commission will respond directly to the organisations concerned. A summary of the consultation responses can be viewed at <a href="http://www.audit-commission.gov.uk/wp-content/uploads/2014/06/NFI-2014-15-Work-programme-and-scale-of-fees-Consultation-Feedback.pdf">http://www.audit-commission.gov.uk/wp-content/uploads/2014/06/NFI-2014-15-Work-programme-and-scale-of-fees-Consultation-Feedback.pdf</a>.</p> <p>The final work programme and scale of fees documents for the NFI 2014/15 exercise are available on the Commission's website <a href="http://www.audit-commission.gov.uk/national-fraud-initiative/public-sector/fees/">http://www.audit-commission.gov.uk/national-fraud-initiative/public-sector/fees/</a>.</p> <p><b>Data request</b></p> <p>The NFI Team sent the formal NFI 2014/15 data request to all mandatory participant directors of finance on Monday 30 June. Directors of finance of existing voluntary participants also received an invitation to participate. The emails included links to the NFI online instructions which give details of NFI data requirements and also announce the launch of the Commission's 2014/15 web application.</p> <p>Participants are required to submit the required data sets, through the secure NFI web application, on Monday 6 October 2014. The Commission expect to release the data matches on Thursday 29 January 2015.</p>	<i><b>The Committee may wish to confirm when the Authority will respond to the data request.</b></i>



Area	Level of Impact	Comments
Housing Revenue Account Borrowing Programme	 For information	<p>On 7 April the government launched the Housing Revenue Account Borrowing Programme which makes £300 million of borrowing available to provide 10,000 new affordable homes in 2015/16 and 2016/17. This funding will form part of the Local Growth Fund, available to local authorities who have a proposal agreed by their Local Enterprise Partnership.</p> <p>The government also published a revised set of General Consents under Section 25 of the Local Government Act 1988 which allows councils to dispose of vacant housing land to private registered providers and non-registered providers at less than market value.</p> <p>For more information visit <a href="https://www.gov.uk/government/news/extra-borrowing-powers-for-councils-to-build-10000-affordable-homes">https://www.gov.uk/government/news/extra-borrowing-powers-for-councils-to-build-10000-affordable-homes</a></p> <p>&amp;</p> <p><a href="https://www.gov.uk/government/publications/general-consents-for-privately-let-housing">https://www.gov.uk/government/publications/general-consents-for-privately-let-housing</a></p>
NFI – June 2014 National Report Published	 For information	<p>On Thursday 12 June 2014 the Audit Commission published its report on the NFI, the Commission's data matching exercise to help prevent and detect fraud. Since the last report in May 2012 the NFI has identified £203 million of fraud, overpayment and error in England. A further £26 million was identified by the NFI in Scotland, Wales and Northern Ireland bringing total outcomes since the last report to £229 million.</p> <p>Since its launch in 1996, the NFI has enabled the public and private sector participants across the UK to detect fraud, overpayment and error totalling £1.17 billion.</p> <p>To read the report, visit <a href="http://www.audit-commission.gov.uk/2014/06/the-national-fraud-initiative-finds-229-million-of-fraud-overpayment-and-error/">http://www.audit-commission.gov.uk/2014/06/the-national-fraud-initiative-finds-229-million-of-fraud-overpayment-and-error/</a></p>

Area	Level of Impact	Comments
<b>Audit Commission 14/15 Scale Fees confirmed</b>	● <b>For information</b>	<p>The 2014/15 work programme and scales of fees are now available, alongside the lists of fees for individual bodies. A summary of the responses to the Audit Commission consultation on the work programme and fees is also available.</p> <p>For more information visit <a href="http://www.audit-commission.gov.uk/audit-regime/1415WPSF">http://www.audit-commission.gov.uk/audit-regime/1415WPSF</a></p>
<b>Update to VFM profiles</b> Page 40	● <b>For information</b>	<p>The VFM profiles tool was being updated on Friday 11 July 2014. The update includes a redesigned children and young people section based on the latest section 251 outturn data for 2012/13. This data includes the time series back to 2009/10 wherever possible, and the change brings the children and young people's section in line with the rest of the profiles where outturn data is used. The VFM profiles previously used section 251 planned budget data.</p> <p>This section is now organised into the follow areas of expenditure:</p> <ul style="list-style-type: none"> <li>■ LA education services</li> <li>■ Schools and services</li> <li>■ Sure start &amp; early years</li> <li>■ Looked after children</li> <li>■ Safeguarding</li> <li>■ Youth justice</li> <li>■ Young people</li> <li>■ Other children &amp; family services</li> <li>■ Asylum seekers</li> </ul> <p>Each section contains financial indicators from the section 251 outturn data collection and relevant performance or contextual indicators. Note the Commission is due to issue a VFM briefing paper on this area in August 2014.</p>





Area	Level of Impact	Comments
<b>Update to VFM profiles (continued)</b>  <div>Page 41</div>	<p>●</p> <p><b>For information</b></p>	<p>On 5 June, the Audit Commission published the latest in its series of VFM briefings, <i>Managing council property assets: Using data from the VFM Profiles</i></p> <p>The briefing draws on Capital Outturn Return (COR) data in the Profiles to show trends since 2004/05 in: the net book value (NBV) of the operational and investment estates; levels of capital investment; and sources of finance for capital investment. It deals with how to release more value from the estate overall, and in particular, it addresses the need for councils to consider how they can best use or dispose of surplus assets, which had a NBV of £2.5 billion in 2012/13.</p> <p>As part of this update the following updated data has been added to the Profiles:</p> <ul style="list-style-type: none"> <li>■ Sustainable economy section, planning – processing of planning applications – quarter 3 2012/13.</li> <li>■ Financial resilience, revenue collection services – CIPFA Revenue Collection Statistics – for 2012/13.</li> <li>■ Environmental services – ENV18 – Local authority collected waste: annual results tables, final annual results for local authority collected waste and management figures for England. The Department for Environment, Food and Rural Affairs revised this data in May 2014. The data in the VFM profiles has been updated for the total local authority collected waste and household – waste not sent for recycling.</li> <li>■ Benefits caseload – the latest available monthly data has been added, bringing the latest data to February 2014.</li> </ul> <p>For further information visit: <a href="http://www.audit-commission.gov.uk/2014/06/can-local-governments-2-5-billion-surplus-assets-be-put-to-better-use/">http://www.audit-commission.gov.uk/2014/06/can-local-governments-2-5-billion-surplus-assets-be-put-to-better-use/</a></p>

Area	Level of Impact	Comments
<b>VFM briefings, Managing council property assets: Using data from the VFM Profiles</b>  <b>Page 42</b>	 <b>For info</b>	<p>On 5 June, the Audit Commission published the latest in its series of VFM briefings, <i>Managing council property assets: Using data from the VFM Profiles</i></p> <p>The briefing draws on Capital Outturn Return (COR) data in the Profiles to show trends since 2004/05 in: the net book value (NBV) of the operational and investment estates; levels of capital investment; and sources of finance for capital investment. It deals with how to release more value from the estate overall, and in particular, it addresses the need for councils to consider how they can best use or dispose of surplus assets, which had a NBV of £2.5 billion in 2012/13.</p> <p>As part of this update the following updated data has been added to the Profiles:</p> <ul style="list-style-type: none"> <li>■ Sustainable economy section, planning – processing of planning applications – quarter 3 2012/13.</li> <li>■ Financial resilience, revenue collection services – CIPFA Revenue Collection Statistics – for 2012/13.</li> <li>■ Environmental services – ENV18 – Local authority collected waste: annual results tables, final annual results for local authority collected waste and management figures for England. The Department for Environment, Food and Rural Affairs revised this data in May 2014. The data in the VFM profiles has been updated for the total local authority collected waste and household – waste not sent for recycling.</li> <li>■ Benefits caseload – the latest available monthly data has been added, bringing the latest data to February 2014.</li> </ul> <p>For further information visit: <a href="http://www.audit-commission.gov.uk/2014/06/can-local-governments-2-5-billion-surplus-assets-be-put-to-better-use/">http://www.audit-commission.gov.uk/2014/06/can-local-governments-2-5-billion-surplus-assets-be-put-to-better-use/</a></p>

Area	Level of Impact	Comments
<b>Value for money data briefing on waste collection</b>  <div>Page 43</div>	 <b>For information</b>	<p>The Audit Commission has published Local authority waste management, the latest in a series of value for money (VFM) data briefings analysing data in the VFM profiles tool. The briefing examines spending and performance on household waste management.</p> <p>In 2012/13 the average spending on household waste management varied between local authorities with similar responsibilities. For example most authorities that both collect and dispose of waste (58 per cent) spent between £125 and £175 per household in 2012/13 but thirteen per cent spent more than £200 per household.</p> <p>In 2012/13, the amount of waste recycled varied from 12 per cent up to 67 per cent, with 40 authorities recycling less than 30 per cent of their household waste. And while landfill has reduced everywhere some regions are still more reliant than others.</p> <p>The variation in performance and spending suggests there may be opportunities to reduce expenditure. If councils were able to reduce their spending to the average for their authority type and waste responsibilities potentially up to £464 million could be saved overall. Any savings could be used to support more sustainable forms of waste management or be reinvested in other services.</p> <p>Previous briefings on councils' expenditure on benefits administration, council tax collection, social care for older people, income from charging and business rates are also available on the Commission's website.</p> <p>For more information visit <a href="http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/">http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/</a></p>
<b>Financial ratios tool</b>	 <b>For information</b>	<p>On 4 April, the Audit Commission published its updated financial ratios analysis tool.</p> <p>The ratios tool has been updated to include:</p> <ul style="list-style-type: none"> <li>■ data for the 2012/13 financial year; and</li> <li>■ the restatement of the 2011/12 data where relevant.</li> </ul> <p>The ratio tool continues to include data from 2007/08 for district, unitary and county councils, data from 2008/09 for Greater London Authority bodies and data from 2009/10 for standalone fire authorities.</p> <p>Information is included for police and crime commissioners for 2011/12 and 2012/13 reflecting the data available for these new bodies.</p>

Area	Level of Impact	Comments
The NAO's role in local audit	● For information	<p>The National Audit Office (NAO) is taking on new responsibilities in the new framework for the audit of local bodies. The NAO has produced a leaflet which provides information on its new role, examples of its recent value for money work focused on local services, and contact details for you to provide views and suggestions or to ask questions about its work.</p> <p>For more information, visit <a href="http://www.nao.org.uk/report/the-naos-role-in-local-audit/">http://www.nao.org.uk/report/the-naos-role-in-local-audit/</a></p>
Local government funding: Assurance to Parliament (NAO report)	● For information	<p>A recent NAO report examines how the Department for Communities and Local Government (DCLG) has implemented and oversees the assurance framework that enables departments to assure Parliament on funding for local authorities following the changes in the 2010 Spending Review to give local authorities more control over their funding. The report finds that under current arrangements DCLG's monitoring information gives limited insight into whether value for money is being achieved in practice. It also suggests that departments should assess whether continuing to fund local authorities through un-ringfenced targeted grants is appropriate in the context of a locally-defined approach to achieving value for money.</p> <p>To view the report, visit <a href="http://www.nao.org.uk/report/local-government-funding-assurance-to-parliament/">http://www.nao.org.uk/report/local-government-funding-assurance-to-parliament/</a></p>
Maintaining strategic infrastructure: roads (NAO report)	● For information	<p>The NAO has published a report on Maintaining strategic infrastructure: roads. This report highlights how the lack of predictability of funding for highways authorities has practical implications for the roads network and may lead to increased costs in the long term.</p> <p>Although the report focuses primarily on central government responsibilities it may be of interest to you for your highways management responsibilities.</p> <p>To read the report, visit <a href="http://www.nao.org.uk/report/maintaining-strategic-infrastructure-roads/">http://www.nao.org.uk/report/maintaining-strategic-infrastructure-roads/</a></p>

Area	Level of Impact	Comments
<b>Tenfold difference in outsource spending revealed (Local Government Chronicle article)</b>  <div>Page 45</div>	 <b>For information</b>	<p>"Exclusive analysis has revealed a tenfold difference in the amount councils spend per head of population on outsourced services.</p> <p>Figures from a database of councils' published receipts for 2012-13 show a huge gulf in the amount spent by top-tier councils with organisations in the private, public and voluntary sectors.</p> <p>Wigan MBC spent just £116 with outside providers per head of population, compared with over £1,000 at several London boroughs and £1,450 at Southend BC.</p> <p>The data, compiled by research firm Porge and analysed by Local Government Chronicle, presents for the first time a broad picture of the total trade top-tier councils carried out with other organisations, based on all published receipts for expenditure over £500.</p> <p>It shows councils spent £30.5bn with outside providers in 2012-13.</p> <p>Alongside classic outsourcing expenditure, such as waste contracts, this includes capital schemes such as house building and payments to financial institutions."</p> <p>To view the full article, visit <a href="http://www.lgcplus.com/5071076.article">http://www.lgcplus.com/5071076.article</a></p>
<b>Rural Services Delivery funding announcement</b>	 <b>For information</b>	<p>The Department for Communities and Local Government (DCLG) has confirmed that a settlement of £11.5 million will be made available to rural local authorities in 2014/15 to support them in transforming services and promoting efficiencies. This funding comprises £9.5 million of Rural Delivery Services funding, and £2 million additional funding targeted at the most rural councils.</p> <p>For more information, visit <a href="https://www.gov.uk/government/publications/rural-grant-allocations-for-2014-to-2015">https://www.gov.uk/government/publications/rural-grant-allocations-for-2014-to-2015</a></p>



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# Appendix

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## Appendix 1 – 2013/14 Audit deliverables

Deliverable	Purpose	Timing	Status
<b>Planning</b>			
Fee letter	Communicate indicative fee for the audit year	March 2014	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	March 2014	Complete
<b>Interim</b>			
Interim report	Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. Initial VFM assessment on the Council's arrangements for securing value for money in the use of its resources.	June 2014	Complete
<b>Substantive procedures</b>			
Report to those charged with governance (ISA+260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2014	In progress
<b>Completion</b>			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2014	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2014	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2014	TBC
<b>Certification of claims and returns</b>			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	January 2015	TBC



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## GLOUCESTER CITY COUNCIL 2013/14 STATEMENT OF ACCOUNTS

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# INTRODUCTION

## **Gloucester City Council**

### **Welcome to the Statement of Accounts 2013/14**

The financial year 2013/14 was the third 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 2013/14 statement of accounts will be published in September 2014.

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.

**Jon Topping**

Head of Finance (Section 151 Officer)

Gloucester City Council  
Herbert Warehouse  
The Docks  
Gloucester, GL1 2EQ

T 01452 396401  
F 01452 396212  
E [accounts@gloucester.gov.uk](mailto:accounts@gloucester.gov.uk)  
[www.gloucester.gov.uk](http://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](http://www.gloucester.gov.uk)

**Mayor and Deputy Mayor in the 2013/14 Municipal Year**

Mayor

Councillor C Chatterton

Sheriff and Deputy Mayor

Councillor A S Hansdot

**Cabinet in 2013/14**

Leader of the Council

Councillor P James

Deputy Leader of the Council

Councillor J Dallimore

Cabinet Member Performance and Resources

Councillor F Wood

Cabinet Member Regeneration and Culture

Councillor P James

Cabinet Member Communities and Neighbourhoods

Councillor J Dallimore

Cabinet Member Housing, Health and Leisure

Councillor C Organ

Cabinet Member Environment

Councillor S Patel

**Chairman of Committees in 2013/14**

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 2013/14**

Chief Executive

Mr J M Wain (Resigned 31 March 2014)

Director of Resources (Section 151 Responsible Officer until 9 June 2014)

Mr P Gillett

Director of Services and Neighbourhoods

Mr M Shields

**External Auditor in 2013/14**

Appointed Auditor

KPMG LLP

Address

100 Temple Street  
Bristol  
BS1 6AG

**Bankers in 2013/14**

Bankers

Co-operative Bank

Address

23A St Aldates Street  
Gloucester  
GL1 1RU

# **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

## **The Council's responsibilities**

The Council is required to:

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

The Head of Finance (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 Head of Finance (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 2014 and its income and expenditure for the year ended on that date.

Signed .....

Dated .....

**Jon Topping**  
**Head of Finance (Section 151 Officer)**

Signed .....

Dated .....

**Declan Wilson**  
**Chair of Audit Committee**

# **ANNUAL GOVERNANCE STATEMENT**

**Review of 2013/14 and Actions Required in 2014/15**

## **ANNUAL GOVERNANCE STATEMENT**

### **1.0 Scope of responsibility**

- 1.1 Gloucester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Gloucester City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Gloucester City Council is responsible for putting in place proper arrangements for the governance of its affairs, to facilitate the effective exercise of its functions.
- 1.3 Gloucester City Council has approved and adopted a Local Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at [www.gloucester.gov.uk](http://www.gloucester.gov.uk), is included in the Council's Constitution (Part 5 – Codes & Protocols), or can be obtained from the Council's Audit, Risk & Assurance Manager or the Monitoring Officer. This statement explains how Gloucester City Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement.

### **2.0 The purpose of the governance framework**

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Gloucester City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Gloucester City Council for the year ended 31<sup>st</sup> March 2014, and up to the date of approval of the Statement of Accounts.

### **3.0 The governance framework**

- 3.1 Governance is about how the Council ensures it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 3.2 The Council has adopted a Local Code of Governance that is based around a number of key principles. These principles are identified below, together with a commentary on the current level of organisational compliance.

### **4.0 Focus on the purpose of the authority and on outcomes for the community and creation and implementation of a vision for the local area**

- 4.1 The Council's major policy objectives in 2013/14 were detailed as part of the corporate plan, entitled 'Transforming Your City'. This Plan is a 4 year plan (2011-2014) designed as a framework for delivering Gloucester's future, reflecting the unique nature of the city's character and the challenges faced by the Council.
- 4.2 The three key priorities of the Plan are:
1. Prosperity – Strengthening Gloucester's Economy
  2. People – A City for Everyone
  3. Place – Creating Pride in Our City

These three key priorities are underpinned by the following four principles:-

- |               |  |
|---------------|--|
| Leadership    | – We will provide strong, ambitious and enthusiastic leadership, putting the interests of the city first and we will act in an open and transparent way.       |
| Sound Finance | – We will strive for value for money and only spend what we can afford.  |
| Your Services | – We will strive for top-performing services, built around you the customer, in partnership with the public, private and voluntary sectors.                    |
| People        | – We will consult and engage with the community to help shape the decisions we take, giving everyone a voice and looking after the most vulnerable in society. |

- 4.3 The Council's major policy objectives, as detailed in 'Transforming Your City' were approved by Full Council at a meeting held on 24<sup>th</sup> March 2011. A copy of the 'Transforming Your City' Council Plan 2011-2014 can be found on the Council's website [www.gloucester.gov.uk](http://www.gloucester.gov.uk)
- 4.4 In order to ensure that progress is being made against the aims and objectives detailed in the Corporate Plan, monthly performance reports are produced to highlight achievements and address any challenges. These reports were reviewed during the year by the Chief Executive, Directors (SMT), and Members.



- 4.5 An end of year annual performance report was presented to SMT on 10<sup>th</sup> June 2014.
- 4.6 The Council Plan 2014-2017 was presented to Council on 8<sup>th</sup> April 2014 for comments and further recommendations, with a view to the final version being considered by full Council on 17 July 2014. At this meeting it was resolved that the final draft of the Council Plan 2014-2017 be approved and adopted.
- 4.7 The Forward Plan contains matters which will be the subject of a 'key decision' and 'decisions relating to the Budget and Policy Framework'. In the interests of transparency, it also includes matters which are non-key decisions. Proposals relevant to the Budget and Policy Framework are subject to a period of consultation and the Overview and Scrutiny Committee has the opportunity to respond in relation to the consultation process. Forward Plans are prepared by the Leader of the Council, and cover a rolling period of twelve months. They are prepared on a monthly basis and subsequent plans cover a period beginning with the first day of the second month covered in the preceding plan. A copy of the Forward Plan is also published on the Council's website.
- 4.8 In order to provide services to meet the needs of the community, the Council needs to obtain the views of those being served. This will allow the Council – and Members – to provide sound evidence for the decisions that are made, as well as enabling redirection of resources where necessary. In June 2013, Cabinet agreed to the introduction of a new system to aid the gathering of customer feedback on service delivery, at the point of interaction.
- 5.0 Members and officers work together to achieve a common purpose with clearly defined functions and roles**
- 5.1 Members are responsible to the electorate and serve as long as their term of office lasts. Officers are responsible to the authority and carry out the Council's work under the direction of the Council, Executive and Committees.
- 5.2 The relationship between Councillors and officers is essential to the successful working of the Council. This relationship within the authority is characterised by mutual respect, informality and trust. The Council has adopted a 'Councillor – Officer Relations' protocol to help councillors and officers perform effectively by giving guidance on their respective roles and expectations, and, on their relationship with each other.
- 5.3 In December 2013, the City Council was subject to a corporate peer challenge process facilitated by the Local Government Association (LGA) as part of the Council's commitment to ongoing improvement. Peer challenges are improvement orientated and designed to complement the Council's own performance and improvement plans. A copy of the Corporate Peer Challenge report can be found on the Council's website ([www.gloucester.gov.uk](http://www.gloucester.gov.uk)). An action plan has been developed by Members and officers to implement the recommendations made in the Peer Challenge report and there has already been progress made on some of the recommendations.

- 5.4 Following the departure of the Chief Executive Officer in March 2014, the Organisational Development Committee reviewed the senior management arrangements and agreed to the deletion of the Chief Executive Post and to operate with a 'Two Director Model'. It was subsequently agreed by Council that the statutory Head of Paid Service role became the responsibility of both the Corporate Directors on a shared basis.
- 5.5 As a result of the operation of the 'Two Director Model', the opportunity was also taken to review the membership of, and attendance at, the weekly Senior Management Team (SMT) meetings. The result is that SMT now consists of the two Directors and eight senior managers who meet on a weekly basis.
- 5.6 Following the announcement of the Corporate Director of Resources that he would be leaving the Council on 30<sup>th</sup> June 2014, the Organisational Development Committee agreed to the post of Corporate Director of Resources being advertised and recruited to, and, that the Head of Paid Service role being assigned solely to the Corporate Director of Services & Neighbourhoods from 1<sup>st</sup> July 2014.
- 5.7 The Council has adopted a Scheme of Delegation detailing the delegation of responsibilities and functions to the Council, Cabinet, individual Cabinet Members, Committees, and officers.
- 5.8 Under the Local Authorities (Members Allowances) (England) Regulations 2003, local authorities are required to have in place a scheme which sets out payments of allowances to Councillors. The City Council formally adopts its allowances scheme for the forthcoming year at Annual Council. The Scheme for 2013-14, which was based on recommendations by an independent "Members Remuneration" panel, was adopted by the Council in March 2013.
- 5.9 Under Section 38 of the Localism Act 2011, the Council must approve and publish a senior pay policy statement before the start of the financial year to which it applies. The Council is expected to keep the statement under review and publish a new version each year. The Senior Pay Policy Statement for 2013/14 was approved by Council in May 2013.
- 6.0 Promote values for the authority and demonstrate the values of good governance through the upholding of high standards of conduct and behaviour**
- 6.1 The Council has adopted codes of conduct for Members and officers. The code of conduct for Members was amended during 2012/13 to take account of changes required by the Localism Act 2011. The revised Member Code of Conduct was approved by Council in July 2012. No complaints about breach of the Member Code of Conduct were received during 2013-14.
- 6.2 Staff are also expected to maintain high standards of behaviour at all times. The standards of behaviour and other related matters are set out in an officer Code of Conduct which is based on a national model. A copy of this Code is contained in the Council's Constitution. The Council's Constitution also contains a number of protocols in respect of Member/officer and Member/Member relations, and a whistle-blowing policy for employees.

- 6.3 The Council has a complaints procedure that enables dissatisfied members of the public to raise concerns. The Council views all comments, whether they are complaints or compliments, as a valuable way of collecting continual feedback about services and identifying how it can improve the services it provides. Complainants may also refer matters to the local government ombudsman for investigation once they have been through the Council's complaint system if they are dissatisfied with the Council's response. The Council's Audit and Governance Committee receives an annual report on complaints and compliments monitoring.

## **7.0 Take informed and transparent decisions, which are subject to effective scrutiny and managing risk**

- 7.1 The Council is committed to efficient and effective decision-making and for ensuring that those responsible for decision-making are clearly identifiable to local people and that the decision-makers explain the reasons for their decisions.
- 7.2 In accordance with the statutory requirement, the Council has established an overview and scrutiny function. The Overview and Scrutiny function is a central element of the Council's aims and objectives and a key part of the democratic structure. The Overview and Scrutiny Committee meets in public to discuss and make recommendations on the development of policies and to hold the Cabinet and Cabinet Members to account for both their actions and performance.
- 7.3 The Council's Democratic Services section maintains the up to date Register of Members' Interests on behalf of the Monitoring Officer and also ensures that Members are reminded at least annually to update their record. Declarations of Interest are a standard agenda item for each main Committee meeting. The requirement for staff to declare interests is included in the 'Officers' Code of Conduct' – Council Constitution Part 5, Codes and Protocols.
- 7.4 Risk Management is essentially about good management practice and effective decision making. It can be defined as:
- 'A logical and systematic method of establishing the context, identifying, analysing, evaluating, treating monitoring and communicating risks associated with any activity, function or process in a way that will enable organisations to minimise losses and maximise opportunities'.
- 7.5 The Council recognises that all aspects of business risk must be managed. The Council has a Risk Management Strategy, the purpose of which is to provide a framework for the effective management of risks within the authority. The Strategy was last reviewed in March 2012, and is due to be reviewed again in November 2014. It contains the objectives of the strategy, linked to the Council's key aims, and guidance on the risk management cycle and scoring of risks.
- 7.6 The Senior Management Team and the Leader and Cabinet are responsible for reviewing the Council's Strategic Risk Register. Since January 2013, the Strategic Risk Register has become a standard agenda item for the joint monthly meetings between SMT and Senior Managers to ensure any risks associated with the Council's aims and objectives have been identified and are being managed. A review of the Strategic Risk Register was also undertaken by the Leader of the Council in April 2014.

- 7.7 The Council has established an Audit and Governance Committee. The Terms of Reference for this Committee were revised during the year as a result of the revised guidance issued by CIPFA entitled “Audit Committees – practical guidance for Local Authorities and Police”, 2013 Edition.
- 7.8 The Head of Legal and Policy Development & Monitoring Officer identifies any forthcoming relevant legislation and, together with the relevant Director, is responsible for ensuring that the Cabinet is appraised of the implications and what action the Council may need to take.
- 7.9 The Council has an agreed Whistleblowing policy under which members of staff may raise any concerns. Following a recommendation by the Audit & Governance Committee, a review of the Whistleblowing policy was undertaken in June 2013.

## **8.0 Develop the capacity and capability of Members and officers to be effective**

- 8.1 The Council has the Investor in People (IIP) award, which is a national standard that sets a level of good practice for the training and development of people to achieve business goals.
- 8.2 Access to Member Development is a key element of the Local Code of Corporate Governance. From the Annual Council meeting in May 2012, the Constitutional and Electoral Working Group became responsible for reviewing, developing and setting the Council's Member development programme. An ongoing programme of Member development was agreed by the Group on 12 March 2013. Member training in 2013/14 included the following:
- A 'Know Your Service' Day held on 25 October 2013
  - Various seminars and briefings on the Joint Core Strategy
  - Risk Management Workshop
  - Social Media Training
- 8.3 In total 13 training courses were provided by the Council in 2013/14, including refresher training for Planning and Licensing. Attendance at training sessions is variable, with some sessions being cancelled due to lack of interest. Higher attendance levels remain desirable.

## **9.0 Engage with local people and other stakeholders to ensure robust public accountability**

- 9.1 Council, Cabinet and Committee meetings are open to the public with agendas and minutes being publicly available. Members of the public are able to ask questions at such meetings and, with effect from 27 March 2014, the Council has decided to allow the public to record its public meetings. A protocol setting out the Council's rules on recording has been adopted and is contained in the Council's Constitution.
- 9.2 The Council publishes a leaflet with its Council Tax demands which summarises financial performance and, at the end of each financial year, publishes its Statement of Accounts. A comprehensive annual budget consultation process is also undertaken with residents, voluntary sector groups and local businesses.

- 9.3 The Council has agreed and published a petitions scheme which details guidance and procedures for the way in which it deals with petitions from members of the public which may include a debate at Council or the matter being considered by the Cabinet, appropriate Committee, or a Forum.
- 9.4 In order to increase transparency and accountability in local government, central government introduced a legal requirement for councils to report upon the remuneration of senior employees. This information was published as part of the City Council's annual accounts. The Council's comprehensive Pay Policy Statement for 2013-14 was also approved by Full Council on 20<sup>th</sup> May 2013.
- 9.5 The Council has a strong track record of partnership working with the public, private and voluntary sectors. It has established: an arm's length management organisation, Gloucester City Homes (GCH), to manage, maintain and improve the council housing stock, a charitable trust, Aspire Sports and Cultural Trust, to manage its leisure services, a separate legal entity; Marketing Gloucester Ltd, to promote the City; and, has entered into two strategic partnership contracts with the private sector for the provision of Streetcare services (street cleansing, waste collection, grounds maintenance and public conveniences) and the delivery of Revenues and Benefits services. In May 2014, the Council entered into a further partnership contract with Civica for the provision of IT services.
- 9.6 Monitoring arrangements for the major partnerships are delivered through a combination of client/contractor meetings, the Senior Management Team and Members (Cabinet and/or Overview and Scrutiny Committee).

## **10.0 Review of effectiveness**

- 10.1 Gloucester City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior management team within the authority who have responsibility for the development and maintenance of the governance environment, the annual report of the Audit, Risk & Assurance Manager, and also by reports issued by the Council's external auditors and other review agencies and inspectorates.
- 10.2 The processes that have been applied in maintaining and reviewing the effectiveness of the governance framework are as follows:-

## **11.0 The Council**

- 11.1 The Council has adopted a Constitution that controls how the Council is structured and the decision-making procedure laid out in the Constitution details the procedures designed to support open and accountable decision-making. During 2013/14, a number of further changes to the Constitution were made, and agreed by Council, to ensure it remained up to date. A copy of the Constitution can be found on the Council's website at [www.gloucester.gov.uk](http://www.gloucester.gov.uk).

## **12.0 The Cabinet**

- 12.1 The Council determines the budgetary and policy framework. The principal decision-making body is the Cabinet (Executive). The Cabinet took all Key

Decisions in 2013/14. Key Decisions are subject to pre-scrutiny by the Overview & Scrutiny Committee.

- 12.2 The key statutory document that sets the agenda for a rolling programme of future key decisions is the Forward Plan; hence this is a critical factor in the Council's overall decision-making process.
- 12.3 Executive decisions taken by Cabinet and individual Cabinet Members are published and may be subject to a call-in process for examination by the Overview & Scrutiny Committee.

### **13.0 The Audit and Governance Committee**

- 13.1 Good corporate governance requires independent, effective assurance about both the adequacy of corporate, operational and financial management and reporting, and the management of other processes required to achieve the organisation's corporate and service objectives. Effective audit committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors.
- 13.2 The Terms of Reference for the audit and governance elements of the Audit and Governance Committee cover the core functions of an audit committee as identified in the CIPFA guidance 'Audit Committees – Practical Guidance for Local Authorities, and revised during the year to reflect the CIPFA guidance (2013 Edition) entitled 'Audit Committees – Practical Guidance for local Authorities and Police.
- 13.3 The Council's committee, whose role is to promote and maintain high standards of conduct by Councillors and co-opted Members, is the Audit and Governance Committee. A review of the operation of the Council's standards arrangements was considered by the Audit and Governance Committee on 24<sup>th</sup> June 2013.

### **14.0 Overview and Scrutiny Committee**

- 14.1 As part of the Council's Overview and Scrutiny arrangements, it was agreed that the Overview and Scrutiny Committee would 'provide and co-ordinate the input to an annual report to Full Council on such issues or topics as the Committee saw fit'. The Annual Report setting out the work and achievements of the Council's Overview and Scrutiny function during 2013/14 was reported to Council on 17<sup>th</sup> July 2014.
- 14.2 The Committee used an annual work programme to manage the business of the Committee during 2013/14 and there was an agreed programme of reviews to be carried out by Task & Finish Groups, with regular reporting on progress being made to the full Committee.

### **15.0 Internal Audit**

- 15.1 Internal Audit is a legislative requirement of the Accounts and Audit (England) Regulations 2011. This requires the authority to undertake an adequate and effective internal audit of its accounting records and of its system of internal control.

- 15.2 Gloucester City Council and Stroud District Council have formed the Gloucestershire Audit & Assurance Partnership (**G A A P**) in order to deliver a professional, cost effective, efficient internal audit function to the partner organisations. The provision of the Internal Audit Service is by a team consisting of 6 staff; 3 based at Gloucester and 3 based at Stroud. In addition, the team is managed by the Head of Partnership, who is the GCC Audit, Risk & Assurance Manager.
- 15.3 The 2011 Accounts and Audit Regulations also require the authority to review the effectiveness of its internal audit function at least once a year, and that the findings of this review should be included in the Annual Governance Statement.
- 15.4 This review consisted mainly of a self-assessment against the Public Sector Internal Audit Standards, and the results were reviewed by the Council's Corporate Director of Resources, and were reported to the Council's Audit & Governance Committee in June 2014. The overall conclusion from the review was that internal audit at the council is effective. Although the self-assessment identified a number of 'gaps' in compliance with the Public Sector Internal Audit Standards, these do not materially effect the reliance the Council can place on the Audit, Risk & Assurance Manager's opinion on the adequacy of the control environment.
- 15.5 Internal Audit work is carried out to the standards outlined in the Public Sector Internal Audit Standards' (the Standards). The Standards require the Head of Internal Audit to 'provide a written report to those charged with governance timed to support the Annual Governance Statement'. The 2013-14 report by the Audit, Risk & Assurance Manager concludes:-
- "My overall opinion is that a satisfactory level of assurance can be given that there is generally a sound system of internal control, designed to meet the Council's objectives, and that controls are generally being applied consistently."
- 15.6 The Standards also state that, within this written report to those charged with governance, the Council's Head of Internal Audit should identify any issues that are relevant to the preparation of the Annual Governance Statement.
- 15.7 The main control issues identified as a result of internal audit work during the year, and which resulted in an unsatisfactory level of assurance, related to contract management. Whilst issues such as these would normally be identified as a 'significant governance issue' and therefore relevant to the preparation of the Annual Governance Statement, as Members have received assurance from the appropriate managers during the year that appropriate controls are now in place, it is the opinion of the Audit, Risk & Assurance Manager that these issues do not require to be specifically reported in the governance statement.

## **16. External Audit and Other Review/Assurance mechanisms**

### External Audit

- 16.1 External Audit is part of the process of accountability for public money. It makes an important contribution to the stewardship of public resources and the corporate

governance of public services. The scope of External Audit work covers not only the audit of financial statements but also aspects of corporate governance.

- 16.2 In September 2013, the Council's external auditor produced their 'Report to those charged with governance' (ISA 260) relating to the 2012/13 audit of the council's financial statements. The headlines from the ISA 260 report were that:-
- The auditors anticipated issuing an unqualified audit opinion by the 30 September 2013. NB This was subsequently issued.
  - The audit identified a total of four significant audit adjustments, all of which were adjusted by the Authority.
  - Record keeping relating to fixed assets remained an area of concern.
  - The auditors noted an improvement in the quality of the accounts and the supporting working papers.
  - The Authority's organisation and IT control environment is effective overall.
  - The auditors concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 16.3 In relation to 'audit matters of governance interest that arise from the audit of the financial statements' the report concluded "There are no other matters which we wish to draw your attention in addition to those highlighted in this report and our previous reports relating to the audit of the Authority's 2012/13 financial statements".

#### Corporate Peer Challenge

- 16.4 There were a number of positive outcomes identified in the Corporate Peer Challenge Report, following the review that was carried out in December 2013. These were:-
- "There has been a huge amount of regeneration and development activity in Gloucester over recent years and the council can be proud of what has been achieved in this regard".
  - "There is good cross-party working politically and mutual respect between elected members".
  - "Council staff are committed and conscientious and clearly want to do their best for Gloucester and the council".
  - "The Council is valued by external partners and it is seen as good to work with".
  - "The Council has dealt successfully with the financial challenges to date".
- 16.5 The report also referred to "a very difficult and challenging situation in late 2012" and the need to now move things forward. The following key areas have been identified as being important :-
- Elected members and officers at all levels need to better understand their respective roles and responsibilities and adhere to them. The senior political and managerial leadership need to lead the way on this
  - The leader and Chief Executive need to continue to be willing to invest the time and effort to re-build relations and adapt their style and approaches. They also need to take the lead in fostering the leadership style and approach that is desired across the council.



- The senior political and management leadership of the council needs to improve the dialogue between them and the wider organisation.

16.6 As a result of the report findings, an Action Plan has been produced detailing proposed actions to implement the findings from the report.

#### Gloucestershire Airport

- 16.7 The Council is a 50% shareholder of Gloucestershire Airport, which is a company limited by shares, and is subject to the requirements set by the Companies Act. There is a Board of Directors, including a Managing Director and Head of Operations, which monitors the company's performance and is responsible for internal control activities. The statutory accounts are audited each year by a private firm of accountants, and presented to the board and shareholders; they are approved at the AGM. The Council's Corporate Director of Resources or designated representative receives regular management accounts for the airport.
- 16.8 The City Council commissioned a strategic review of the airport in 2013, findings of which also included recommendations that the shareholding councils should carry out a further review of governance arrangements. A report will be issued by York Aviation at the end of June, recommendations from which will need to be adopted during 2014/15, following consideration by members in July.

#### Director of Resources and Head of Finance Statement (Former and Current S151 Officers)

- 16.9 To comply with the CIPFA Code of Practice on Local Authority Accounting, a specific statement is required to be reported in the Annual Governance Statement on whether the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) to ensure an effective system of internal control is maintained and operated in connection with the resources concerned. The Director of Resources and Head of Financial Services, have confirmed that the authority's financial management arrangements conform with the CIPFA Statement, and have also made the following comments in paragraphs 16.10 to 16.15, below:
- 16.10 The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the council. In particular, the system includes:
- Budget systems;
  - Reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
  - Setting targets to measure financial and other performance;
  - The preparation of financial reports which indicate actual expenditure against the forecasts;
  - Capital expenditure arrangements and project management disciplines.

16.11 The review of the effectiveness of the system of internal financial control is informed by:

- The work of managers within the Council
- The work of internal auditors as described above, and
- The external auditors in their annual audit letter and other reports

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

16.12 The arrangements for internal audit are as set out in the Annual Governance Statement (paragraph 15) and we are satisfied that they operate to a defined standard. A review of the effectiveness of internal audit has been undertaken and reported to the Audit Committee. The Head of Internal Audit has also provided an independent opinion in his annual report stating that he is satisfied the council has an adequate control environment in place.

16.13 The work of both Internal and External Audit has further confirmed our view, endorsed by SMT and the Corporate Governance Group, that following implementation of the Financial Services Improvement Plan, it is now essential that as next steps, that ongoing ownership and accountability for financial management are embedded across the Council.

16.14 Significant improvements have been implemented as part of the Financial Services Improvement Plan. The Council has completed its financial statements for the last two consecutive financial years earlier than ever before in the life of the council. The challenge has been to make these changes sustainable - and over the last 12 months, the Financial Services team has been restructured and 3 Senior Accounting posts have been appointed to, with the necessary skills to deliver a professional accounting service on an ongoing basis. This has ensured both short term and long term service resilience.

16.15 Risk Management is the process by which risks are identified, evaluated and controlled, and is a key element of the governance framework. Ongoing reviews of the strategic risk register has been undertaken throughout the year to ensure any risks associated with the achievement of the Council's aims and objectives in the corporate strategy 'Transforming Your City' have been identified. Regular reviews of service plans and risk registers and the Strategic Risk Register are carried out by SMT supported by the Officer Risk Champion.

#### Other sources of Assurance

16.16 A further source of assurance has been obtained from the use of Management Assurance Statements. These Statements have been issued to all Directors and Senior Managers, and they have been requested to complete, and to identify any significant internal control issues within their portfolio. There were no significant control issues identified.

## **17.0 Significant governance issues**

- 17.1 We have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Corporate Governance Group. A plan to ensure continuous improvement of the system is in place and key actions identified is appended to this statement.
- 17.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed**

**Paul James**  
**Leader of the Council**

**Martin Shields**  
**Director of Services &**  
**Neighbourhoods**

## Annual Governance Statement Action Plan 2014-15

No.	Core Principle	Governance issue	Responsible Officer	Action Required
1	External Audit and Other Review/Assurance mechanisms	An external review of the Governance arrangements of Gloucestershire Airport Ltd, jointly commissioned by Gloucester City and Cheltenham Borough Councils. Whilst the report is not yet finalised, it will make recommendations for ongoing improvements to both governance and operations at the airport <b>(as per para.16.8)</b>	Head of Regeneration & ED/Head of Finance/Head of Legal & Policy Development & Monitoring Officer	To implement the recommendations made by York Aviation, through a report to Cabinet and Full Council in July 2014.
2	External Audit and Other Review/Assurance mechanisms	Key areas identified from the Corporate Peer Challenge Report <b>(as per para.16.6)</b>	SMT	<p>A comprehensive action plan to address each of the key recommendations arising from the peer challenge is being produced a draft of which was discussed with political Group Leaders on 16<sup>th</sup> June 2014.</p> <p>This approach to producing and monitoring the action plan is an inclusive one – and has been informed by staff involvement and feedback, which was completed in May 2014. In addition, following the Group leaders meeting on 16<sup>th</sup> June, all City Council members have also been given the opportunity to contribute to this process,</p>

No.	Core Principle	Governance issue	Responsible Officer	Action Required
				<p>with a timescale of 30<sup>th</sup> June 2014.</p> <p>The action plan when finalised with member comments will be closely monitored throughout the year.</p>

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# FOREWORD TO THE ACCOUNTS

# **FOREWORD TO THE ACCOUNTS**

## **1 Introduction**

The Statement of Accounts presents the financial position of the Council for the year ended 31 March 2014. The Accounts are produced in the format stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with best accounting practice. This foreword provides a brief explanation of the financial aspects of the Council's activities and a guide to the significant matters reported in the accounts.

## **2 The Statement of Accounts**

The accounting statements included in the accounts are listed below along with an explanation of their purpose:

### ***Movement in Reserves Statement.***

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

### ***Comprehensive Income and Expenditure Statement.***

This statement summarises the resources that have been generated and consumed in providing services and managing the Council during 2013/14. It includes all expenditure and income on an accruals basis, as well as transactions measuring the value of fixed assets consumed, and the real projected value of retirement benefits earned by employees in the year.

### ***Balance Sheet***

This shows the Council's financial position on 31 March 2014. It shows the balances and reserves at the Council's disposal at that date, and summarises the fixed and current net assets employed in carrying out the Council's functions.

### ***Cash Flow Statement***

This summarises the cash received and payments made by the Council for revenue and capital purposes in 2013/14.

### ***Housing Revenue Account.***

We are legally obliged to account separately for housing provision. The Housing Revenue Account shows the major elements of expenditure on Council Houses and how these are met by rents and other income.

### ***Collection Fund***

We are legally obliged to maintain this fund separately from our other funds and accounts. The Collection Fund summarises the income received from council taxpayers and business ratepayers on behalf of the Government and precepting authorities.

The Collection Fund records the income we receive and how this income was distributed between the Council, the County Council and the Police and Crime Commissioner and the Government.

## FOREWORD TO THE ACCOUNTS

### 3 Budget Performance - Net Revenue Budget

The budgeted 'Net Expenditure by Service' of the Council for 2013/14 was £16.659 million. The actual net expenditure for the year was £16.955 million, a deficit on budget of £296k. The deficit will be transferred from the general fund.

The net impact on the General Fund balance is a decrease of £296k, which results in a closing balance of £1.820 million. The Council's current policy is to hold a General Fund balance of about £1.6m. The current decreased balance of £1.820m is in place to provide some one-off cover against the risk of future government funding reductions arising from the Local Government Resource Review changes. This has been maintained to carry forward into 2014/15.

The budget deficit of £296k in 2013/14 is as a result of a variety of budget surpluses and deficits during the year. Some of the key variances are highlighted in the table below:

	Budget (Surplus)/Deficit £000's
Parking	(393)
Public Protection	(185)
Neighbourhood Management	261
Guildhall Events	254
Waste Collection Fees	146
IT Costs	106
Other Council Variances	107
	296

### 4 Impact of the Economic Climate

The continued uncertainty with regard to the economic climate has had an impact on the Council's finances. Going forward, the Council has taken steps (in its Money Plan) to manage any further detrimental impacts and the situation will be closely monitored in the coming financial year.

### 5 Gross Revenue Expenditure

The Comprehensive Income and Expenditure Account shows the gross cost of service provision for 2013/14 which amounts to £117.318 million (2012/13: £165.909 million). This expenditure has been analysed by type as shown below:

	2013/14 £000	Restated 2012/13 £000
<b>Expenditure Type</b>		
Employee Expenses	10,696	10,527
Other Service Expenses	92,649	99,203
Support Service Recharges	(11,550)	(10,170)
Non-distributed costs	1	20
Exceptional items	-	59,427
Other Operating Expenditure	446	484
Capital charges and investment property expenditure	8,781	6,418
Business rates expenditure	16,295	-
<b>Gross Cost of Services</b>	<b>117,318</b>	<b>165,909</b>

Employee expenses comprise all payments to and on behalf of the City Council's employees including salaries, employer's national insurance and pension contributions, training, professional subscriptions, recruitment, and health and safety costs.

Other service expenses consist of premises, transport related expenses and supplies and services costs and include the cost of maintaining buildings, operating vehicles and the purchase of goods and services.

Capital charges comprise net servicing of finance costs, impairments and depreciation and they represent the real cost of using assets to provide the Council's services.

Property valuations are carried out by the Council's Estates Valuation Manager. Impairment reductions result in a cost to the Income and Expenditure Account, but they do not result in a charge to the Council Tax payers.

Business rates expenditure represents the tariff paid by the Council and other expenditure in respect of the new Business Rates Retention Scheme which was introduced in the 2013/14 year-refer to note 2 on the Collection Fund on Page 90.



# **FOREWORD TO THE ACCOUNTS**

## **6 Gross Revenue Income**

The Council received gross income of £114.937 million (2012/13:£115.420 million) and this is analysed by type as follows:

		<b>Restated</b>
	<b>2013/14</b>	<b>2012/13</b>
<b>Income Type</b>	<b>£000</b>	<b>£000</b>
Government Grants	46,516	54,431
Income from Council Tax and non-specific grant income	34,388	17,542
Fees,Charges & Other Service Income	31,476	31,564
Interest and Investment property income and other operating income	2,557	11,883
	<b>114,937</b>	<b>115,420</b>

Government grant income includes £46.439 million towards the cost of Housing Benefits and the administration of the respective payments.

Fees, charges and other service income is generated by Council services e.g. leisure facilities, building control fees, car parking, planning fees, land charges fees and licensing fees.

Other operating income includes miscellaneous items such as recharges to external bodies, contributions from shared service, investment property income and other partnership contributions.

## **7 Pension Fund**

The Council's share of the assets and liabilities of the Pension Fund is a net liability and has been calculated in accordance with International Accounting Standard 19. The net liability has increased by £3.921 million to £61.407 million. A further explanation can be found in Note 43 to the Core Financial Statements.

It is important to understand that the net pension liability is a position taken at just one point in time. Market prices can move up as well as down in the short term and it is, therefore, not possible to quantify what long term effect the movement in market prices will have on the Pension Fund.

## **8 Borrowing**

The Council borrows, within specified limits, to cover shortfalls in current cash funds (before Council Tax revenues are received, for example) or to fund capital expenditure. Note 21(ii) (Long Term Borrowings) in the Notes to the Core Financial Statements provides details of the Council's outstanding loans and when they mature.

## **9. Capital Expenditure and Source of Funding**

Capital expenditure for 2013/14 was £10.337 million (2012/13: £13.047 million). This compares with an estimate of £15.82 million for the year. Where Capital Projects have not been completed funding will be carried forward to finance these items in 2014/15.

A summary of the capital expenditure in 2013/14 is shown below. Of the £10.337 million spend, £9.253 million added to the value of the Council's fixed assets, and the balance was written off in year to the Income and Expenditure Account as revenue expenditure funded from capital under statute. The sources of funding for the Council's capital expenditure in 2013/14 are also shown below:

<b>Capital Expenditure</b>	<b>£000</b>
Housing	6,049
Grants (including Disabled Facilities Grants)	1,133
King's Quarter	633
HKP Accommodation review and Reception Upgrade	326
Other including S106, IT and infrastructure	2,196
	<b>10,337</b>

<b>Source of Funding</b>	<b>£000</b>
Usable Capital receipts	2,774
Grants (including Major Repairs Reserve)	2,924
Internal Borrowing	4,639
	<b>10,337</b>

# **FOREWORD TO THE ACCOUNTS**

## **10 Significant Changes in Accounting Policies**

There have been no significant changes to accounting policies in the financial year.

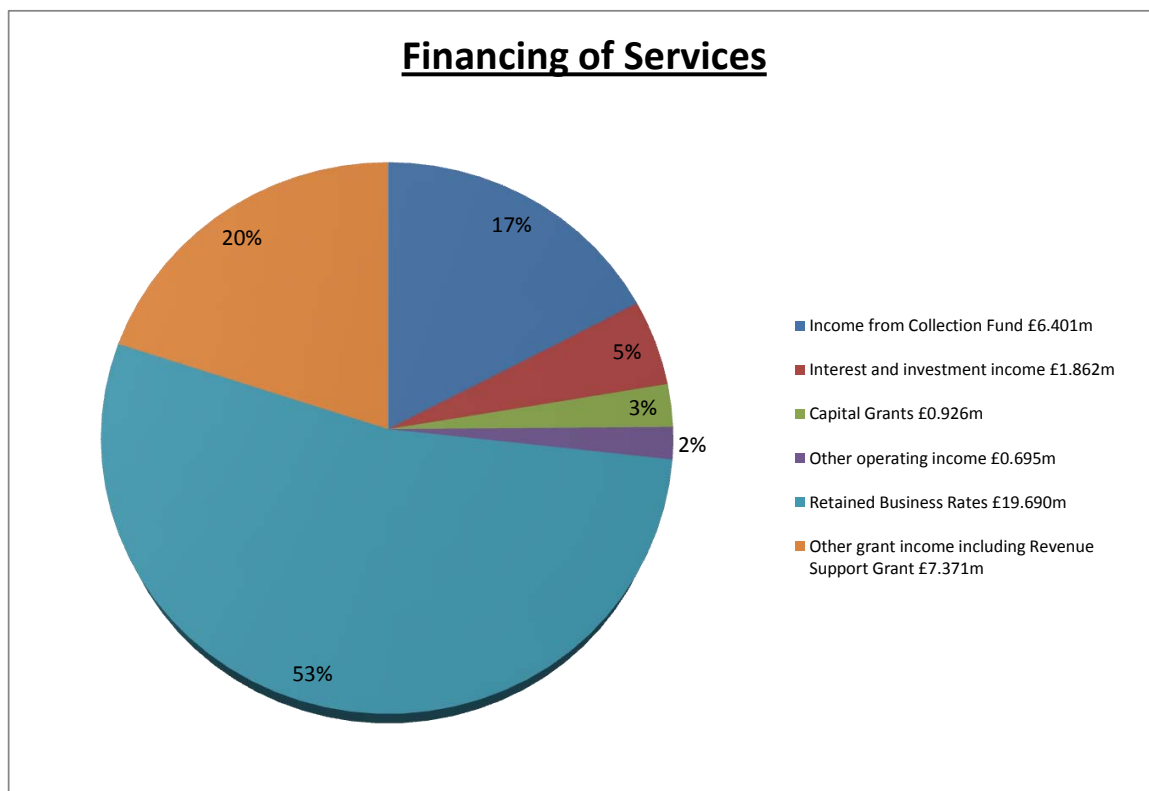
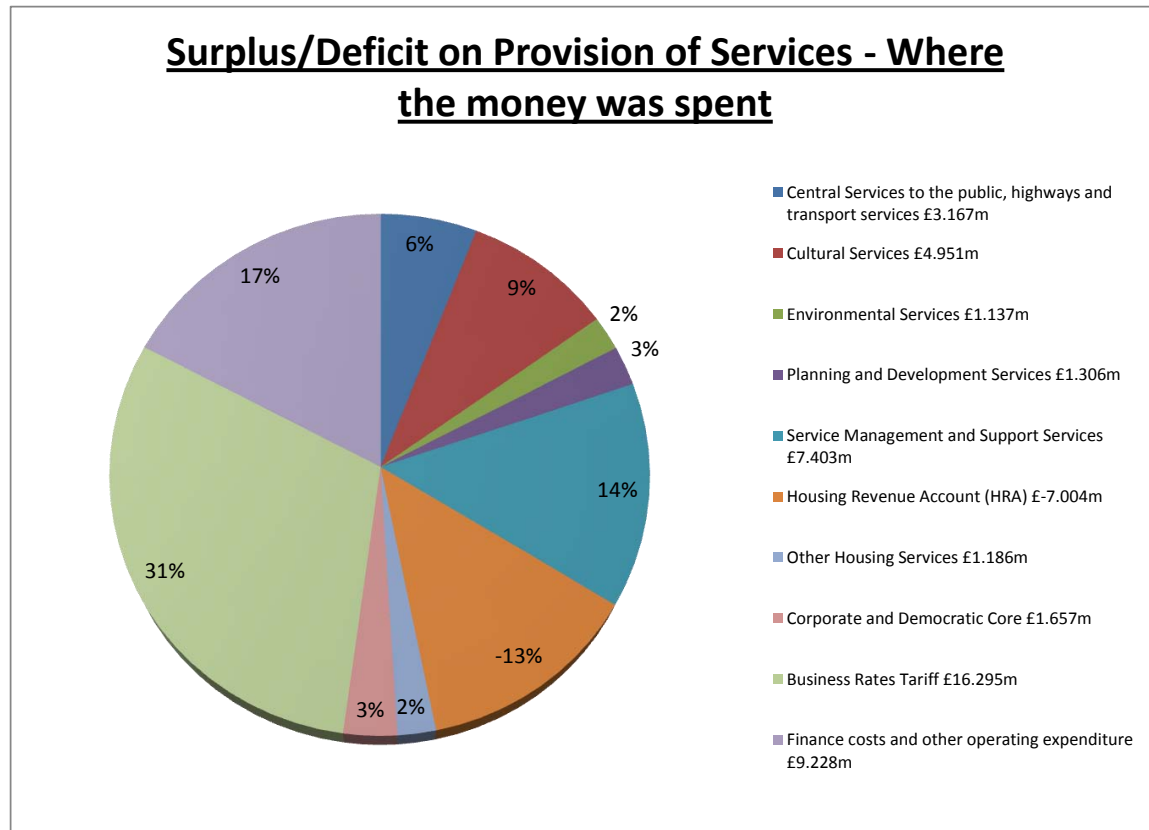
## **11 Further Information**

Further details of the accounts can be obtained from the Head of Finance, Herbert Warehouse, The Docks, Gloucester, GL1 2EQ. Tel. (01452) 396242. A statement of the accounting policies used is shown on pages 26 - 34 and a glossary explaining some of the technical terms used is included on pages 91-94.

Jon Topping  
Head of Finance(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.



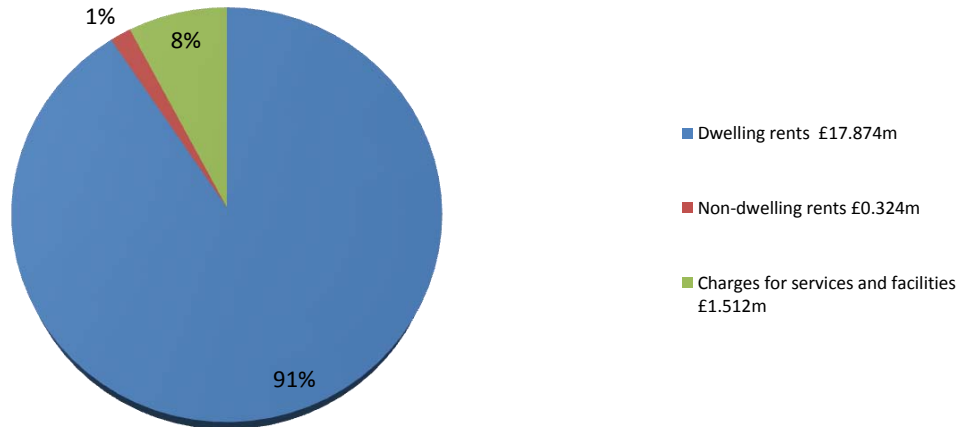
# FOREWORD TO THE ACCOUNTS

## Housing Revenue Account (HRA)

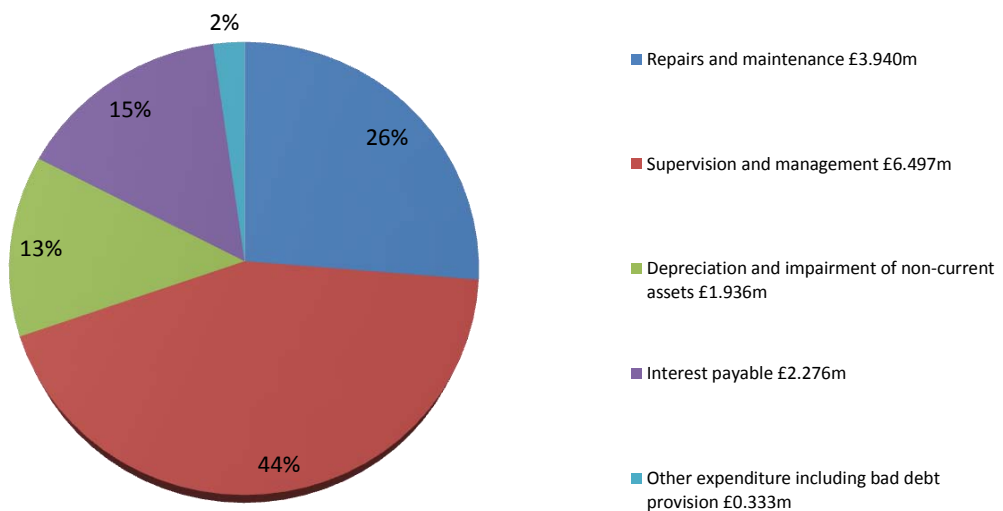
The Local Government and Housing Act 1989 requires that all income and expenditure relating to the landlord role of managing public sector council housing is contained (ring fenced) in the Housing Revenue Account (HRA). The accounts for the HRA are shown on pages 85-87.

An analysis of the account is shown graphically below:

### WHERE THE MONEY CAME FROM



### WHAT THE MONEY WAS SPENT ON



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# **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 2013/14 financial year and its financial position at 31 March 2014. 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 2013/14 and the Service Reporting Code of Practice 2013/14, 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 against 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.

# STATEMENT OF ACCOUNTING POLICIES

## 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 the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

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

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

### Post Employment Benefits - 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 4.1% 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;
  - Unlisted securities – current bid price; and
  - Property – market value.
- The change in the net pensions liability is analysed into the following components:

#### Service Cost comprising

- **Current service cost** - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure 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.
- **Net interest on the defined benefit liability i.e. net interest expense for the Council**- the change during the period in the net defined liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement- this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period- taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

#### Remeasurements comprising:

- **The return on plan assets** - excluding amounts included in net interest on the net defined liability- credited to the 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

# **STATEMENT OF ACCOUNTING POLICIES**

## **7 EMPLOYEE BENEFITS (continued)**

**Contributions paid to the LGPS** - cash paid as employer's contributions to the pension fund in settlement of liabilities. This is not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. 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.

## **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 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.



# **STATEMENT OF ACCOUNTING POLICIES**

## **9 FINANCIAL INSTRUMENTS (continued)**

### ***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.

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.

## **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 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 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 the disposal of heritage assets, the proceeds are accounted for 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.

# **STATEMENT OF ACCOUNTING POLICIES**

## **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 is not capitalised).

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).

# **STATEMENT OF ACCOUNTING POLICIES**

## **17 LEASES (continued)**

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

### ***Operating Leases***

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the use of the leased asset. Charges are made on the 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 rent-free period at the commencement of the lease).

### **The Council as Lessor**

### ***Finance Leases***

Where the Council grants a finance lease over a property or item of property, plant and equipment the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease the carrying amount of the asset is written-off to the Other Operating Income and Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal) matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals are apportioned between:

- A charge for acquisition of the interest in the property- applied to write-down the lease debtor (together with any premiums received) and;
- Finance income-credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received the element for the capital receipt for the disposal of the asset is used to write-down the lease debtor. At this point the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

### ***Operating Leases***

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the 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 2013/14 (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.

# **STATEMENT OF ACCOUNTING POLICIES**

## **19 PROPERTY, PLANT AND EQUIPMENT (continued)**

### **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

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

- Infrastructure, community assets and assets under construction – at fair value.
- 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.

### **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 on assets acquired commences with effect from 1 April in the next financial year.

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line over the useful life of the properties.
- Vehicles, plant, furniture and equipment – straight-line over the useful lives of the assets.
- Infrastructure and community assets – straight-line over the useful life of the assets.

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.

# **STATEMENT OF ACCOUNTING POLICIES**

## **19 PROPERTY, PLANT AND EQUIPMENT (continued)**

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 non-current 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.

### **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.

## **STATEMENT OF ACCOUNTING POLICIES**

### **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) which is 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 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.

	<b>Gloucestershire Airport</b>	<b>GCH</b>
(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

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# CORE FINANCIAL STATEMENTS

## CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL MOVEMENT IN RESERVES STATEMENT									
For the years ended 31 March 2013 & 2014									
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 £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 1 April 2012</b>	<b>2,462</b>	<b>369</b>	<b>1,376</b>	<b>34</b>	<b>-</b>	<b>1,731</b>	<b>5,972</b>	<b>175,929</b>	<b>181,901</b>
<b>Movement in Reserves during 2012/13</b>									
Surplus/(deficit) on the provision of services-as restated	(8,299)	-	(42,207)	-	-	-	(50,506)	-	(50,506)
Other Comprehensive Income and Expenditure-as restated	-	-	-	-	-	-	-	(47,224)	(47,224)
<b>Total Comprehensive Income and Expenditure</b>	<b>(8,299)</b>	<b>-</b>	<b>(42,207)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(50,506)</b>	<b>(47,224)</b>	<b>(97,730)</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)-as restated	7,696	-	44,348	4,213	-	64	56,321	(56,321)	-
<b>Net Increase/(Decrease) before transfers (to)/from Earmarked Reserves</b>	<b>(603)</b>	<b>-</b>	<b>2,141</b>	<b>4,213</b>	<b>-</b>	<b>64</b>	<b>5,815</b>	<b>(103,545)</b>	<b>(97,730)</b>
Transfers (to)/from Earmarked Reserves (Note 7)	257	(257)	-	-	-	-	-	-	-
<b>Increase/(Decrease) in 2012/13</b>	<b>(346)</b>	<b>(257)</b>	<b>2,141</b>	<b>4,213</b>	<b>-</b>	<b>64</b>	<b>5,815</b>	<b>(103,545)</b>	<b>(97,730)</b>
<b>Balance at 31 March 2013</b>	<b>2,116</b>	<b>112</b>	<b>3,517</b>	<b>4,247</b>	<b>-</b>	<b>1,795</b>	<b>11,787</b>	<b>72,384</b>	<b>84,171</b>
<b>Movement in Reserves during 2013/14</b>									
(Deficit)/Surplus on the provision of services	(7,805)	-	5,424	-	-	-	(2,381)	-	(2,381)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(3,367)	(3,367)
<b>Total Comprehensive Income and Expenditure</b>	<b>(7,805)</b>	<b>-</b>	<b>5,424</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,381)</b>	<b>(3,367)</b>	<b>(5,748)</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	7,509	-	(1,330)	(783)	-	102	5,498	(5,498)	-
<b>Net (Decrease)/Increase before Transfers to Earmarked Reserves</b>	<b>(296)</b>	<b>-</b>	<b>4,094</b>	<b>(783)</b>	<b>-</b>	<b>102</b>	<b>3,117</b>	<b>(8,865)</b>	<b>(5,748)</b>
Transfers from/(to) Earmarked Reserves (Note 7)	-	-	-	-	-	-	-	-	-
<b>Net (Decrease)/Increase in 2013/14</b>	<b>(296)</b>	<b>-</b>	<b>4,094</b>	<b>(783)</b>	<b>-</b>	<b>102</b>	<b>3,117</b>	<b>(8,865)</b>	<b>(5,748)</b>
<b>Balance at 31 March 2014</b>	<b>1,820</b>	<b>112</b>	<b>7,611</b>	<b>3,464</b>	<b>-</b>	<b>1,897</b>	<b>14,904</b>	<b>63,519</b>	<b>78,423</b>



# CORE FINANCIAL STATEMENTS

## GLOUCESTER CITY COUNCIL GROUP MOVEMENT IN RESERVES STATEMENT For the years ended 31 March 2013 & 2014

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			Total Group 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	
	£000	£000	£000	£000	£000	£000	
<b>Balance at 1 April 2012</b>	5,972	4,467	<b>10,439</b>	175,929	13,091	<b>189,020</b>	<b>199,459</b>
<b>Movement in Reserves during 2012/13</b>							
Surplus or (deficit) on the provision of services-as restated	(50,506)	618	<b>(49,888)</b>	-	-	-	<b>(49,888)</b>
Adjustment in respect of group share of prior year reserves for subsidiary no longer included in group accounts (Refer to Note 48)	-	(1,555)	<b>(1,555)</b>	-	-	-	<b>(1,555)</b>
Adjustment in respect of group share of prior year reserves for associates no longer included in group accounts	-	(106)	<b>(106)</b>	-	-	-	<b>(106)</b>
Other Comprehensive Income and Expenditure-as restated	-	-	-	(47,224)	(658)	<b>(47,882)</b>	<b>(47,882)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(50,506)</b>	<b>(1,043)</b>	<b>(51,549)</b>	<b>(47,224)</b>	<b>(658)</b>	<b>(47,882)</b>	<b>(99,431)</b>
Adjustments between Group Accounts and GCC Account - Note 48	-	34	<b>34</b>	-	(34)	<b>(34)</b>	-
<b>Net Increase/(Decrease) before Transfers</b>	<b>(50,506)</b>	<b>(1,009)</b>	<b>(51,515)</b>	<b>(47,224)</b>	<b>(692)</b>	<b>(47,916)</b>	<b>(99,431)</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)- as restated	56,321	-	<b>56,321</b>	(56,321)	-	<b>(56,321)</b>	-
<b>Increase/(Decrease) in 2012/13</b>	<b>5,815</b>	<b>(1,009)</b>	<b>4,806</b>	<b>(103,545)</b>	<b>(692)</b>	<b>(104,237)</b>	<b>(99,431)</b>
<b>Balance at 1 April 2013</b>	<b>11,787</b>	<b>3,458</b>	<b>15,245</b>	<b>72,384</b>	<b>12,399</b>	<b>84,783</b>	<b>100,028</b>
<b>Movement in Reserves during 2013/14</b>							
Surplus or (deficit) on the provision of services	(2,381)	109	<b>(2,272)</b>	-	-	-	<b>(2,272)</b>
Other Comprehensive Income and Expenditure	-	-	-	(3,367)	(317)	<b>(3,684)</b>	<b>(3,684)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(2,381)</b>	<b>109</b>	<b>(2,272)</b>	<b>(3,367)</b>	<b>(317)</b>	<b>(3,684)</b>	<b>(5,956)</b>
Adjustments between Group Accounts and GCC Account (Note 48)	-	262	<b>262</b>	-	(262)	<b>(262)</b>	-
<b>Net Increase/(Decrease) before Transfers</b>	<b>(2,381)</b>	<b>371</b>	<b>(2,010)</b>	<b>(3,367)</b>	<b>(579)</b>	<b>(3,946)</b>	<b>(5,956)</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	5,498	-	<b>5,498</b>	(5,498)	-	<b>(5,498)</b>	-
<b>Increase/(Decrease) in 2013/14</b>	<b>3,117</b>	<b>371</b>	<b>3,488</b>	<b>(8,865)</b>	<b>(579)</b>	<b>(9,444)</b>	<b>(5,956)</b>
<b>Balance at 31 March 2014</b>	<b>14,904</b>	<b>3,829</b>	<b>18,733</b>	<b>63,519</b>	<b>11,820</b>	<b>75,339</b>	<b>94,072</b>

# CORE FINANCIAL STATEMENTS

## GLOUCESTER CITY COUNCIL COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT For the year ended 31 March 2014

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.

Description	2013/14			Restated
	Gross	Gross	Net	2012/13
	Expenditure	Income	Expenditure	Net
	£000	£000	£000	Expenditure
<b>Central Services to the public</b>	4,876	1,565	3,311	3,183
<b>Cultural, environmental, regulatory and planning services</b>				
Cultural Services	6,148	1,197	4,951	3,641
Environmental Services	3,741	2,604	1,137	(258)
Planning and Development Services	2,846	1,540	1,306	1,601
Service Management and Support Services	8,549	1,146	7,403	7,446
<b>Highways and transport services</b>	2,693	2,837	(144)	278
<b>Housing Revenue Account (HRA)</b>	12,706	19,710	(7,004)	(5,092)
<b>Other Housing Services</b>	48,435	47,249	1,186	1,067
<b>Corporate and Democratic Core</b>	1,801	144	1,657	1,699
<b>Non distributed costs</b>	1	-	1	20
<b>Exceptional Items</b>	-	-	-	59,427
<b>Deficit on Operations</b>	<b>91,796</b>	<b>77,992</b>	<b>13,804</b>	<b>73,012</b>
<b>Other Operating Income and Expenditure (Note 8)</b>	446	695	(249)	(5,473)
<b>Financing and investment income and expenditure (Note 9)</b>	8,781	1,862	6,919	509
<b>Taxation and Non-specific Grant Income (Note 10)</b>	16,295	34,388	(18,093)	(17,542)
<b>Deficit on Provision of Services</b>	<b>117,318</b>	<b>114,937</b>	<b>2,381</b>	<b>50,506</b>
<i>Items that will not be reclassified to the (surplus) or deficit on the provision for services</i>				
<b>Losses on revaluation of Property, Plant and Equipment assets</b>	-	-	-	40,939
<b>Actuarial losses on pension assets / liabilities</b>	3,367	-	3,367	6,285
<b>Other Comprehensive Income and Expenditure</b>	<b>3,367</b>	<b>-</b>	<b>3,367</b>	<b>47,224</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>120,685</b>	<b>114,937</b>	<b>5,748</b>	<b>97,730</b>

# CORE FINANCIAL STATEMENTS

## GLOUCESTER CITY COUNCIL GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

For the year ended 31 March 2014

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.

Description	2013/14			Restated
				2012/13
	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure
	£000	£000	£000	£000
Central Services to the public	4,876	1,565	3,311	3,183
Cultural, environmental, regulatory and planning services				
Cultural Services	6,148	1,197	4,951	3,640
Environmental Services	3,741	2,604	1,137	(258)
Planning and Development Services	2,846	1,540	1,306	1,601
Service Management and Support Services	8,549	1,146	7,403	7,446
Highways and transport services	2,693	2,837	(144)	278
Housing Revenue Account (HRA)	12,382	19,565	(7,183)	(5,661)
Other Housing Services	48,435	47,249	1,186	1,067
Corporate and Democratic Core	1,801	144	1,657	1,699
Non distributed costs	1	-	1	20
Exceptional Items (refer note 4)	-	-	-	59,427
<b>(Surplus)/Deficit on Operations</b>	<b>91,472</b>	<b>77,847</b>	<b>13,625</b>	<b>72,442</b>
<b>Other Operating Expenditure (Note 8)</b>	446	695	(249)	(5,473)
<b>Financing and investment income and expenditure (Note 9)</b>	8,839	1,862	6,977	482
<b>Taxation and Non-specific Grant Income (Note 10)</b>	16,295	34,388	(18,093)	(17,542)
<b>Deficit on Provision of Services</b>	<b>117,052</b>	<b>114,792</b>	<b>2,260</b>	<b>49,909</b>
<b>Share of the (Surplus)/Deficit on the provision of Services</b>				
Joint Ventures			(3)	(43)
Associates			-	-
<b>Share of Tax Expenses</b>				
Joint Ventures			15	20
Associates			-	-
Subsidiary			-	2
<b>Group Deficit</b>			<b>2,272</b>	<b>49,888</b>
<i>Items that will not be reclassified to the (surplus) or deficit on the provision for services</i>				
<b>Loss on revaluation of Property, Plant and Equipment assets</b>			-	40,939
<b>Actuarial losses on pension assets / liabilities</b>			3,665	7,003
<b>Share of Other Comprehensive Income and Expenditure</b>				
Joint Ventures			20	(60)
Associates			-	-
<b>Group Other Comprehensive Income and Expenditure</b>			<b>3,685</b>	<b>47,882</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>5,957</b>	<b>97,770</b>

## CORE FINANCIAL STATEMENTS

### GLOUCESTER CITY COUNCIL BALANCE SHEET

As at 31 March 2014

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'.

	Notes	31/03/2014 £000	31/03/2013 £000
Property, Plant & Equipment	11	170,465	175,960
Investment Property	12	28,364	22,875
Heritage Assets	13	6,106	6,280
Intangible Assets	14	1,505	1,648
Long Term Investments	15,46	495	831
Long Term Debtors	15,19(i)	1,363	1,698
<b>Long Term Assets</b>		<b>208,298</b>	<b>209,292</b>
Short Term Investments	15	132	5,162
Assets held for Sale	16	79	400
Inventories	17	184	161
Short Term Debtors	15,19	10,537	12,509
Cash and Cash Equivalents	20	2,183	1,412
<b>Current Assets</b>		<b>13,115</b>	<b>19,644</b>
<b>Total Assets</b>		<b>221,413</b>	<b>228,936</b>
Short Term Borrowing	15,21(i)	(15,543)	(21,333)
Short Term Creditors	15,21	(7,848)	(7,649)
Provisions (<1yr)	22	(83)	(110)
<b>Current Liabilities</b>		<b>(23,474)</b>	<b>(29,092)</b>
Provisions	22	(214)	(270)
Long Term Borrowing	15,21(ii)	(55,599)	(55,599)
Capital Grants Received in Advance	36	(2,296)	(2,318)
Other Long Term Liabilities	43	(61,407)	(57,486)
<b>Long Term Liabilities</b>		<b>(119,516)</b>	<b>(115,673)</b>
<b>Net Assets</b>		<b>78,423</b>	<b>84,171</b>
Usable Reserves	23	14,904	11,787
Unusable Reserves	24	63,519	72,384
<b>Total Reserves</b>		<b>78,423</b>	<b>84,171</b>

# CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP BALANCE SHEET			
As at 31 March 2014			
<p>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 Cultural Trust, Barton and Tredworth Developments Ltd (Council share 25%) and Marketing Gloucester ( Council share 50%) have not been included in the group accounts for the current year.</p> <p>As a subsidiary the assets and liabilities of Gloucester City Homes Limited 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).</p> <p>As a Joint Venture, the Council's share of the net assets and liabilities in Gloucestershire Airport Limited has been included as long-term investment, eliminating the share capital and also includes the revalued airport land and buildings.</p>			
	Note	31/03/2014 £000	31/03/2013 £000
Property, Plant & Equipment	49	170,780	175,998
Investment Property	12	28,364	22,875
Heritage Assets	13	6,106	6,280
Intangible Assets	50	1,879	2,023
Long Term Investments	15,46	60	396
Long Term Debtors	15,19(i)	1,363	1,698
Investment in Joint Venture		15,650	15,681
<b>Long Term Assets</b>		<b>224,202</b>	<b>224,951</b>
Short Term Investments	15	132	5,162
Assets held for Sale	16	79	400
Inventories	17	184	161
Short Term Debtors	15,19	10,870	13,137
Cash and Cash Equivalents	20	2,204	1,529
<b>Current Assets</b>		<b>13,469</b>	<b>20,389</b>
<b>Total Assets</b>		<b>237,671</b>	<b>245,340</b>
Short Term Borrowing	15, 21(i)	(12,092)	(19,204)
Short Term Creditors	15,21	(9,349)	(8,330)
Provisions (<1yr)	22	(83)	(110)
<b>Current Liabilities</b>		<b>(21,524)</b>	<b>(27,644)</b>
Provisions	22	(214)	(270)
Long Term Borrowing	15,21(ii)	(55,599)	(55,599)
Capital Grants Received in Advance	36	(2,296)	(2,318)
Other Long Term Liabilities	43	(63,966)	(59,481)
<b>Long Term Liabilities</b>		<b>(122,075)</b>	<b>(117,668)</b>
<b>Net Assets</b>		<b>94,072</b>	<b>100,028</b>
Usable Reserves	23	18,733	15,245
Unusable Reserves	24	75,339	84,783
<b>Total Reserves</b>		<b>94,072</b>	<b>100,028</b>

## CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL CASH FLOW STATEMENT			
For the year ended 31 March 2014			
<p>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.</p>			
	Notes	2013/14 £000	Restated 2012/13 £000
<b>Deficit on the provision of services</b>		(2,381)	(50,506)
Adjustments in respect of non-cash movements		12,851	63,781
Adjustments in respect of items that are investing and financing activities		(2,200)	(7,388)
<b>Net Cash flows from operating activities</b>	<b>25</b>	8,270	5,887
<b>Net Cash Flows from Investing Activities</b>	<b>26</b>	(1,709)	5,692
<b>Net Cash Flows from Financing Activities</b>	<b>27</b>	(5,790)	(12,173)
<b>Net Increase/(Decrease) in cash and cash equivalents</b>		771	(594)
<b>Cash and cash equivalents at the beginning of the year</b>		1,412	2,006
<b>Cash and cash equivalents at the end of the year</b>		<b>2,183</b>	<b>1,412</b>
<b>The Balance of Cash and Cash Equivalents and Bank Overdraft</b>		<b>2013/14 £000</b>	<b>2012/13 £000</b>
Cash and Cash Equivalents		2,183	1,412
<b>Balance at 31st March</b>		<b>2,183</b>	<b>1,412</b>

## CORE FINANCIAL STATEMENTS

### GLOUCESTER CITY COUNCIL GROUP CASH FLOW STATEMENT For the year ended 31 March 2014

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.

			<b>Restated</b>
	<b>Notes</b>	<b>2013/14 £000</b>	<b>2012/13 £000</b>
<b>Deficit on the provision of services</b>		(2,260)	(49,909)
Adjustments in respect of non-cash movements		14,330	63,304
Adjustments in respect of items that are investing and financing activities		(2,200)	(7,388)
<b>Net Cash flows from operating activities</b>	<b>25</b>	9,870	6,007
<b>Net Cash Flows from Investing Activities</b>	<b>26</b>	(2,083)	3,883
<b>Net Cash Flows from Financing Activities</b>	<b>27</b>	(7,112)	(12,405)
<b>Net Increase/(Decrease) in cash and cash equivalents</b>		<b>675</b>	<b>(2,515)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		1,529	4,044
<b>Cash and cash equivalents at the end of the year</b>		<b>2,204</b>	<b>1,529</b>

		<b>2013/14 £000</b>	<b>2012/13 £000</b>
<b>The Balance of Cash and Cash Equivalents and Bank Overdraft</b>			
Cash and Cash Equivalents		2,204	1,529
<b>Balance at 31st March</b>		<b>2,204</b>	<b>1,529</b>



# **NOTES TO THE CORE FINANCIAL STATEMENTS**



## NOTES TO THE CORE FINANCIAL STATEMENTS

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

For 2013/14 the following accounting standards have been issued but not yet adopted:

IFRS 10 Consolidated Financial Statements (Issued May 2011)

IFRS 11 Joint Arrangements (Issued May 2011)

IFRS 12 Disclosures of Interests in Other Entities (Issued May 2011)

IFRS 13 Fair Value Measurement (Effective date May 2011)

IAS 28 Investments in Associates and Joint Ventures (Amended May 2011)

IAS 32 Financial Instruments: Presentation- Offsetting Financial Assets and Financial Liabilities (Amended December 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 2013/14 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 had invested an amount of £2 million with Heritable Bank which is in administration.  
  
The administrators have issued a number of reports and an impairment of £628k was recognised in the 2008/09 accounts based on LAAP Bulletin 82. Based on the latest report in November 2013 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, as a result, the impairment has remained unchanged at 3% of the total debt including interest of £62k. The current balance of £0.058 million in respect of this deposit, net of an impairment of £0.062 million, 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 has been 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 2014 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 £165k 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 an increase in the pension liability of £10.452 million. The assumptions, however, interact in complex ways. During 2013/14 the Council's actuaries advised that the net pensions liability had increased by £2.845 million as a direct result of changes to the financial assumptions in the previous year.
Arrears	At 31 March 2014, the Council had a balance of sundry debtors of £1.588 million. A review of the aged debt profile and recovery percentages suggested that a provision for doubtful debts of approximately 18.06% 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. It is estimated that a 1% increase in the required provision would result in an increase in the bad debt provision of £16k.

### 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 and the pensions deficit.

The net revaluation losses and impairments arising from the revaluation of the Council's assets, including investment property, amounted to £3.136 million. The net deficit has all been recognised in the surplus/(deficit) in the provision of services.

Refer to notes 12 and 16 for details of the revaluation of property, plant and equipment assets.

Details of the pension deficit are included in note 43.

### 5 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Council's Audit Committee on 22 September 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

As at 22 September 2014 (Audit Committee approval) no post balance sheet events have been identified.

# **NOTES TO THE CORE FINANCIAL STATEMENTS**

## **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 fuNding 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.

### **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 restricted by grant terms as to the capital expenditure against 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)

### 2013/14 Information

	Usable Reserves £'000					£'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:</i>						
Charges for depreciation of non-current assets	(2,948)	(1,936)	-	-	-	4,884
Revaluation losses on Property Plant and Equipment and assets held for sale	(5)	-	-	-	-	5
Net gains/(losses) from fair value adjustments to investment property	(3,131)	-	-	-	-	3,131
Amortisation of intangible assets	(395)	-	-	-	-	395
Revenue expenditure funded from capital under statute	(1,083)	-	-	-	-	1,083
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	(701)	(782)	-	-	-	1,483
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:</i>						
Statutory provision for the financing of capital investment	464	-	-	-	-	(464)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	926	-	-	-	(926)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	824	(824)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of sale proceeds credited as part of the sale of non-current assets	777	1,401	(2,178)	-	-	-
Discounts repaid transferred to capital receipts reserve	-	28	(28)	-	-	-
Grants repaid transferred to capital receipts reserve	54	-	(54)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	2,774	-	-	(2,774)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	(33)	33	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(245)	-	245	-	-	-
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	-	-	(9)	-	-	9
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	2,100	-	(2,100)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	2,100	-	(2,100)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>						
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)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	(3,932)	-	-	-	-	3,932
Employer's pensions contributions and direct payments to pensioners payable in the year	2,830	548	-	-	-	(3,378)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which Council Tax and Non-Domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non-Domestic rates income calculated for the year in accordance with statutory requirements	(150)	-	-	-	-	150
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Other Adjustment	26	-	-	-	-	(26)
<b>Total Adjustments</b>	<b>(7,509)</b>	<b>1,330</b>	<b>783</b>	<b>-</b>	<b>(102)</b>	<b>5,498</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 6 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING 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
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:</i>						
Charges for depreciation and impairment of non-current assets	(2,936)	(3,129)	-	-	-	6,065
Revaluation losses on Property Plant and Equipment	(14,461)	(44,841)	-	-	-	59,302
Movements in the market value of Investment Properties	3,936	-	-	-	-	(3,936)
Amortisation of intangible assets	(269)	-	-	-	-	269
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
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:</i>						
Statutory provision for the financing of capital investment	424	-	-	-	-	(424)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
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)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
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	-	-	-
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	12	(54)	-	-	42
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
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)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>						
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)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	(3,597)	-	-	-	-	3,597
Employer's pensions contributions and direct payments to pensioners payable in the year	2,890	548	-	-	-	(3,438)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
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)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
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	(55)	-	-	-	-	55
<b>Total Adjustments</b>	<b>(7,696)</b>	<b>(44,348)</b>	<b>(4,213)</b>	<b>0</b>	<b>(64)</b>	<b>56,321</b>

## 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 2013/14.

Reserve No.		Balance at 31/03/2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31/03/2014 £000	Balance at 31/03/2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31/03/2013 £000
	<b>General Fund:</b>								
1	Insurance Reserve	27	17	-	10	132	105	-	27
2	Historic Buildings Reserve	46	-	17	63	27	-	19	46
3	Portfolio Reserves	10	-	-	10	10	-	-	10
4	Shopmobility reserve	29	-	-	29	29	-	-	29
5	Planning Delivery Grant Reserve	-	-	-	-	21	21	-	-
6	Invest To Save	-	-	-	-	150	150	-	-
	<b>Total</b>	<b>112</b>	<b>17</b>	<b>17</b>	<b>112</b>	<b>369</b>	<b>276</b>	<b>19</b>	<b>112</b>
	<b>HRA</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total</b>	<b>112</b>	<b>17</b>	<b>17</b>	<b>112</b>	<b>369</b>	<b>276</b>	<b>19</b>	<b>112</b>

#### 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 22, page 59).
- 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. This reserve was fully utilised in 2013.
- 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. This reserve was fully utilised in 2013.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 8 OTHER OPERATING INCOME AND EXPENDITURE

	<b>GCC</b>	<b>GCC</b>	<b>Group</b>	<b>Group</b>
	<b>2013/14</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
(Gains)/Losses on the disposal of HRA Assets	(619)	50	(619)	50
Precepts paid to parish councils	196	208	196	208
Contribution to Housing Pooled Receipts	245	226	245	226
Reversal of impairment on long-term investment	-	(145)	-	(145)
Gains on disposal of non current assets	(76)	(5,812)	(76)	(5,812)
Revaluation losses arising on revaluation of non-current assets	5	-	5	-
<b>Total</b>	<b>(249)</b>	<b>(5,473)</b>	<b>(249)</b>	<b>(5,473)</b>

## 9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	<b>GCC</b>	<b>Restated</b>	<b>Group</b>	<b>Restated</b>
	<b>2013/14</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Interest payable and similar charges	2,540	3,093	2,504	3,069
Interest and Investment property income	(1,862)	(1,973)	(1,862)	(1,976)
Pensions Interest and Expected Return on pensions assets	2,541	2,397	2,635	2,397
Expenditure on investment properties	569	928	569	928
Changes fair value of investment properties	3,131	(3,936)	3,131	(3,936)
<b>Total</b>	<b>6,919</b>	<b>509</b>	<b>6,977</b>	<b>482</b>

## 10 TAXATION AND NON-SPECIFIC GRANT INCOME

	<b>GCC</b>	<b>GCC</b>	<b>Group</b>	<b>Group</b>
	<b>2013/14</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Income from the collection fund-Council Tax income	(6,401)	(7,363)	(6,401)	(7,363)
Business rates tariff	16,295	-	16,295	-
Retained Business Rates	(19,690)	-	(19,690)	-
Revenue Support Grant (RSG)	(4,864)	(133)	(4,864)	(133)
Council tax freeze	(73)	(178)	(73)	(178)
New homes bonus	(2,054)	(1,300)	(2,054)	(1,300)
Business rates Section 31 grant	(342)	-	(342)	-
Business support grant	(35)	-	(35)	-
Transparency grant	(3)	-	(3)	-
Contribution from NNDR Pool	-	(6,885)	-	(6,885)
Capital Grants	(926)	(1,683)	(926)	(1,683)
<b>Total</b>	<b>(18,093)</b>	<b>(17,542)</b>	<b>(18,093)</b>	<b>(17,542)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 11 PROPERTY, PLANT AND EQUIPMENT Movements on Balances

Movements in 2013/14	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
<b>Cost or Valuation</b>						
<b>At 1 April 2013</b>	<b>130,910</b>	<b>50,425</b>	<b>6,592</b>	<b>19,915</b>	<b>166</b>	<b>208,008</b>
Additions	6,049	1,222	199	663	5	8,138
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
Derecognition – Disposals	(783)	(337)	-	(4)	-	(1,124)
Assets reclassified as held for sale	20	(74)	-	-	-	(54)
Other reclassifications	-	(8,052)	-	(8,228)	8,323	(7,957)
<b>At 31 March 2014</b>	<b>136,196</b>	<b>43,184</b>	<b>6,791</b>	<b>12,346</b>	<b>8,494</b>	<b>207,011</b>
<b>Accumulated Depreciation and Impairment</b>						
<b>At 1 April 2013</b>	<b>15,239</b>	<b>7,845</b>	<b>4,315</b>	<b>4,623</b>	<b>26</b>	<b>32,048</b>
Depreciation Charge	1,928	1,813	357	774	12	4,884
Derecognition – Disposals	(15)	(6)	-	-	-	(21)
Assets reclassified as held for sale	-	(25)	-	-	-	(25)
Other reclassifications	-	(343)	-	(1,087)	1,090	(340)
<b>At 31 March 2014</b>	<b>17,152</b>	<b>9,284</b>	<b>4,672</b>	<b>4,310</b>	<b>1,128</b>	<b>36,546</b>
<b>Net book value as at 31 March 2014</b>	<b>119,044</b>	<b>33,900</b>	<b>2,119</b>	<b>8,036</b>	<b>7,366</b>	<b>170,465</b>
<b>Net book value as at 1 April 2013</b>	<b>115,671</b>	<b>42,580</b>	<b>2,277</b>	<b>15,292</b>	<b>140</b>	<b>175,960</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

Comparative Figures 2012/13

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
<b>Cost or Valuation</b>						
<b>At 1 April 2012</b>	<b>218,666</b>	<b>59,660</b>	<b>6,468</b>	<b>14,857</b>	<b>153</b>	<b>299,804</b>
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)
<b>At 31 March 2013</b>	<b>130,910</b>	<b>50,425</b>	<b>6,592</b>	<b>19,915</b>	<b>166</b>	<b>208,008</b>
<b>Accumulated Depreciation and Impairment</b>						
<b>At 1 April 2012</b>	<b>12,183</b>	<b>5,850</b>	<b>3,962</b>	<b>4,070</b>	<b>14</b>	<b>26,079</b>
Depreciation Charge	3,120	2,028	353	553	12	6,066
Derecognition-disposals	(64)	(33)	-	-	-	(97)
<b>At 31 March 2013</b>	<b>15,239</b>	<b>7,845</b>	<b>4,315</b>	<b>4,623</b>	<b>26</b>	<b>32,048</b>
<b>Net book value as at 31 March 2013</b>	<b>115,671</b>	<b>42,580</b>	<b>2,277</b>	<b>15,292</b>	<b>140</b>	<b>175,960</b>



# 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 – 60 years straight-line
- Other Land and Buildings – 8-60 years straight-line
- Vehicles, Plant, Furniture & Equipment – 5 -10 years straight-line
- Infrastructure and community assets – 30-95 years straight-line

The following is a list of the major fixed assets owned by the Council at 31 March 2014.

All assets are owned freehold unless otherwise stated.

Operational assets	Non-operational assets
<b>Council dwellings</b>  <b>Other Operational land and buildings</b> Gloucester Leisure Centre 2 Cemeteries and 1 Crematorium North Warehouse HKP warehouses (leasehold) Guildhall City and Folk Museums 2 Multi-storey Car Parks (1 leasehold) 13 Surface Car Parks (2 leasehold) Tourist Information Centre (leased) Oxstalls Tennis Centre Hempsted Market  <b>Community &amp; Heritage assets</b> Various Parks and open spaces The Fleece Hotel Works of art Museum Exhibits Civic regalia  <b>Vehicles plant and equipment</b> Vehicles and items of plant Computer equipment Sports and playground facilities in parks  <b>Infrastructure assets</b> Street furniture 9 Public Conveniences (2 leasehold)	<b>Investment properties</b> Eastgate market and shopping centre Bearland Lodge Kings' Square / Kings' Walk Kings' Theatre Bus station Gala Club 44 Shops 75/81 Eastgate Street (subject to sale and leaseback) 16 Sports Clubs facilities (mixed tenure) 50% of Gloucestershire Airport (freehold) The Docks Headlease area including 1/3 Albion Cottages(leasehold) Barbican Land Ladybellgate Street Spartans Club Depot at Eastern Avenue Bentinck House and Bruton Way Blackfriars Inn Barbican House, Commercial Road Various on Commercial Road (leasehold)

### Component accounting

Component accounting thresholds have been set as the lower of :

- \* Component assets over £350,000 (2012/13 £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 2013/14 valuation identified no assets meeting the component accounting thresholds. The same position was found for 2012/13.

### Capital Commitments

At 31 March 2014 the Council did not have any outstanding commitments with regards to capital contracts.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 11 PROPERTY, PLANT AND EQUIPMENT (Continued)

### Revaluations

All property assets, including investment property, were revalued in the previous year. In the current year the Council has continued with a rolling programme of asset valuations to ensure that all Property, Plant and Equipment required to be measured at fair value was revalued at least every five years. All valuations were carried out internally. 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					TOTAL £'000
	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	
<b>Carried at historical cost</b>	-	-	-	-	-	-	-	-	-	-
Valued at fair value as at:										
31 March 2014	119,044	33,900	2,119	8,036	7,366	6,106	28,364	79	-	205,014
31 March 2013	115,671	42,580	2,277	15,292	140	6,280	22,875	400	-	205,515
31 March 2012	115,671	42,580	2,277	-	140	5,375	19,455	-	-	185,498
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	277,439
<b>Total Cost or Valuation</b>	<b>119,044</b>	<b>33,900</b>	<b>2,119</b>	<b>8,036</b>	<b>7,366</b>	<b>6,106</b>	<b>28,364</b>	<b>79</b>	<b>-</b>	<b>205,014</b>

## 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	
	2013/14 £000	2012/13 £000
Rental income from investment property	1,736	1,567
Direct operating expenses arising from investment property	569	928
<b>Net gain</b>	<b>1,167</b>	<b>639</b>

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	
	2013/14 £000	2012/13 £000
Balance at beginning of the year	22,875	19,455
Additions:		
- Purchases	731	3
- Subsequent expenditure	-	-
Net gains/(losses) from fair value adjustments	(3,131)	3,936
Transfers:		
- From Property, Plant and Equipment	7,617	-
- From Heritage Assets	307	-
- To assets for sale	(35)	-
Disposals	-	(519)
<b>Balance at end of the year</b>	<b>28,364</b>	<b>22,875</b>

# 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 2014 are as follows:

	GCC and Group	
	2013/14 £'000	2012/13 £'000
Oil paintings	1,178	1,178
Coins	247	247
Archaeology	976	976
Silver	648	648
Domestic life exhibits	314	314
Furniture	273	231
Working life exhibits	187	187
Blackfriars Inn	-	270
Miscellaneous items	2,283	2,229
<b>Total</b>	<b>6,106</b>	<b>6,280</b>
<b>At valuation</b>	5,842	5,882
<b>At cost</b>	264	398
<b>Total</b>	<b>6,106</b>	<b>6,280</b>

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

	GCC and Group			
	2013/14 £000	2012/13 £000	2011/12 £000	2010/11 £000
Balance at beginning of the year	6,280	5,415	5,375	5,375
Revaluation surplus	-	467	-	-
Reclassified to investment property	(307)	-	-	-
Additions	133	398	40	-
Balance at end of the year	6,106	6,280	5,415	5,375

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 licences and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. Assets are written off on a straight-line basis based on estimated useful lives of 3,4,5, 7 and 10 years. Amortisation of newly acquired intangibles commences 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:**

	<b>Computer Software</b>	
	<b>2013/14 £'000</b>	<b>2012/13 £'000</b>
<b>Gross book value at the beginning of the year</b>	<b>3,697</b>	<b>2,850</b>
Additions	252	847
<b>Gross book value at the end of the year</b>	<b>3,949</b>	<b>3,697</b>
<b>Amortisation at the beginning of the year</b>	<b>2,049</b>	<b>1,780</b>
Amortised during year	395	269
<b>Amortisation at the end of the year</b>	<b>2,444</b>	<b>2,049</b>
<b>Net book value at the end of the year</b>	<b>1,505</b>	<b>1,648</b>

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

	<b>Internally Generated Assets</b>	<b>Other Assets</b>	<b>2013/14 Total</b>	<b>Internally Generated Assets</b>	<b>Other Assets</b>	<b>2012/13 Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at the beginning of the year:</b>						
- 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
- Net carrying amount	695	953	1,648	182	888	1,070
<b>Movement in 2013/14</b>						
Additions:						
- Internal development	148	-	148	533	-	533
- Purchases	-	104	104	-	314	314
Amortisation for the period	20	375	395	20	249	269
<b>Net carrying amount at the end of the year</b>	<b>823</b>	<b>682</b>	<b>1,505</b>	<b>695</b>	<b>953</b>	<b>1,648</b>
Comprising:						
- Gross carrying amounts	883	3,066	3,949	735	2,962	3,697
- Accumulated amortisation	60	2,384	2,444	40	2,009	2,049
	<b>823</b>	<b>682</b>	<b>1,505</b>	<b>695</b>	<b>953</b>	<b>1,648</b>

## 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	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Investments</b>								
Loans and receivables	495	831	132	5,162	60	396	132	5,162
Available-for-sale financial assets	-	-	-	-	-	-	-	-
Unquoted equity investment at cost	-	-	-	-	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-	-
<b>Total Investments</b>	495	831	132	5,162	60	396	132	5,162
<b>Debtors</b>								
Loans and receivables	1,363	1,698	10,537	12,509	1,363	1,698	10,870	13,137
Financial assets carried at contract amounts	-	-	-	-	-	-	-	-
<b>Total Debtors</b>	1,363	1,698	10,537	12,509	1,363	1,698	10,870	13,137
<b>Borrowings</b>								
Financial liabilities at amortised cost	(55,599)	(55,599)	(15,543)	(21,333)	(55,599)	(55,599)	(12,092)	(19,204)
<b>Total borrowings</b>	(55,599)	(55,599)	(15,543)	(21,333)	(55,599)	(55,599)	(12,092)	(19,204)
<b>Creditors</b>								
Financial liabilities at amortised cost	-	-	(7,848)	(7,649)	-	-	(9,349)	(8,330)
Financial liabilities carried at contract amount	-	-	-	-	-	-	-	-
<b>Total creditors</b>	-	-	(7,848)	(7,649)	-	-	(9,349)	(8,330)

#### Income, expense, Gains and Losses-GCC

	2013/14					2012/13				
	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	2,540	-	-	-	2,540	3,093	-	-	-	3,093
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Increases/(Reductions) in fair value	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Fee expense	-	-	-	-	-	-	-	-	-	-
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	2,540	-	-	-	2,540	3,093	-	-	-	3,093
Interest income	-	126	-	-	126	-	406	-	-	406
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-	-	-
Increases/(Reductions) in fair value	-	-	-	-	-	-	-	-	-	-
Gains on derecognition	-	-	-	-	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-	-	-
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	-	126	-	-	126	-	406	-	-	406
Gains on revaluation	-	-	-	-	-	-	-	-	-	-
Losses on revaluation	-	-	-	-	-	-	-	-	-	-
<b>Net gain/(loss) for the year</b>	-	-	-	-	-	-	-	-	-	-

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 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 2014 are 0.34% to 3.4% for loans from the PWLB and 4.34% to 4.35% 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:

	2013/14		2012/13	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial liabilities</b>				
Long-term Borrowings	(55,599)	(58,112)	(55,599)	(62,039)
Short-term Borrowings	(15,543)	(15,543)	(21,333)	(21,333)
Short-term creditors	(7,848)	(7,848)	(7,649)	(7,649)

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 2014 amounts have been calculated by reference to the premature repayment set of interest rates in force on 31 March 2014 (Source: Public Works Loans Board).

	2013/14		2012/13	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Assets</b>				
Long-term investments	495	495	831	831
Short-term investments	132	132	5,162	5,025
Long-term Debtors	1,363	1,363	1,698	1,698
Short-term debtors	10,537	10,537	12,509	12,509

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	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
Balance at the beginning of the year	400	-	-	-
Transfer to Council dwellings	(20)	-	-	-
Disposals	(380)	-	-	-
Loss on revaluation	(5)	-	-	-
Assets newly classified as held for sale				
-Council dwellings	-	35	-	-
-Other land and buildings	49	365	-	-
-Investment property	35	-	-	-
Balance at the end of the year	79	400	-	-

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 17 INVENTORIES

	GCC and Group	
	2013/14	2012/13
	£000	£000
<b>Consumable stores</b>		
Balance outstanding at start of year	161	174
Purchases	23	4
De-recognition of subsidiary	-	(17)
<b>Balance outstanding at year-end</b>	<b>184</b>	<b>161</b>

## 18 CONSTRUCTION CONTRACTS

At 31 March 2014 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	
	2013/14	2012/13	2013/14	2012/13
	£000	£000	£000	£000
Central government bodies	939	4,502	939	4,502
Other Local authorities	3,030	113	3,030	113
NHS bodies	-	-	-	-
Public corporations and trading funds	-	-	-	-
Other entities and individuals	6,568	7,894	6,901	8,522
<b>Total debtors</b>	<b>10,537</b>	<b>12,509</b>	<b>10,870</b>	<b>13,137</b>

### 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	
	2013/14	2012/13
	£'000	£'000
Mortgages to former tenants	2	3
Mortgages to private persons	-	4
Loans to vulnerable people for house renovations	84	46
Staff loans	-	15
Loans to Gloucestershire Airport Ltd-see below	1,187	1,537
Other loans	90	93
<b>Total</b>	<b>1,363</b>	<b>1,698</b>

Prior to 31 March 2014 the Gloucestershire Airport Limited loan was for an indefinite period. During the year under review the loans were converted into two repayment loans one for £350,000 payable within 5 years and one for £1.2 million repayable within 10 years. Details are as follows:

	Current Interest Rate (%)	GCC and Group	
		2013/14	2012/13
		£'000	£'000
<b>10 Year loan</b>			
Balance at 31 March	1.8	1,089	-
Less: Amount repayable within twelve months included in short-term debtors		(112)	-
		977	-
The loan bears interest at 1.8% and is repayable in 6-monthly instalments of £65,831 including interest.			
<b>5 Year loan</b>			
Balance at 31 March	1.5	280	-
Less: Amount repayable within twelve months included in short-term debtors		(70)	-
		210	-
The loan bears interest at 1% above base rate and is repayable in monthly instalments of £5,833 per month excluding interest.			
Indefinite period loan	1.5	-	1,537
<b>Total</b>		<b>1,187</b>	<b>1,537</b>

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	
	2013/14	2012/13	2013/14	2012/13
	£000	£000	£000	£000
Cash held by the Council	5	5	5	5
Bank current accounts	2,178	407	2,182	524
Cash in Transit	-	-	17	-
Short-term deposits with building societies	-	1,000	-	1,000
<b>Total Cash and Cash Equivalents</b>	<b>2,183</b>	<b>1,412</b>	<b>2,204</b>	<b>1,529</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 21 SHORT-TERM CREDITORS

	GCC		Group	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
Central Government Bodies	1,864	382	2,082	382
Other Local Authorities	998	144	998	144
Council Taxpayers	1,290	905	1,290	905
Sundry creditors	3,696	6,218	4,979	6,899
<b>Total</b>	<b>7,848</b>	<b>7,649</b>	<b>9,349</b>	<b>8,330</b>

Creditors include deposits, which are made by certain contractors and individuals.

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

### 21(i) Short Term Borrowings

	GCC		Group	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
Gloucester City Homes Limited-short-term loan	3,451	2,129	-	-
Aspire Sports and Social Trust	3	3	3	3
Charity deposits	197	201	197	201
Short-term borrowings with other local authorities	11,700	16,500	11,700	16,500
Accrued interest on short-term and long-term borrowings	192	-	192	-
PWLB loans repayable within one year	-	2,500	-	2,500
	<b>15,543</b>	<b>21,333</b>	<b>12,092</b>	<b>19,204</b>

The fair value of these loans approximates to their carrying value.

### 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 of loans by lender is as follows:

	Interest Rate (%)	2013/14 Amortised Cost £000	2013/14 Fair Value £000	2012/13 Amortised Cost £000	2012/13 Fair Value £000
PWLB	4.41 - 5.00	25,599	29,659	28,099	34,568
Less: Amount repayable within twelve months included in short-term borrowings (Refer to note 21(i))		-	-	(2,500)	(2,500)
		25,599	29,659	25,599	32,068
Barclays	3.89 - 3.99	20,000	18,858	20,000	20,117
BAE Systems	3.95 - 4.00	10,000	9,595	10,000	9,854
<b>Total</b>		<b>55,599</b>	<b>58,112</b>	<b>55,599</b>	<b>62,039</b>

The loans are reflected in the balance sheet at amortised cost. The fair value of the PWLB loans 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. The Barclays and BAE Systems loans have a lower fair value than the carrying amount due to the discount rate applied to arrive at the fair values being higher than the current interest rates on these loans.

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

	2013/14 £000	2012/13 £000
Between 1 and 2 years	4,000	-
Between 2 and 5 years	6,000	8,000
Between 5 and 10 years	2,500	2,500
More than 10 years	43,099	45,099
	<b>55,599</b>	<b>55,599</b>

The 2014 amounts have been calculated by reference to the premature repayment set of interest rates in force on 31 March 2014 (Source: Public Works Loan Board).

#### Barclays details

Loan No.	Loan Amount	Start Date	Interest Rate	End Date	Lender Option Borrower Option(LOBO) Details
1	£5,000,000	07/05/2010	3.89%	07/05/2040	LOBO effective 08/05/2022 & 10 yearly thereafter
2	£5,000,000	10/05/2010	3.99%	10/05/2040	LOBO effective 10/05/2022 & 10 yearly thereafter
3	£5,000,000	11/05/2010	3.89%	11/05/2040	LOBO effective 11/05/2022 & 10 yearly thereafter
4	£5,000,000	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 (GCC and Group)

#### 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 Compensa tion Claims	Total
	£000	£000
Balance at 1 April 2013	270	270
Additional provisions made in 2013/14	18	18
Amounts utilised in 2013/14	(74)	(74)
<b>Balance at 31 March 2014</b>	<b>214</b>	<b>214</b>
Consists of:		
Insurance claims provision	214	214
<b>Balance at 31 March 2014</b>	<b>214</b>	<b>214</b>

#### *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.

Claims relate to personal injuries sustained where the Council is alleged to be at fault. Provision is made for those claims where it is deemed probable that the Council will have to make a settlement.

#### 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 2013	110	110
Additional provisions made in 2013/14	83	83
Amounts used in 2013/14	(110)	(110)
<b>Balance at 31 March 2014</b>	<b>83</b>	<b>83</b>
Consists of:		
Accumulated Absence provision	83	83
<b>Balance at 31 March 2014</b>	<b>83</b>	<b>83</b>

#### **Accumulated Absences Provision**

This is the value of holiday and flexi outstanding at 31 March 2014. This is a short term provision for less than a year.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 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

	<b>GCC</b>	<b>Group</b>	<b>GCC</b>	<b>Group</b>
	<b>2013/14</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Revaluation Reserve	21,131	30,208	21,677	32,637
Pensions Reserve	(61,407)	(64,951)	(57,486)	(60,450)
Capital Adjustment Account	104,513	110,800	108,786	113,189
Deferred Capital Receipts Reserve	85	85	94	94
Financial Instruments Adjustment Account	(543)	(543)	(551)	(551)
Collection Fund Adjustment Account	(177)	(177)	(27)	(27)
Short-term Accumulating Compensated Absences Account	(83)	(83)	(109)	(109)
<b>Total Unusable Reserves</b>	<b>63,519</b>	<b>75,339</b>	<b>72,384</b>	<b>84,783</b>

### (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.

	<b>2013/14</b>	<b>2013/14</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2012/13</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>General</b>	<b>HRA</b>	<b>Total</b>	<b>General</b>	<b>HRA</b>	<b>Total</b>
Balance at 1 April	21,020	657	21,677	26,341	51,133	77,474
Upward revaluation of assets	-	-	-	14,059	658	14,717
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	-	-	(5,263)	(50,393)	(55,656)
<b>Surplus on revaluation of assets</b>	<b>21,020</b>	<b>657</b>	<b>21,677</b>	<b>35,137</b>	<b>1,398</b>	<b>36,535</b>
Difference between fair value depreciation and historical cost depreciation	-	-	-	-	-	-
Accumulated gains on assets sold or scrapped	(483)	-	(483)	-	-	-
Amount written off to the Capital Adjustment Account	(63)	-	(63)	(14,117)	(741)	(14,858)
<b>Balance at 31 March</b>	<b>20,474</b>	<b>657</b>	<b>21,131</b>	<b>21,020</b>	<b>657</b>	<b>21,677</b>

### (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.

	<b>GCC Only</b>	
	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	108,786	150,038
Reversal of items relating to capital expenditure debited or credited to the CIES		
Charges for depreciation and impairment of non current assets	(4,884)	(6,065)
Revaluation losses on Property, Plant and Equipment and assets held for sale	(5)	(59,302)
Amortisation of intangible assets	(395)	(269)
Revenue expenditure funded from capital under statute	(1,083)	(952)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(1,483)	(1,958)
	<b>100,936</b>	<b>81,492</b>
Adjusting amounts written out of the Revaluation Reserve	546	14,858
Net written out amount of the cost of non-current assets consumed in the year	<b>101,482</b>	<b>96,350</b>
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	2,774	3,328
Use of the Major Repairs Reserve to finance new capital expenditure	2,100	3,129
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	824	1,619
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	464	424
	<b>107,644</b>	<b>104,850</b>
Movements in the market value of Investment Properties debited or credited to the CIES	(3,131)	3,936
<b>Balance at 31 March</b>	<b>104,513</b>	<b>108,786</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	(551)	(559)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-
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	8
<b>Balance at 31 March</b>	<b>(543)</b>	<b>(551)</b>

#### (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.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>(57,486)</b>	<b>(51,042)</b>
Actuarial gains or losses on pensions assets and liabilities	(3,367)	(6,285)
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	(3,932)	(3,597)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,378	3,438
<b>Balance at 31 March</b>	<b>(61,407)</b>	<b>(57,486)</b>

## 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.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	94	136
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Transfer to the Capital Receipts Reserve upon receipt of cash	(9)	(42)
<b>Balance at 31 March</b>	<b>85</b>	<b>94</b>

#### (vi) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	(27)	(64)
Amount by which Council Tax and Non-Domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non-Domestic rates income calculated for the year in accordance with statutory requirements	(150)	37
<b>Balance at 31 March</b>	<b>(177)</b>	<b>(27)</b>

#### (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.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	(109)	(54)
Settlement or Cancellation of Accrual made at the end of the preceding year	109	54
Amounts accrued at the end of the current year	(83)	(109)
<b>Balance at 31 March</b>	<b>(83)</b>	<b>(109)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 25 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

			Restated	
	Council 2013/14 £000	Group 2013/14 £000	Council 2012/13 £000	Group 2012/13 £000
(Deficit)/surplus on Provision of Services	(2,381)	(2,260)	(50,506)	(49,909)
<b>Adjustments in respect of non-cash movements</b>				
Share of surplus/(deficit) on provision of services of associates and joint ventures	-	(12)	-	21
Share of other comprehensive loss/(income) of associates and joint ventures	-	(20)	-	60
Depreciation of property, plant and equipment	4,884	4,899	6,066	6,078
Revaluation losses charged to net cost of services	3,136	3,136	55,424	55,424
Amortisation of intangible assets	395	510	269	395
Decrease/(Increase) in short-term debtors	1,972	2,267	(2,960)	(1,326)
Increase in short-term creditors	199	1,019	3,163	640
Decrease/(increase) in long-term debtors	335	335	(241)	(241)
(Increase)/decrease in inventories	(23)	(23)	(4)	13
(Decrease) in provisions	(83)	(83)	(53)	(53)
Carrying amount of non-current assets and non-current assets held for sale sold	1,482	1,482	1,958	1,958
Net book value of property, plant and equipment of subsidiary de-consolidated	-	-	-	109
Adjustment in respect of pension fund deficit	554	820	159	226
	<b>12,851</b>	<b>14,330</b>	<b>63,781</b>	<b>63,304</b>
<b>Adjustment for items that are investing and financing activities</b>				
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,178)	(2,178)	(7,720)	(7,720)
(Decrease)/increase in capital grants received in advance	(22)	(22)	332	332
	<b>(2,200)</b>	<b>(2,200)</b>	<b>(7,388)</b>	<b>(7,388)</b>
<b>Net Cash flows from Operating Activities</b>	<b>8,270</b>	<b>9,870</b>	<b>5,887</b>	<b>6,007</b>
<b>The cash flows from operating activities include the following items:</b>				
Interest received	126	126	371	374
Interest paid	(3,252)	(3,216)	(3,113)	(3,089)

## 26 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	Council 2013/14 £000	Group 2013/14 £000	Council 2012/13 £000	Group 2012/13 £000
<b>Assets and liabilities attributable at 31 March 2012 to subsidiary de-consolidated</b>				
Property plant and equipment	-	-	-	(109)
Inventories	-	-	-	(17)
Short-term debtors	-	-	-	(202)
Short-term creditors	-	-	-	391
	-	-	-	63
Cash and cash equivalents	-	-	-	<b>(1,618)</b>
	-	-	-	<b>(1,555)</b>
Purchase of property, plant and equipment, investment property and intangible assets	(9,254)	(9,660)	(12,154)	(12,326)
Purchase of short-term and long-term investments	-	-	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,178	2,179	7,720	7,720
Proceeds from short-term and long-term investments	5,367	5,398	10,126	10,150
Other receipts from investing activities	-	-	-	(106)
<b>Net cash flows from investing activities</b>	<b>(1,709)</b>	<b>(2,083)</b>	<b>5,692</b>	<b>3,883</b>

## 27 CASH FLOW STATEMENT – FINANCING ACTIVITIES

	Council 2013/14 £000	Group 2013/14 £000	Council 2012/13 £000	Group 2012/13 £000
Cash receipts of short- and long-term borrowing	-	-	-	-
Repayments of short- and long-term borrowing	(5,790)	(7,112)	(12,173)	(12,405)
<b>Net cash flows from financing activities</b>	<b>(5,790)</b>	<b>(7,112)</b>	<b>(12,173)</b>	<b>(12,405)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 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 2013/14

	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	(144)	(1,461)	(6,436)	(2,837)	(19,710)	(888)	(31,476)
Government grants	-	(104)	(51)	-	-	(46,361)	(46,516)
<b>Total Income</b>	<b>(144)</b>	<b>(1,565)</b>	<b>(6,487)</b>	<b>(2,837)</b>	<b>(19,710)</b>	<b>(47,249)</b>	<b>(77,992)</b>
Employee expenses	1,088	3,551	4,941	156	12	948	10,696
Other service expenses	1,594	9,959	18,208	2,571	12,694	47,623	92,649
Support service recharges	(881)	(8,634)	(1,865)	(34)	-	(136)	(11,550)
<b>Total Expenditure</b>	<b>1,801</b>	<b>4,876</b>	<b>21,284</b>	<b>2,693</b>	<b>12,706</b>	<b>48,435</b>	<b>91,795</b>
<b>Net Expenditure</b>	<b>1,657</b>	<b>3,311</b>	<b>14,797</b>	<b>(144)</b>	<b>(7,004)</b>	<b>1,186</b>	<b>13,803</b>

### (ii) 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	-	(8,710)	-	-	19	(45,740)	(54,431)
<b>Total Income</b>	<b>(473)</b>	<b>(10,002)</b>	<b>(7,221)</b>	<b>(3,184)</b>	<b>(18,463)</b>	<b>(46,652)</b>	<b>(85,995)</b>
Employee expenses	813	3,510	5,093	203	-	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)
<b>Total Expenditure</b>	<b>2,172</b>	<b>13,185</b>	<b>19,651</b>	<b>3,462</b>	<b>13,371</b>	<b>47,719</b>	<b>99,560</b>
<b>Net Expenditure</b>	<b>1,699</b>	<b>3,183</b>	<b>12,430</b>	<b>278</b>	<b>(5,092)</b>	<b>1,067</b>	<b>13,565</b>

### (iii) Group Income and Expenditure 2013/14

	Directorate Analysis	Subsidiaries Analysis	Group Total
	£000	£000	£000
Fees, charges & other service income	(31,476)	485	(30,991)
Government grants	(46,516)	-	(46,516)
<b>Total Income</b>	<b>(77,992)</b>	<b>485</b>	<b>(77,507)</b>
Employee expenses	10,696	3,529	14,225
Other service expenses	92,649	(4,193)	88,456
Support service recharges	(11,550)	-	(11,550)
<b>Total Expenditure</b>	<b>91,795</b>	<b>(664)</b>	<b>91,131</b>
<b>Net Expenditure</b>	<b>13,803</b>	<b>(179)</b>	<b>13,624</b>

### (iv) 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)	-	(54,431)
<b>Total Income</b>	<b>(85,995)</b>	<b>84</b>	<b>(85,911)</b>
Employee expenses	10,527	3,318	13,845
Other Service expenses	99,203	(3,972)	95,231
Support service recharges	(10,170)	-	(10,170)
<b>Total Expenditure</b>	<b>99,560</b>	<b>(654)</b>	<b>98,906</b>
<b>Net Expenditure</b>	<b>13,565</b>	<b>(570)</b>	<b>12,995</b>

# **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.

		<b>Restated</b>
	<b>31/03/2014</b>	<b>31/03/2013</b>
	<b>£000</b>	<b>£000</b>
Net expenditure in the Directorate Analysis	13,803	13,565
Add Services not included in main analysis	1	59,447
Add amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(11,423)	(22,506)
Less amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-	-
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>2,381</b>	<b>50,506</b>

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

		<b>Restated</b>
	<b>31/03/2014</b>	<b>31/03/2013</b>
	<b>£000</b>	<b>£000</b>
Net expenditure in the Group Analysis	13,624	12,995
Add Services not included in Group Analysis	1	59,447
Add amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(11,365)	(22,533)
Less amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-	-
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>2,260</b>	<b>49,909</b>

## 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.

2013/14								
	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	(31,476)	-	-	-	-	(31,476)	-	(31,476)
Interest and investment income	-	-	-	-	-	-	(1,293)	(1,293)
Income from council tax,	-	-	-	-	-	-	(6,401)	(6,401)
Government grants and contributions	(46,516)	-	-	-	-	(46,516)	(11,692)	(58,208)
<b>Total Income</b>	<b>(77,992)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(77,992)</b>	<b>(19,386)</b>	<b>(97,378)</b>
Employee expenses	10,696	-	-	-	-	10,696	-	10,696
Other service expenses	92,649	-	-	-	-	92,649	1	92,650
Support service recharges	(11,550)	-	-	-	-	(11,550)	-	(11,550)
Losses arising on revaluation of non-current assets	-	-	-	-	-	-	3,136	3,136
Interest payments	-	-	-	-	-	-	5,081	5,081
Precepts & Levies	-	-	-	-	-	-	196	196
Payment to housing capital receipts pool	-	-	-	-	-	-	245	245
Gain or Loss on disposal of non-current assets	-	-	-	-	-	-	(76)	(76)
Gain or Loss on disposal of HRA assets	-	-	-	-	-	-	(619)	(619)
<b>Total expenditure</b>	<b>91,795</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,795</b>	<b>7,964</b>	<b>99,759</b>
<b>Surplus or deficit on the provision of services</b>	<b>13,803</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,803</b>	<b>(11,422)</b>	<b>2,381</b>

#### 2012/13 Comparative Figures

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)
<b>Total Income</b>	<b>(85,995)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(85,995)</b>	<b>(18,587)</b>	<b>(104,582)</b>
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	-	-	-	-	-	-	5,490	5,490
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
<b>Total expenditure</b>	<b>99,560</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>99,560</b>	<b>55,528</b>	<b>155,088</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>13,565</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,565</b>	<b>36,941</b>	<b>50,506</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 29 RECONCILIATION TO SUBJECTIVE ANALYSIS (Continued)

#### 29 (ii) Reconciliation to Subjective Analysis - Group

2013/14			
	Directorate Analysis	Subsidiaries Analysis	Total
	£000	£000	£000
Fees, Charges & Other Service income	(31,476)	485	(30,991)
Interest and Investment income	(1,293)	-	(1,293)
Income from council tax	(6,401)	-	(6,401)
Government Grants and Contributions	(58,208)	-	(58,208)
<b>Total Income</b>	<b>(97,378)</b>	<b>485</b>	<b>(96,893)</b>
Employee expenses	10,696	3,529	14,225
Other service expenses	92,650	(4,193)	88,457
Support Service recharges	(11,550)	-	(11,550)
Losses arising on revaluation of non-current assets	3,136	-	3,136
Interest Payments	5,081	58	5,139
Precepts & Levies	196	-	196
Payments to Housing Capital Receipts Pool	245	-	245
Gain or Loss on Disposal of non-current Assets	(76)	-	(76)
Gain or Loss on disposal of HRA assets	(619)	-	(619)
<b>Total expenditure</b>	<b>99,759</b>	<b>(606)</b>	<b>99,153</b>
<b>Surplus or deficit on the provision of services</b>	<b>2,381</b>	<b>(121)</b>	<b>2,260</b>

#### 2012/13 Comparative Figures

2012/13			
	Restated		Restated
	Directorate Analysis	Subsidiaries, Associates and Joint Venture Analysis	Total
	£000	£000	£000
Fees, Charges & Other Service income	(31,564)	84	(31,480)
Income from council tax	(1,045)	(3)	(1,048)
Interest and Investment income	(7,363)	-	(7,363)
Government Grants and Contributions	(64,610)	-	(64,610)
<b>Total Income</b>	<b>(104,582)</b>	<b>81</b>	<b>(104,501)</b>
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	5,490	(24)	5,466
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
<b>Total expenditure</b>	<b>155,088</b>	<b>(678)</b>	<b>154,410</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>50,506</b>	<b>(597)</b>	<b>49,909</b>

### 30 ACQUIRED, DISCONTINUED AND TRANSFERRED OPERATIONS

There have been no acquired or discontinued or transferred operations during the 2013/14 or 2012/13 financial years.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 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.

	2013/14			2012/13		
	£000	£000	£000	£000	£000	£000
	Income	Expenditure	Net	Income	Expenditure	Net
City Estates	1,471	923	(548)	1,831	1,411	(420)
St.Oswald's Park	11	6	(5)	8	14	6
Eastgate Market	363	289	(74)	359	305	(54)
Open market and other markets	34	12	(22)	121	152	31
Lettings & Catering Services	86	873	787	1,001	1,064	63
Translation & Interpreting Services	-	-	-	(1)	-	1
Building Design Services	-	-	-	1,300	1,020	(280)
Legal & Office Services	107	248	141	867	1,013	146
<b>Total</b>	<b>2,072</b>	<b>2,351</b>	<b>279</b>	<b>5,486</b>	<b>4,979</b>	<b>(507)</b>

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 e.g 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):

	2013/14 £000	2012/13 £000
Net Deficit/(surplus) on Trading Operations	279	(507)
Services to the public included in Expenditure of Continuing Operations	-	-
Support services recharged to Expenditure of Continuing Operations	263	1,277
<b>Net Deficit credited to Other Operating Expenditure</b>	<b>542</b>	<b>770</b>

## 32 AGENCY SERVICES

The Council provides creditor and payroll services for Aspire Sports and Cultural Trust involving the payment of approximately £2.402 million (2012/13:£2.260 million) to employees and £0.342 million (2012/13:£0.362 million) to Her Majesty's Revenue and Customs. Charges are made to those bodies based on service level agreements.

	2013/14 £000	2012/13 £000
Expenditure incurred in providing payroll services to Aspire Sports and Cultural Trust	14	19
Management fee payable by Aspire and GCH	(14)	(19)
<b>Net Surplus arising on the agency arrangement</b>	<b>-</b>	<b>-</b>

## 33 MEMBERS' ALLOWANCES

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

	2013/14 £000	2012/13 £000
Allowances	290	289
Expenses	2	2
<b>Total</b>	<b>292</b>	<b>291</b>

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](http://www.gloucester.gov.uk)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 34 OFFICERS' REMUNERATION

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

Senior Officer	Chief Executive (Head of Paid Service)		Corporate Director of Regeneration		Corporate Director of Resources (Section 151 Officer)		Corporate Director of Services & Neighbourhoods	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Salary, fees & allowances	£113,630	£113,732	-	£73,173	£78,255	£78,255	£78,255	£78,255
Bonuses	-	-	-	-	-	-	-	£0
Expenses allowance	-	-	-	-	-	-	-	£0
Compensation for loss of employment	£121,278	-	-	23,972	-	-	-	£0
Employer's pension contribution	£17,044	£17,044	-	£10,976	£11,738	£11,738	£11,738	£11,738
Any other emoluments	-	-	-	-	-	-	-	£0
<b>Total</b>	<b>£251,952</b>	<b>£130,776</b>	<b>£0</b>	<b>£108,121</b>	<b>£89,993</b>	<b>£89,993</b>	<b>£89,993</b>	<b>£89,993</b>

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

Remuneration Band	Number of Employees	
	2013/14	2012/13
£50,000 to £54,999	3	4
£55,000 to £59,999	-	-
£60,000 to £64,999	1	-

### 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:

	2013/14 £'000	2012/13 £'000
Fees payable to the Audit Commission (KPMG LLP) for		
- External audit services	128	253
- Certification of grant claims and returns	15	13
<b>Total audit fees</b>	<b>143</b>	<b>266</b>

## 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 2013/14:

	2013/14 £'000	2012/13 £'000
<b><i>Credited to Taxation and Non-Specific Grant Income</i></b>		
Revenue Support Grant	(4,864)	(133)
Contribution from NNDR Pool	-	(6,885)
Capital Grants	(926)	(1,683)
Council Tax Freeze	(73)	(178)
New Homes Bonus	(2,054)	(1,300)
Business rates Section 31 grant	(342)	-
Business support grant	(35)	-
Transparency grant	(3)	-
	(8,297)	(10,179)
<b><i>Credited to Services</i></b>		
Homelessness and other housing	(230)	(398)
Mandatory rent allowances, Council Tax Benefits and Administration	(34,562)	(42,521)
Rent Rebates	(11,647)	(11,531)
Community Grants	(59)	(52)
Other	(155)	(80)
	(46,653)	(54,582)
<b>Total grants</b>	<b>(54,950)</b>	<b>(64,761)</b>

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

	31/03/2014 £'000	31/03/2013 £'000
<b>Capital Grants Received in Advance (GCC and Group)</b>		
Coney Hill South	56	88
Cotswold View	259	213
Flood income	-	57
Green Farm	74	74
48 The Wheatridge	337	337
British Energy	150	150
HCA	-	129
Hempsted Grange	143	143
Hammersons	55	39
Oxstalls Tennis Centre	-	75
Railway Triangle	-	149
Travis Perkins	451	223
Linden Homes	44	-
Open Space	40	-
Other contributions	687	641
<b>Total</b>	<b>2,296</b>	<b>2,318</b>

There are no capital grants received in advance that are classified as current liabilities. At 31 March 2014 revenue grants received in advance were £223k and these are included in short-term creditors

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 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 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2014 are shown in note 36.

### Members

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in Note 33. During 2013/14 works and services to the value of £17.172 million (2012/13:£18.154 million) were commissioned from companies in which 21 members had an interest.

Contracts were entered into in full compliance with the Council's standing orders and the relevant members did not take part in any discussion or decision relating to the these transactions. 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 2013/14 works and services to the value of £16.664 million (2012/13: £17.806 million) were commissioned from companies in which 2 officers had an interest. Those entities are: Gloucester City Homes and Aspire Sports and Social Trust (detailed in the table below).

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

	2013/14			Restated 2012/13		
	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	-	(4,864)	1	-	(133)
Other Government grants	1	-	(2,689)	1	-	(1,876)
HRA negative subsidy	1	-	-	1	19	-
Council Tax and Housing Benefit grants	1	-	(46,256)	1	-	(54,051)
Contribution from NNDR Pool	1	-	-	1	-	(6,885)
NNDR	1	24,800	-	-	-	-
Other Local and Police Authorities						
Precepts	2	49,472	-	2	50,876	-
Interest on Short-term borrowings	4	40	-	3	151	-
Gloucestershire County Council						
Pension Fund contributions	6	3,378	-	15	3,438	-
Gloucestershire Airport Limited						
Loan interest and rents	4	-	(38)	3	-	(57)
Quedgeley Parish Council	1	196	-	1	208	-
<b>Others</b>						
Gloucester Law Centre	3	127	-	4	103	-
Abbeydale Community Association	2	1	-	1	6	-
GL Communities	2	32	-	1	31	-
Citizens Advice Bureau	2	144	-	1	-	-
Gloucester City Homes	6	15,698	(303)	13	16,733	(288)
Marketing Gloucester Limited	1	204	-	1	214	-
Aspire Sports and Social Trust	3	966	(527)	5	1,073	(573)

Amounts due to or from related parties included in debtors and creditors as at 31 March 2014:

	2013/14 £'000	Restated 2012/13 £'000
Short-term debtors	2,879	236
Short-term investments	97	162
Long-term debtors	1,187	1,537
Short-term Creditors	4,277	3,064
Short-term borrowings	15,154	18,632

The comparative amounts for the prior year have been restated to reflect the amounts for short-term borrowings with other Local Authorities and nature of transactions with regard to amounts due to and from Central Government and the related interest expenses. In addition the amount of £214k in respect of Marketing Gloucester Limited was incorrectly recorded as income.

## 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.

	2013/14	Restated 2012/13
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>76,700</b>	<b>72,153</b>
Capital investment		
- Property, Plant and Equipment and heritage assets	8,271	11,245
- Investment Properties	731	3
- Intangible Assets	252	847
- Revenue Expenditure Funded from Capital under Statute (REFCUS)	1,083	952
	<b>87,037</b>	<b>85,200</b>
Sources of finance		
- Usable capital receipts	(2,774)	(3,328)
- Capital grants and contributions	(824)	(1,619)
- Major Repairs Reserve	(2,100)	(3,129)
Revenue Provision (including Minimum Revenue Provision)	(464)	(424)
<b>Closing Capital Financing Requirement</b>	<b>80,875</b>	<b>76,700</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow for capital investment:		
- Supported by Government financial assistance	-	-
- Unsupported by Government financial assistance	4,639	4,971
Amounts 'set aside' for debt repayment	(464)	(424)
<b>Increase in Capital Financing Requirement</b>	<b>4,175</b>	<b>4,547</b>

Certain of the prior year amounts, in respect of the capital investment in property, plant and equipment and REFCUS, have been restated as a result of incorrect amounts being reflected in the note. In addition amounts for long-term debtors and capital receipts applied, which were included in error, have been excluded.

### 39 LEASES

#### (i) GCC as Lessor

##### **Finance Leases**

The Council has a finance lease which was entered into in the current year for a 250 year term in respect of land owned by the Council. The rental for the entire period was paid at inception with the exception of an annual rental of £1 per annum. In addition the Council has another finance lease, from the previous year, where all lease payments were paid at inception. Accordingly there are no minimum lease payments outstanding at 31 March 2014.

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 sport and recreation facilities, tourism services and community centres; 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 £1.507 million (2012/13:£1.681 million). The future minimum lease payments receivable under non-cancellable leases in future years are as follows:

	2013/14	2012/13
	£'000	£'000
Not later than 1 year	1,589	1,590
Later than 1 year and not later than 5 years	5,831	5,940
Later than 5 years	168,709	184,490
<b>Total</b>	<b>176,129</b>	<b>192,020</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 39 LEASES (Continued)

### (ii) GCC as Lessee

#### Operating Leases

The Council has a number of operating leases in respect of buildings and car parks and items of property, plant and equipment.

Total lease payments were £0.579 million in 2013/14 (2012/13 :£0.736 million) made up as follows:

	2013/14	2012/13
	£'000	£'000
Minimum lease payments	579	736
Contingent rentals	-	-
Sub-lease payments receivable	-	-
<b>Total</b>	<b>579</b>	<b>736</b>

The Council has the following commitments representing the minimum lease payments in respect of operating leases:

	2013/14	2012/13
	£'000	£'000
Not later than 1 year	472	592
Later than 1 year and not later than 5 years	1,800	1,800
Later than 5 years	33,344	33,811
<b>Total</b>	<b>35,616</b>	<b>36,203</b>

#### 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 or credited to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 11,12, 13 and 14 reconciling the movement over the year in the Property, Plant and Equipment, Investment Property, Heritage assets 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 2013/14 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	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
	Number	Number	Number	Number	Number	Number	£'000	£'000
Less than £20,000	-	-	7	-	7	-	68	-
Between £20,000 and £40,000	-	-	7	-	7	-	196	-
Between £40,000 and £60,000	-	-	-	-	-	-	-	-
Between £60,000 and £80,000	-	1	-	-	-	1	-	77
Between £80,000 and £100,000	-	-	-	-	-	-	-	-
Between £100,000 and £150,000	-	-	1	-	1	-	121	-
<b>Total</b>	-	<b>1</b>	<b>15</b>	<b>-</b>	<b>15</b>	<b>1</b>	<b>385</b>	<b>77</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 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:

	2013/14 £000	Restated 2012/13 £000
<b>Comprehensive Income and Expenditure Account</b>		
<i>Net Cost of Services :</i>		
Current service cost (apportioned across services)	1,391	1,181
Settlements and Curtailments (included in Non-Distributed costs)	-	19
<i>Financing and Investment Income and Expenditure</i>		
Net interest expense	2,541	2,397
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	3,932	3,597
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
<i>Remeasurement of the net defined benefit liability comprising:</i>		
-Return on plan assets (excluding the amount included in the net interest expense)	(1,501)	5,656
-Actuarial gains/losses arising from changes in demographic assumptions	(2,005)	-
-Actuarial gains/losses arising from changes in financial assumptions	(2,844)	(12,092)
-Other	2,983	151
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	565	(2,688)
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(3,932)	(3,597)
Actual amount charged against the General Fund Balance for pensions in the year:		
- employer's contributions payable by the general fund to the scheme	3,378	3,438
- retirement benefits payable to pensioners	-	-
	<b>11</b>	<b>(2,847)</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2014 is a net deficit of £42.189 million (2012/13 (restated):£38.821 million).

### Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	<b>Funded liabilities: Local Government Pension Scheme</b>	
		Restated
	2013/14 £000	2012/13 £000
Opening balance at 1 April	124,523	110,545
Current service cost	1,391	1,181
Interest cost	5,519	5,230
Contributions by scheme participants	406	437
Remeasurement gains and losses:		
-Actuarial gains/losses arising from changes in demographic assumptions	2,005	-
-Actuarial gains/losses arising from changes in financial assumptions	2,844	11,941
-Other	(2,983)	-
Losses/(gains) on curtailments	-	19
Benefits paid	(5,408)	(4,830)
<b>Closing balance at 31 March</b>	<b>128,297</b>	<b>124,523</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 43 DEFINED BENEFIT PENSION SCHEMES (Continued)

#### Reconciliation of fair value of the scheme (plan) assets

Local Government Pension Scheme

	2013/14 £000	Restated 2012/13 £000
<b>Opening balance at 1 April</b>	<b>67,037</b>	<b>59,503</b>
Interest income	2,978	2,833
Remeasurement gain/(loss)		
-The return on plan assets, excluding the amount included in the net interest expense	(1,501)	5,656
Employer contributions	3,378	3,438
Contributions by scheme participants	406	437
Benefits paid	(5,408)	(4,830)
<b>Closing balance at 31 March</b>	<b>66,890</b>	<b>67,037</b>

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.

#### Scheme History

	31-Mar-14 £'000	31-Mar-13 £'000
<i>Present value of liabilities:</i>		
Local Government Pension Scheme	(128,297)	(124,523)
<i>Fair value of assets</i>		
Local Government Pension Scheme	66,890	67,037
<b>Deficit in the scheme</b>	<b>(61,407)</b>	<b>(57,486)</b>

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 £61.407 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 2014 was £3.378 million (2012/13: £3.438 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 31 March 2014.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2013/14	2012/13
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	22.5 years	21.7 years
- Women	24.6 years	23.6 years
Longevity at 65 for future pensioners:		
- Men	24.4 years	23.5 years
- Women	27 years	25.8 years
Rate of increase in salaries	3.90%	4.60%
Rate of increase in pensions	2.60%	4.50%
Rate for discounting scheme liabilities	4.10%	4.50%
Take-up of option to convert annual pension into Retirement lump sum	75%	75%

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 43 DEFINED BENEFIT PENSION SCHEMES (Continued)

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

	Impact on the Defined Benefit Obligation	
	Approximate % Increase in Liability	Approximate Monetary Amount £000
0.5% Decrease in real discount rate	8%	10,542
1 year increase in member life expectancy	3%	3,849
0.5% Increase in the salary increase rate	2%	2,062
0.5% Increase in the pension increase rate	7%	8,435

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:

Asset Category	2013/14				2012/13			
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets
	£'000	£'000	£'000	%	£'000	£'000	£'000	%
<b>Equity Securities</b>								
Consumer	3,839	-	3,839	5.74%	3,544	-	3,544	5.29%
Manufacturing	1,606	-	1,606	2.40%	1,456	-	1,456	2.17%
Energy & Utilities	2,202	-	2,202	3.29%	2,287	-	2,287	3.41%
Financial Institutions	3,340	-	3,340	4.99%	3,178	-	3,178	4.74%
Health & Care	748	-	748	1.12%	728	-	728	1.09%
Information Technology	104	-	104	0.16%	243	-	243	0.36%
Other	2,481	-	2,481	3.71%	2,294	-	2,294	3.42%
<b>Debt Securities</b>								
Corporate Bonds (investment grade)	3,201	-	3,201	4.79%	3,528	-	3,528	5.26%
Corporate bonds (non-investment grade)	213	-	213	0.32%	192	-	192	0.29%
UK Government	6,003	-	6,003	8.97%	6,989	-	6,989	10.43%
Other	486	-	486	0.73%	243	-	243	0.36%
<b>Private Equity</b>								
All	-	224	224	0.33%	-	212	212	0.32%
<b>Real Estate</b>								
UK Property	3,033	697	3,730	5.58%	3,104	438	3,542	5.28%
Overseas Property	-	233	233	0.35%	-	252	252	0.38%
<b>Investment Funds and Unit Trusts</b>								
Equities	2,148	29,135	31,283	46.77%	2,539	28,498	31,038	46.30%
Bonds	2,884	67	2,952	4.41%	2,916	77	2,993	4.46%
Hedge Funds	-	-	-	0.00%	-	-	0	0.00%
Commodities	-	-	-	0.00%	-	-	0	0.00%
Infrastructure	-	-	-	0.00%	-	-	0	0.00%
Other	-	3,105	3,105	4.64%	-	3,074	3,074	4.59%
<b>Derivatives</b>								
Inflation	-	-	-	0.00%	-	-	0	0.00%
Interest Rate	-	-	-	0.00%	-	-	0	0.00%
Foreign Exchange	12	-	12	0.02%	-	-	0	0.00%
Other	(3)	-	(3)	-0.01%	(5)	-	(5)	-0.01%
<b>Cash and Cash Equivalents</b>								
All	1,133	-	1,133	1.69%	1,252	-	1,252	1.87%
<b>Totals</b>	<b>33,428</b>	<b>33,461</b>	<b>66,890</b>	<b>100.00%</b>	<b>34,485</b>	<b>32,552</b>	<b>67,037</b>	<b>100.00%</b>

# **NOTES TO THE CORE FINANCIAL STATEMENTS**

## **43 DEFINED BENEFIT PENSION SCHEMES (Continued)**

### **Impact on the Council's Cash Flows**

The objectives of the scheme are to keep employers contributions at as constant a rate as possible. The County Council has agreed a strategy with the schemes actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2017.

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

The Council is anticipated to pay £3.272m contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 16.2 years for 2013/14.

The group pension deficit includes the surpluses and deficits in respect of the pension fund for Gloucester City Homes Limited. Full details relating to this pension scheme can be obtained from the accounts of that subsidiary.

## **44 CONTINGENT LIABILITIES**

At 31 March 2014, the Council had two material contingent liabilities:

### ***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 between 2005 and 2011 and this is currently subject to negotiations. These negotiations are subject to legal privilege and the value of the claims at 31 March 2014 cannot be quantified with any accuracy. 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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 45 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.

### 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 £2.310 million (2012/13:£7.133 million) cannot be assessed generally as the risk of any institution 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 47 including the recoverability of the investment with Heritable Bank. Long-term debtors, as detailed in note 19(i), include the loans to Gloucestershire Airport Limited totalling £1.369 million (2012/13:£1.537 million) and are considered to have a low credit risk.

The Council does not generally allow credit for customers and £1.301 million, net of impairments, of the debtors balance of £9.641 million (see Note 15) is past its due date for payment as follows:

	£'000
Less than 4 months	997
4 months- 1 year	145
More than 1 year	159
<b>Total</b>	<b>1,301</b>

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 31/03/2014
	%	%
Less than 1 year	20	0%
1 - 2 years	20	7%
2 - 5 years	50	11%
5 - 10 years	75	4%
Over 10 years	95	78%
		<b>100%</b>

Full details of the maturity analysis in respect of long-term borrowings are included in note 21(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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

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 2014, 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
<b>Borrowings</b>						
Long-term-fixed rate	56,849	4.33%	2,462	4.33%	2,462	-
Short-term-variable	17,188	0.23%	40	1.23%	212	172
	74,037		2,502			172
<b>Investments</b>						
Short-term-variable	2,647	2.76%	(73)	3.76%	(99)	(26)
<b>Net loss/(gain) on deficit/(surplus) for the year</b>						<b>146</b>

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

### **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 43.

### **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.

## 46 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-14 £'000	31-Mar-13 £'000	31-Mar-14 £'000	31-Mar-13 £'000
Share capital - Gloucestershire Airport Ltd	435	435	-	-
Government Stock	2	2	2	2
Heritable Bank	58	394	58	394
<b>Total</b>	<b>495</b>	<b>831</b>	<b>60</b>	<b>396</b>

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 2013	77.28%
August 2013	16.74%
<b>Received to 31 March 2014</b>	<b>94.02%</b>

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-14 £'000	31-Mar-13 £'000
Initial investment	2,000	2,000
Interest accrued to 31 March 2014	66	56
Payments received	(1,946)	(1,600)
Impairment	(62)	(62)
<b>Balance at 31 March</b>	<b>58</b>	<b>394</b>

Although there are no indications of any further payments due from the administrator approaches are still being made by a major financial institution to pay in excess of 96% of the full amount invested. In view of this the Council is confident of receiving at least 97% of the total amount and no adjustment has been made to the impairment.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 47 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) and Gloucester City Homes Limited (100% owned by the Council). Gloucestershire Airport is accounted for as a joint venture and Gloucester City Homes Limited as a subsidiary.

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 its share of the respective entities' assets and liabilities.

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:

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

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.

### **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 a long-term investment.

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 2014 reflected the following:

	<b>2013/14 £000</b>	<b>2012/13 £000</b>
After tax operating (loss)/profit	(24)	28
Net assets	571	634

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.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 47 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 2013:£9.468million).
- Non-operational assets added at leasehold market value (50% share) total £6.556 million (31 March 2013:£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 Council has loaned £1.550 million (2012/13:£1.537m) to the Airport to help fund this project. During the current year the loan was converted from an indefinite period loan to two interest-bearing loans, one for £350k repayable over 5 years and one for £1.2m repayable over 10 years. (Refer to note 19(i) for details).

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

	Gloucestershire Airport Limited	Gloucester City Council's Share	Gloucestershire Airport Limited	Gloucester City Council's Share
	£ 2013/14 £000	£ 2013/14 £000	£ 2012/13 £000	£ 2012/13 £000
Turnover	4,526	2,263	4,369	2,185
Profit on ordinary activities before taxation	5	3	68	34
Tax on profit on ordinary activities		-	(40)	-20
Profit for the financial year after taxation	5	3	28	14
Fixed Assets	5,170	2,585	5,250	2,625
Current Assets	778	389	1,113	557
Liabilities due within one year	952	476	1,370	685
Liabilities due after one year	2,374	1,187	2,422	1,211
Net pension liability	1,970	985	1,938	969

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 2014 ( 2013:£Nil).

The accounts of GAL for the year ending 31 March 2014 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:

	2013/14 £000	2012/13 £000
Gross income	15,480	16,913
Net profit after tax	121	594
<b>Net assets</b>	<b>434</b>	<b>611</b>

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.

# **NOTES TO THE CORE FINANCIAL STATEMENTS**

## **47 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 its 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.



# NOTES TO THE CORE FINANCIAL STATEMENTS

## 48 GROUP PROPERTY, PLANT AND EQUIPMENT

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Total Property, Plant and Equipment
Movements in 2013/14	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>						
<b>At 1 April 2013</b>	130,910	50,480	6,655	19,915	166	208,126
Additions	6,049	1,514	199	663	5	8,430
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
Derecognition – Disposals	(783)	(337)	(6)	(4)	-	(1,130)
Assets reclassified as held for sale	20	(74)	-	-	-	(54)
Other reclassifications	-	(8,052)	-	(8,228)	8,323	(7,957)
<b>At 31 March 2014</b>	136,196	43,531	6,848	12,346	8,494	207,415
<b>Accumulated Depreciation and Impairment</b>						
<b>At 1 April 2013</b>	15,239	7,894	4,346	4,623	26	32,128
Depreciation Charge	1,928	1,815	370	774	12	4,899
Derecognition – Disposals	(15)	(6)	(6)	-	-	(27)
Assets reclassified as held for sale	-	(25)	-	-	-	(25)
Other reclassifications	-	(343)	-	(1,087)	1,090	(340)
<b>At 31 March 2014</b>	17,152	9,335	4,710	4,310	1,128	36,635
<b>Net book value as at 31 March 2014</b>	119,044	34,196	2,138	8,036	7,366	170,780
<b>Net book value as at 31 March 2013</b>	115,671	42,586	2,309	15,292	140	175,998

### Comparative figures 2012/13

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Total Property, Plant and Equipment
Movements in 2012/13	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost of Valuation</b>						
<b>At 1 April 2012</b>	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)
<b>At 31 March 2013</b>	130,910	50,480	6,655	19,915	166	208,126
<b>Accumulated Depreciation and Impairment</b>						
<b>At 1 April 2012</b>	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)
<b>At 31 March 2013</b>	15,239	7,894	4,346	4,623	26	32,128
<b>Net book value as at 31 March 2013</b>	115,671	42,586	2,309	15,292	140	175,998

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 49 GROUP INTANGIBLE ASSETS

	Computer Software		Goodwill	2013/14 Total
	Internally Generated Assets	Other Assets		
	£000	£000	£000	£000
<b>Movements in 2013/14</b>				
Balance at start of year:				
- Gross carrying amounts	735	3,752	1,182	5,669
- Accumulated amortisation	40	2,424	1,182	3,646
<b>Net carrying amount at start of year</b>	695	1,328	-	2,023
Additions:				
- Internal development	148	-	-	148
- Purchases	-	218	-	218
Amortisation for the period	20	490	-	510
<b>Net carrying amount at end of year</b>	<b>823</b>	<b>1,056</b>	<b>-</b>	<b>1,879</b>
Comprising:				
- Gross carrying amounts	883	3,970	1,182	6,035
- Accumulated amortisation	60	2,914	1,182	4,156
	<b>823</b>	<b>1,056</b>	<b>-</b>	<b>1,879</b>

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

### 50 PRIOR YEAR RESTATEMENTS-COUNCIL AND GROUP

The accounts for the prior period have been restated as a result of the following:

#### 1. Arising out of Changes in Accounting Policies-Employee Benefits

The Council has adopted the revised International Accounting Standard 19 (IAS 19) with regard to Employee Benefits which became effective for accounting periods commencing on or after 1 January 2013. The revised IAS19 relates to the accounting for the pension deficit and related disclosures. The main change arising from the adoption of the revised standard is that, in determining the net pension liability, the valuation of the plan assets is determined by the discount rate applied in determining the pension liabilities whereas previously the expected return on the assets was used.

The Council has applied the revised IAS19 retrospectively and the prior year amounts restated following a revision by the Council's actuaries of the prior year valuation of the net pension liability.

The effect of the restatement of the prior year amounts are as follows:

#### Comprehensive Income and Expenditure Account (GCC and Group)

	2012/13 £000's
<b>Financing and Investment Income and Expenditure</b>	
Increase in Pensions Interest and Expected Return on pensions assets	(413)
<b>Increase in deficit on provision of services</b>	(413)
Reduction in actuarial losses on pension assets/liabilities	413
<b>Effect on Total Comprehensive Income and Expenditure</b>	-

The net pension deficit remained unchanged and there was no impact on the balance sheet for the prior year.

Where appropriate the prior year amounts in the Comprehensive Income and Expenditure Statement and relevant notes to the accounts, in particular Note 43 on Defined Benefit Pension Schemes have been restated.

#### 2. Other Restatements

Certain of the prior year amounts in note 37 Related Parties and Note 38 Capital Expenditure and Capital Financing have been restated as a result of incomplete or incorrect disclosures. These are detailed in the respective notes.

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# **SUPPLEMENTARY FINANCIAL STATEMENTS**

# HOUSING REVENUE ACCOUNT

HOUSING REVENUE ACCOUNT COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT						
For the year ended 31 March 2014						
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 37) and balance sheet (page 39).						
2012/13			Description	2013/14		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
3,851	-	3,851	<b>Expenditure</b>	3,940	-	3,940
5,962	-	5,962	Repairs & Maintenance	6,497	-	6,497
135	-	135	Management & Supervision	124	-	124
19	-	19	Rents, rates, taxes and other charges	-	-	-
3,129	-	3,129	Housing Subsidy payable	1,936	-	1,936
54	-	54	Depreciation and Impairment of fixed assets	28	-	28
241	-	241	Debt Management costs	181	-	181
-	-	-	Increase in provision for bad / doubtful debts	-	-	-
-	(16,872)	(16,872)	<b>Income</b>	-	(17,874)	(17,874)
-	(273)	(273)	Dwelling Rents	-	(324)	(324)
-	(1,338)	(1,338)	Non-Dwelling Rents	-	(1,512)	(1,512)
13,391	(18,483)	(5,092)	Charges for Services and facilities	12,706	(19,710)	(7,004)
-	-	-	<b>Net Cost of HRA Services</b>	-	-	-
44,841	-	44,841	<b>Exceptional items</b>	-	-	-
50	-	50	Revaluation losses on property, plant and equipment	-	(619)	(619)
-	-	-	<b>Other operating income and Expenditure</b>	-	(77)	(77)
2,408	-	2,408	Losses/(gains) on the disposal of HRA Assets	2,276	-	2,276
-	-	-	<b>Financing and Investment Income and expenditure</b>	-	-	-
-	-	-	Interest and Investment Income	-	-	-
-	-	-	Interest payable and similar charges	-	-	-
60,690	(18,483)	42,207	Surplus or deficit of discontinued operations	14,982	(20,406)	(5,424)
-	-	-	Taxation and non-specific grant income	-	-	-
-	-	-	<b>(Surplus) or Deficit on Provision of services</b>	-	-	-
-	-	-	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	-	-	-
-	-	-	<b>Other Comprehensive Income and Expenditure</b>	-	-	-
60,690	(18,483)	42,207	<b>(Surplus) or deficit for the year on HRA services</b>	14,982	(20,406)	(5,424)

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.			
2012/13 £'000		2013/14	
		£'000	£'000
(1,376)	Balance on the HRA at end of the previous year		(3,517)
42,207	(Surplus ) or deficit for the year on the HRA Income and Expenditure Statement	(5,424)	
(44,348)	Adjustments between accounting basis and funding basis and funding basis under statute	1,330	
(2,141)	Net (increase) or decrease before transfers to or from reserves	(4,094)	
-	Transfers to or (from) reserves	-	
(2,141)	(Increase) or decrease in year on the HRA		(4,094)
(3,517)	Balance on the HRA at the end of the current year		(7,611)

# HOUSING REVENUE ACCOUNT

## 1 NOTE OF RECONCILING ITEMS FOR THE MOVEMENT ON THE HRA STATEMENT

	2013/14 £'000	2012/13 £'000
<b>Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Statement</b>		
Amortisation of premiums and discounts	(4)	(4)
Depreciation	1,936	3,129
Revaluation losses on property, plant and equipment	-	44,841
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	782	851
Transfer of sale proceeds credited as part of the sale of non-current assets	(1,401)	(801)
Transfer to major repairs reserve	(2,100)	(3,129)
Discounts repaid transferred to capital receipts reserve	(28)	-
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	33	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	-	-
Pension contributions	(548)	(548)
	<b>- 1,330</b>	<b>44,348</b>
<b>Items not included in the HRA Income and Expenditure Account but included in the Movement on the HRA Statement</b>		
	-	-
<b>Net adjustments between accounting basis and funding basis under regulations</b>	<b>- 1,330</b>	<b>44,348</b>

## 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 37) and balance sheet (page 39).

## 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 48 on page 80).

## 5 DEPRECIATION AND REVALUATION LOSSES ON PROPERTY, PLANT AND EQUIPMENT

The depreciation charged to dwellings in 2013/14 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 9), which is used to finance HRA capital expenditure.

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

Type of Tangible fixed asset	2013/14 £'000	2012/13 £'000
Dwellings	1,928	3,120
Other Land & Buildings	-	1
Vehicles, plant and equipment	8	8
<b>Total Depreciation</b>	<b>1,936</b>	<b>3,129</b>

Dwellings were not valued in the current year with the result that there was no charge (2012/13: £44.841 million) to the Comprehensive Income and Expenditure Statement in respect of revaluation losses.

## 6 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 £0.317 million at 31 March 2014 (£0.246 million at 31 March 2013). The amount of rent arrears in respect of current and former tenants at 31 March 2014 was £0.451 million (£0.553 million at 31 March 2013). This is equivalent to approximately 2.48% of the total due from tenants in 2013/14 (0.82% in 2012/13).

## 7 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).

# HOUSING REVENUE ACCOUNT

## 8 INTEREST PAYABLE AND AMORTISATION OF PREMIUMS AND DISCOUNTS

Both these charges are calculated in accordance with statutory determinations.

## 9 MAJOR REPAIRS RESERVE (MRR)

The authority has a duty to keep a Major Repairs Reserve. In 2013/14 a sum of £2.1 million was credited to this account.

Subsequently £2.1 million was used to finance capital expenditure.

The balance on the Major Repairs Reserve at the beginning and end of the year was £Nil.

## 10 HRA BALANCE

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

	Balance at 1 April £'000	Approp'ns to balance in year £'000	Approp'ns from balance in year £'000	Balance at 31 March £'000
<b>Unallocated balance</b>				
<b>Total 2013/14</b>	<b>3,517</b>	<b>4,094</b>	<b>-</b>	<b>7,611</b>
Total 2012/13	1,376	2,141	-	3,517

## 11 CAPITAL EXPENDITURE

Total capital expenditure on HRA assets during the year was £6.049 million, £5.882 million of which was spent on improvements and modernisations to dwellings, and £0.167 million on property acquisitions.

Capital expenditure requiring financing was £6.049 million, which was financed by £3.949 million borrowing and £2.1 million from the Major Repairs Reserve.

## 12 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 the previous financial year, as at 1 April 2013.

## 13 COUNCIL HOUSING STOCK AND VALUE

<u>Analysis by Type</u>	Number of dwellings	
	2013/14	2012/13
Houses	2,300	2,322
Flats	2,164	2,170
Shared ownership (whole equivalents)	24	24
<b>Total Stock</b>	<b>4,488</b>	<b>4,516</b>
<u>Age Analysis</u>		
Pre 1919	51	50
1919 - 1944	678	688
1945 - 1964	2,229	2,239
1964 onwards	1,530	1,539
<b>Total Stock</b>	<b>4,488</b>	<b>4,516</b>

Dwellings, including shops and garages were valued in the previous year at £115.706 million. The net book value of HRA assets at 31 March 2014 are £119,044-refer to note 11, page 49 for details.

## 14 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 £116.549 million at 31 March 2014. With vacant possession the dwellings would have had an estimated value of £375.965 million, thereby recognising an economic cost of providing council housing at less than open market rents of £256.921 million.

The social housing adjustment factor used is 31%.

## 15 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.

HRA Capital Receipts Receivable	2013/14 £000's	2012/13 £000's
Dwellings	1,401	867
<b>Total</b>	<b>1,401</b>	<b>867</b>

## 16 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

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT					
For the year ended 31 March 2014					
	Note	2013/14			2012/2013
		£'000	£'000	£'000	£'000
		Council Tax	Business Rates	Total	Total
<b>INCOME</b>					
<b>Non Domestic Rates</b>					
Collectable from Business Ratepayers	2,4	-	(51,011)	(51,011)	(48,514)
<b>Council Tax</b>					
Collectable from Council Tax Payers	1	(51,287)	-	(51,287)	(49,715)
Council tax benefits		-	-	-	(8,626)
		<b>(51,287)</b>	<b>(51,011)</b>	<b>(102,298)</b>	<b>(106,855)</b>
<b>EXPENDITURE</b>					
<b>Non-Domestic Rates</b>					
Payment To National Pool		-	-	-	47,115
Payment to Gloucester City Council		-	19,840	19,840	-
Payment to Central Government		-	24,800	24,800	-
Payment to Gloucestershire County Council		-	4,960	4,960	-
<b>Council Tax Precepts</b>					
Gloucester City Council		6,401	-	6,401	7,322
Gloucestershire County Council		37,507	-	37,507	43,002
Police and Crime Commissioner for Gloucestershire		7,005	-	7,005	7,874
Write-Offs		268	36	304	460
Change in bad debt provisions		104	487	591	1,141
Change in Provision for NNDR Appeals		-	1,083	1,083	-
Cost of NNDR Collection		-	180	180	180
Distribution of previous years' estimated Collection Fund surplus		-	-	-	27
		<b>51,285</b>	<b>51,386</b>	<b>102,671</b>	<b>107,121</b>
<b>(Increase)/Decrease in Fund</b>		<b>(2)</b>	<b>375</b>	<b>373</b>	<b>266</b>
Balance of Fund at beginning of year		214	-	214	(52)
<b>Balance of Fund at 31 March</b>		<b>212</b>	<b>375</b>	<b>587</b>	<b>214</b>

# 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	72	5/9	40
A	13,644	6/9	9,096
B	13,638	7/9	10,607
C	11,657	8/9	10,362
D	5,130	9/9	5,130
E	3,243	11/9	3,964
F	781	13/9	1,128
G	148	15/9	247
H	3	18/9	6
<b>Total</b>	<b>48,316</b>		<b>40,580</b>
Less: Council Tax Support Scheme			(5,865)
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)			(437)
Add contributions in lieu of government properties			116
<b>Council Tax Base for 2013/14</b>			<b>34,394</b>
<b>Council Tax Base for 2012/13</b>			<b>39,433</b>

The Council Tax Base for 2013/14 multiplied by the Average Band D Council Tax Charge gives the Total of Precepts and Demands for the Year:

Tax Base	34,394
	X
Average Band D Charge	1,480.29
Precepts and Demands (£000s)	50,912



# COLLECTION FUND

## 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 non-domestic rateable value at 31 March 2014 was £124.32 million (£126.06 million at 31 March 2013) and the national non-domestic multiplier for 2012/13 was 47.1p (2012/13 :45.8p), resulting in net income after transitional, small property, empty property and mandatory reliefs of £51.011 million.

2013/14 was the first year of the new Business Rate Retention Scheme. This scheme splits Business Rate income between central government and local authorities according to a set percentage split in each area. For the Gloucester City Council area 50% of income goes to Central Government, 40% to Gloucester City Council and 10% to Gloucestershire County Council. The Collection Fund Statement shows the sums received by each organisation for Business Rates in 2013/14.

In setting up the new scheme Central Government established a baseline funding level for every authority. A system of tariffs, paid by authorities who have gained, and top ups, paid to those who have lost out, ensures that each authority receives their baseline funding. The tariff paid by Gloucester City Council from its general fund in 2013/14 was £15.885 million.

## 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.

This Council Tax balance is 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 closing deficit for 2013/14 is £0.212 million (2012/13 deficit £0.214 million). This is apportioned as follows:

	2013/14 £'000	2012/13 £'000
Gloucestershire County Council	156	158
Police and Crime Commissioner for Gloucestershire	29	29
Gloucester City Council	27	27
<b>Total</b>	<b>212</b>	<b>214</b>

The 2012/13 Council Tax deficit is to be recovered from the respective parties in 2014/15 as a deficit of £0.214 million was declared in January 2014.

2013/14 was the first year of the new Business Rate Retention Scheme so the fund has no opening balance. The deficit for the year was £375k and this is apportioned as follows.

Apportionment of Net Deficit relating to NNDR	2013/14 £'000	2012/13 £'000
Gloucestershire County Council	37	-
Central Government	188	-
Gloucester City Council	150	-
<b>Total</b>	<b>375</b>	<b>-</b>

The fund deficit will be recovered from the three bodies in future years.

## 4 NON-DOMESTIC RATES APPEALS

When the new arrangements for the retention of business rates came into effect on 1 April 2013, local authorities assumed 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 the need to make a provision for the future cost of these appeals. The estimate made for the likely future value of appeals as at 31 March 2014 was £1.083 million. This has been split amongst the three recipients of Business Rates Income according to their share.

	%	2013/14 £'000
Central Government	50	542
Gloucester City Council	40	433
Gloucestershire County Council	10	108
<b>Total</b>		<b>1,083</b>

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# **GLOSSARY OF FINANCIAL TERMS**

# **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.

# **GLOSSARY OF FINANCIAL TERMS**

## **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.

# **GLOSSARY OF FINANCIAL TERMS**

## **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.

# **GLOSSARY OF FINANCIAL TERMS**

## **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.

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# AUDIT REPORT

## **Independent auditor's report to the members of Gloucester City Council**

We have audited the financial statements of Gloucester City Council for the year ended 31 March 2014 on pages 26 to 90. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Head of Finance and auditor**

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2014 and of the Authority's and the Group's expenditure and income for the year then ended;



- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

### **Matters on which we are required to report by exception**

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 4 to 19 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

## **Conclusion on Gloucester City Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's responsibilities**

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

### **Auditor's responsibilities**

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

## **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Gloucester City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

## **Certificate**

We certify that we have completed the audit of the financial statements of Gloucester City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

**Darren Gilbert**

**for and on behalf of KPMG LLP, Appointed Auditor**

*Chartered Accountants*  
100 Temple Street  
Bristol  
BS1 6AG

8 September 2014

No	Issue Identified	Actions Required	Lead Officer	Progress / Outcome	Timescale
1	Development of member and staff understanding of the scale of the future financial challenge	Ongoing dialogue throughout the year with Group Leaders and Political Groups in relation to savings, forecasting and challenges.	JT/MG	Portfolio holders to receive monthly budget monitoring updates.  Monthly report of management accounts to SMT also shared with portfolio holders  Quarterly budget monitoring forecast reports to cabinet and O&S	September 2014  June 2014  April 2014
		Pick up actions from Financial Peer review report on creating more comprehensive information and management understanding.	SN/JT/ Members	Combine the budget monitoring information and performance reporting to enable a more comprehensive picture. This is currently in discussion between Finance and Business Improvement.  Improved training and support now offered to managers through monthly meetings with Management Accountant and updated budget information.	February 2015  June 2014 and ongoing

				Training session offered to all members on Local Government Finance.	September 2014
		Independent advice for members in relation to Council finance and risk.	SMT/LGA	LGA to arrange peer support to each political party Sept 2014	To be confirmed with LGA
2	Alignment of budget setting processes	Involve members staff and partners in budget consultation	JT/MG/WJ	<p>Management Accountant meeting all managers to consult with and identify savings from budgets</p> <p>Portfolio holders consulted through cabinet away days, identifying areas for future savings</p> <p>Communications sent out from SMT and Inhouse to alert all staff of opportunity to take part in online budget consultation</p> <p>Budget consultation undertaken earlier than previous consultations with reports going to O&amp;S in December 2014</p> <p>Budget savings with partners agreed through strategic meetings and based upon</p>	<p>Sept / Oct 2014</p> <p>May 2014</p> <p>July &amp; Aug 2014</p> <p>July 2014 and Ongoing</p> <p>April 2014 and ongoing</p>

				performance and previous savings targets. Ongoing operational / strategic discussion to agree future savings targets.	
3	Priorities linked to resources agreed by Cabinet and communicated to staff	Review of Council Plan and resources required for delivery	MS/SN/ Members / All staff	<p>Workshops held with members and staff in identifying commitments, projects and future plans in line with existing strategy and budgets.</p> <p>Council Plan to be reviewed annually alongside performance and budget monitoring</p> <p>Development of new performance indicators to be produced alongside budget information</p>	<p>May – September 2013</p> <p>Jan – March 2015</p> <p>March 2014</p>
		Familiarise staff with new plan and link to service performance across the Council	SMT	<p>All services produced yearly delivery plans in line with key objectives in Council Plan and discussed with SMT and shared with Cabinet members.</p> <p>Staff Event Oct, themed around Council Plan to promote understanding of strategic direction of the Council and the impact that each employee can</p>	<p>March – May 2014</p> <p>October 2014</p>

				make towards the successful delivery of the plan	
				Appraisals aligned to service delivery plans to enable transparency of contribution to organisational delivery and performance	March 2015
4.	Improve Internal communications with staff	Review current use of internal communication channels and format.	Cabinet/ SMT/ MS	<p>Introduce a 'get to know your cabinet member' briefing note for all staff</p> <p>SMT to attend service 'Team Times' to discuss key issues, performance, events, changes.</p> <p>Weekly blog from Corporate Director – In place from May 2014</p> <p>Introductions between cabinet members and teams undertaken</p> <p>Development of Council Intranet to enable discussion on hot topics, wellbeing, updates and news.</p>	<p>Completed August – September 2014</p> <p>Dec 2014 – March 2015</p> <p>May 2014 ongoing</p> <p>Completed July – Sept 2014</p> <p>To be scoped with Civica</p>
		Staff Survey to be undertaken to understand and inform engagement and organisational health	RA	Annual staff survey to collect baseline information on staff engagement, adaption to change	March 2015

				and perception of how we are doing.	
5	United Leadership approach across Directors, SMT and Cabinet	Visibility, jointly supportive, avoiding duplication or crossing into each others roles	SMT & Cabinet	<p>'Top Team' event facilitated by the LGA to cover member / officer relations. Statements of the respective roles and acknowledgment of the member / officer protocol.</p> <p>Facilitated session to include discussion and agreement of roles and responsibilities of Officers and members, to improve working relationships and purpose.</p> <p>Include members in distribution of 'In House' publications</p>	<p>Sept/Nov 2014</p> <p>Completed May 2014</p>
6	Training for members and officers to help understand each others roles	Support from LGA to establish and agree roles, responsibilities, existing protocols.	MS/SMT/ Cabinet & Group Leaders	<p>LGA attending Cabinet / SMT away days and further meetings with Corporate Directors</p> <p>Offer training through outside body e.g South West Councils for staff to understand Councillor and Officer roles and responsibilities in local government.</p> <p>Staff Inductions to include information relating to working in</p>	<p>March 2014 and ongoing</p> <p>Jan 2015</p> <p>March 2015</p>

				<p>local government and associated roles.</p> <p>Make available training on professional matters e.g planning, heritage, conservation, urban design etc- currently being considered via LGA and other sources of training in specialist areas.</p> <p>The LGA New Members guide has been shared with Group Leaders for them to share with their groups.</p>	<p>To be confirmed with LGA</p> <p>June 2014</p>
7	Provide opportunities for all staff to have input and feed in ideas, encouraging staff to make decisions without fear of getting them wrong	<p>Ensure that decision making responsibilities are correctly aligned with roles and recorded</p> <p>Build confidence amongst staff by ensuring decision making processes are understood by officers (correct forms signed by relevant officer/member and stored for audit purposes)</p>	<p>SMT</p> <p>SMT/ Committee Section</p>	<p>Constitution updated with new responsibilities identified for relevant officers</p> <p>Revised spending limits to meet operational requirements and support decision making responsibilities</p> <p>Procedures written up and circulated to all managers to share with teams.</p>	<p>Updated and continually reviewed</p> <p>Completed and continually reviewed</p> <p>January 2015</p>



		Do 'pulse checks' quarterly amongst staff, consisting of a few open ended questions, to encourage and enable 'fearless feedback' (covering engagement, strategy, budgets, operations, organisational health, etc)	SMT/Internal Comms	Pilot being held at Annual Staff Event to be adopted once trialed	Oct 2014
		Provide channel for all staff to put forward ideas in relation to service improvements to develop learning environment, budget savings, improved communications etc. Relevant service then assist with delivery e.g Business Improvement, Internal Communications, SMT.	Business Imp, Internal Comms, SMT	Offer practical help with associated with delivery of suggestions and ideas through communicating with all stakeholders, channel options, scripting and process mapping.	Nov 2014 – Jan 2015
8	Link the physical and social aspects of regeneration together	Ensure that social regeneration features in all regeneration schemes and those considered for new development.	AH/EP	<p>Work has already begun with initiatives involving jointly funded 'community builders', further work to be done around the return on investment.</p> <p>Work with relevant stakeholders to make most of employment, skills, training and development initiatives in local areas. Using information in City Plan to engage and develop linkages between social and physical regeneration.</p> <p>Possible linking to the Gloucester Regeneration Advisory Board.</p>	<p>April 2014</p> <p>Ongoing</p> <p>Under consideration</p>

9	Develop the Councils organisational values, attitudes and behaviours in line with evolving environment and challenges	<p>Work with all staff and members to identify what type of organization we are and need to be in order to thrive and be successful</p> <p>Progress the achievements of the workshops provided by the LGA, SfJ and Birmingham City Council:</p> <ul style="list-style-type: none"> <li>• Business Canvas Model (see attached)</li> <li>• Workforce Canvas (see attached)</li> </ul>	SN/RA	<p>Workshops undertaken with members and staff to discuss and identify challenges and values associated with the Council</p> <p>Workshop identified 3 key areas for the Council to focus on to assist with identifying 'what type of organization we are' and key issues.</p> <ol style="list-style-type: none"> <li>1. Key Activities</li> <li>2. Value Proposition</li> <li>3. Cost Structure</li> </ol> <p>Work on development of key issues identified within the canvas e.g Apprenticeships / 'workforce passport scheme' Understanding workforce today and requirements for future delivery and skills required.</p>	<p>Sept 2013</p> <p>March 2015</p> <p>March 2015</p>
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10	SMT & Cabinet to lead the way in demonstrating the Values, Attitude and Behaviours desired by the Council	Joint walkabouts with SMT & Cabinet members to engage teams	SMT / Cabinet	Cabinet/SMT interacting with teams on an informal basis, increasing visibility.	Jan 2015
		Acknowledgement of good performance		Reward scheme	Under consideration
				Visit from SMT/Director or Cabinet Member to recognize and note achievements.	Oct 2014
				Excellent performance / achievements to be reported in 'In House' communications and at Staff Award event.	Ongoing
		Ensure appropriate resource is allocated to support Head of Paid Service		Peter Jones, Gloucestershire County Council to support Head of Paid Service.	Ongoing
				Heads of service empowered to make decisions within areas of responsibility.	Ongoing

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## Business and Workforce planning initiatives summary

## Appendix A1

	Business Canvas	Workforce Canvas
Background & Purpose	<p>As part of the peer challenge offer, the LGA offered us use of the Business Canvas model, which is a tool to help develop its business operating model. The tool uses nine building blocks to help organisations understand how they intend to operate and how they intend to generate revenues and income, enabling a focus on key priority areas. The Business Canvas prompted discussion, understanding and analysis of the type of model that the City Council needs to adopt to ensure we are fit for purpose and delivering the right things to the right people at the right cost.</p> <p>Our use of the model was started at a session facilitated by the LGA and skills for justice, Local Government.</p> <p>The outcome of the session is the raw data attached.</p>	<p>The peer challenge offer also included the workforce canvas, used to identify workforce planning challenges through the evaluation of nine components covering all aspects required in a HR strategy. This offer was of value to help develop a strategic framework for shaping the organisation for the future, providing a pathway for achieving a workforce skilled to meet the challenge of the future, clearly linked to Business Canvas priorities.</p> <p>This session was facilitated by Skills for Justice/Local Government and by the Workforce Intelligence and Planning Unit from Birmingham City Council on behalf of the LGA.</p> <p>Again the raw data attached is the result of the session.</p>
Outcome	<p>We considered and evaluated each of the nine components of the canvas and prioritised three areas for us to take forward and become part of the Gloucester, 'Fit for the Future' action plan.</p> <ol style="list-style-type: none"> <li><b>1. Key Activities</b> (the most important things we must do to make our business model work e.g effective procurement, contracts management)</li> <li><b>2. Value Propositions</b> (good understanding of customer base and how to satisfy their needs while ensuring that the expected benefits are clearly communicated) e.g Branding, recognised standards, customer segmentation, satisfaction</li> <li><b>3. Cost Structure</b> (all costs incurred to operate our business model) e.g Subsidies, contracts, staffing, assets and associated drivers, cost / value and political</li> </ol>	<p>We populated the canvas with detail against each of the nine components from the view of the organisation as it needs to be, reflecting on the outcomes from the Business canvas session held previously. All components of this model will be used in contribution to the Peer Review action plan as some elements cross over with key aspects of the Business Canvas. This will enable us to introduce a more contemporary approach to develop the workforce and the organisation.</p>
Workforce Planning Diagnostic Survey	<p>A small number of employees were given access to the online Workforce Diagnostic Tool and 10 questionnaires were submitted. This tool was used as it helps organisations assess their current progress against the main success factors for workforce planning. This enabled an analysis of the current levels of workforce planning activity, highlighting areas where work needed to be completed in order to meet future aspirational levels.</p> <p>Gloucester City scored well in areas of; <b>Stakeholder Engagement &amp; Integration Planning</b> and lower in areas of; <b>Organisational Capability, WFP Activity, External Scanning &amp; Knowledge Management</b>. Overall results indicate that the council has had a medium to low capability in this area. The exercise recognises our limitations in this area and the need to improve our workforce planning and therefore helps us to focus on the important areas to take both the organisation and its workforce forwards.</p>	

<b>Action Planning</b>	<p>As a result of all the information gathered from the initiatives completed above, the financial health check (separate document) and the awaited recommendations from the peer challenge visit in December. We will produce an action plan bringing together strategic planning and cross departmental working.</p> <ul style="list-style-type: none"><li>• <b>Progress the financial services improvement plan</b></li><li>• <b>Deliver financial savings</b></li><li>• <b>Transforming the organisation through service reviews and redesign</b></li><li>• <b>New focus and approach to Contracts Management and development</b></li><li>• <b>Enhancing the appraisal system and linking to corporate objectives</b></li><li>• <b>Introduction of Gov-Metric to capture customer satisfaction and undertake effective consultation</b></li><li>• <b>Refurbishment of the Council reception area, providing a modern and welcoming environment</b></li><li>• <b>Continue with the delivery of the Channel Strategy</b></li></ul> <p>This action plan will support and integrate with existing work already devoted to taking the organisation forward.</p>
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