



# Gloucester City Council

## Audit and Governance Committee

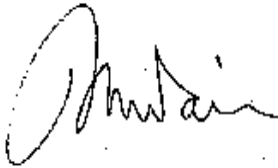
**Special Meeting: Tuesday, 26th February 2013 at 6.30 pm in Education Centre, Folk Museum, Gloucester GL1 2JS (please access via rear entrance on Quay Street)**

<b>Membership:</b>	Cllrs. Wilson (Chair), Hobbs (Vice-Chair), McLellan, Noakes, Porter, Wood and Gilson
<b>Contact:</b>	Parvati Diyar Democratic Services Officer 01452 396192 <a href="mailto:parvati.diyar@gloucester.gov.uk">parvati.diyar@gloucester.gov.uk</a>

## AGENDA

<b>1.</b>	<b>APOLOGIES</b> To receive any apologies for absence.
<b>2.</b>	<b>DECLARATIONS OF INTEREST</b> To receive from Members, declarations of the existence of any disclosable pecuniary, or non-pecuniary, interests and the nature of those interests in relation to any agenda item. Please see Agenda Notes.
<b>3.</b>	<b>PUBLIC QUESTION TIME (15 MINUTES)</b> To receive any questions from members of the public provided that a question does not relate to: <ul style="list-style-type: none"><li>• Matters which are the subject of current or pending legal proceedings, or</li><li>• Matters relating to employees or former employees of the Council or comments in respect of individual Council Officers</li></ul>
<b>4.</b>	<b>PETITIONS AND DEPUTATIONS (15 MINUTES)</b> To receive any petitions and deputations provided that no such petition is in relation to: <ul style="list-style-type: none"><li>• Matters relating to individual Council Officers, or</li><li>• Matters relating to current or pending legal proceedings</li></ul>

5.	<b>REPORT BY KPMG TO THOSE CHARGED WITH GOVERNANCE (ISA 260)</b> Verbal report
6.	<b>2011/12 STATEMENT OF ACCOUNTS (Pages 1 - 124)</b> To consider a report of the Corporate Director of Resources



.....  
**Julian Wain**  
**Chief Executive**

**Date of Publication: Monday, 18 February 2013**

## NOTES

### Disclosable Pecuniary Interests

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

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

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

- i. The total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
- ii. If the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, your spouse or civil partner or person with whom you are living as a spouse or civil partner has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

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

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

#### **Access to Information**

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

For further details and enquiries about this meeting please contact Tanya Davies, 01452 396125, [tanya.davies@gloucester.gov.uk](mailto:tanya.davies@gloucester.gov.uk).

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

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

#### **FIRE / EMERGENCY EVACUATION PROCEDURE**

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

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

# Gloucester City Council

<b>Meeting:</b>	<b>Audit &amp; Governance Committee</b>	<b>Date:</b>	<b>26<sup>th</sup> February 2013</b>
<b>Subject:</b>	<b>2011/12 Statement of Accounts</b>		
<b>Report Of:</b>	<b>Corporate Director of Resources</b>		
<b>Wards Affected:</b>	<b>All</b>		
<b>Key Decision:</b>	<b>No</b>	<b>Budget/Policy Framework:</b>	<b>No</b>
<b>Contact Officer:</b>	<b>Peter Gillett, Corporate Director of Resources</b>		
	<b>Email: peter.gillett@gloucester.gov.uk</b>	<b>Tel:</b>	<b>396400</b>
<b>Appendices:</b>	<b>1. Statement of Accounts 2011/12</b> <b>2. Draft Minutes of the Audit &amp; Governance Committee meeting held on 26 November 2011</b>		

## FOR GENERAL RELEASE

### 1.0 Purpose of Report

- 1.1 To introduce the external auditors, KPMG, and their opinion on the Council's Statement of accounts and to approve the final version of the Statement of Accounts 2011/12, including changes arising as a result of the audit process.

### 2.0 Recommendations

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

- (1) Approve the audited Statement of Accounts for the year ending 31 March 2012, and
- (2) That the Corporate Director of Resources and Chair of the Audit & Governance Committee be authorised to sign a letter of representation on behalf of the Committee and Council to KPMG, to enable the audit opinion to be issued.

### 3.0 Background and Key Issues

- 3.1 In accordance with requirements under the requirements under the Accounts and Audit (England) Regulations 2011, the Council is required by 30 June to sign and date the Statement of Accounts and certify that it presents a true and fair view of the financial position of the Council at the end of March 2012 and its income and expenditure.
- 3.2 As reported in previous meetings, Committee members will be aware that the Director of Resources made the decision that was unable to do so, given the lack of assurance available to him - having reported this to the external auditor, and via KPMG, the Audit Commission.

- 3.3 It is now necessary however, to ensure the accounts are properly certified following the conclusion of the audit, in accordance with those requirements.
- 3.4 Regulation 8 requires that the Statement of Accounts should be signed and dated by the Chair presiding at the Audit Committee meeting at which approval is given. It also requires the Statement of Accounts to be published with the Independent auditor's report, which is included as a separate item on the committee agenda. (ISA260 report to those charged with governance 2011/12)
- 3.5 The Statement of Accounts is comprised of four main statements as required by International Financial Reporting Standards which are:-

**Movement in Reserves Statement:**

This is split between usable & unusable reserves and shows the detail of movement in reserves, from the surplus/ (deficit) on provision of services in the Comprehensive Income & Expenditure Statement, to the position on the Balance Sheet at 31 March

**Comprehensive Income & Expenditure Statement:**

This combines the income & expenditure account and the former Statement of Recognised Gains & Losses which were previously shown as separate statements. The 'below the line' funding & accounting entries for items such as depreciation, impairment, grants and pension adjustments are shown in the notes to the accounts

**Balance Sheet:**

Shows the assets and liabilities of the Authority.

**Cash Flow Statement:**

This shows the year on year change in cash and cash equivalents.

**4.0 Future Work and Conclusions**

- 4.1 Further explanations can be found in the Explanatory Forward of the Statement of Accounts. At the meeting, the Director of Resources will introduce this report, and outline steps taken to conclude the process for production of the final statement, and the Interim Finance Change Manager will present a summary of the accounts and key issues in preparing the final version, which is enclosed at Appendix 1.
- 4.2 A draft letter of representation is also attached to the Auditor's report, which this Committee needs to approve the signature of. This deals with the processes and procedures the Council adopts to ensure that it is in compliance with statutory requirements, laws and regulations and also that it has a sufficiently robust management system to prevent and detect fraud and irregularities.

**5.0 Legal Implications**

- 5.1 The report complies with the Council's responsibilities under the Accounts and Audit (England) Regulations 2011 and the relevant sections of DCLG Circular 03/2006 - Guidance on the Accounts and Audit Regulations 2003.

**6.0 Financial Implications**

6.1 The financial implications are detailed in the report and Appendix 1.

**7.0 People Impact Assessment (PIA):**

7.1 This report is purely financial in nature therefore a PIA is not required.

**8.0 Other Corporate Implications**

Community Safety

8.1 There are no community safety implications.

Sustainability

8.2 There are no sustainability implications.

Staffing & Trade Union

8.3 There are no staffing implications.

**Background Documents:**

- Accounts and Audit Regulations (England) 2011
- Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the 'Code')

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**GLOUCESTER CITY COUNCIL  
2011/12 STATEMENT OF ACCOUNTS**

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# INTRODUCTION

**Gloucester City Council**  
**Welcome to the Statement of Accounts 2011/12**

The financial year 2011/12 was the fourth year in the span of the Council's corporate plan, 'Building a Better Gloucester'. 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 2011/12 statement of accounts will be published in March 2013.

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

**Peter Gillett**

Corporate Director of Resources (Section 151 Officer)

Gloucester City Council  
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The Docks  
Gloucester, GL1 2EP

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

GLOUCESTER CITY COUNCIL-GENERAL INFORMATION	
<b>Address and Telephone Number</b>	
Address	Herbert Warehouse The Docks Gloucester GL1 2EQ
Telephone	01452 396236
Website	<a href="http://www.gloucester.gov.uk">www.gloucester.gov.uk</a>
<b>Mayor and Deputy Mayor in the 2011/12 Municipal Year</b>	
Mayor	Councillor A Lewis
Sheriff and Deputy Mayor	Councillor P Tracy
<b>Cabinet in 2011/12</b>	
Leader of the Council	Councillor P James
Deputy Leader of the Council	Councillor S Morgan
Cabinet Member Performance and Resources	Councillor D Llewellyn
Cabinet Member Regeneration and Culture	Councillor P James
Cabinet Member Communities and Neighbourhoods	Councillor K Williams
Cabinet Member Housing, Health and Leisure	Councillor C Organ
Cabinet Member Environment	Councillor S Morgan
<b>Chairman of Committees in 2011/12</b>	
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
<b>Chief Officers in 2011/12</b>	
Chief Executive	Mr J M Wain
Director of Resources (Section 151 Responsible Officer)	Mr P Gillett
Director of Regeneration	Mr P Staddon
Director of Services and Neighbourhoods	Mr M Shields
<b>External Auditor in 2011/12</b>	
Appointed Auditor	KPMG LLP
Address	100 Temple Street, Bristol, BS1 6AG Bristol BS1 6AG
<b>Bankers in 2011/12</b>	
Bankers	Co-operative Bank
Address	23A St Aldates Street Gloucester GL1 1RU

**The Council's responsibilities**

The Council is required to:

- \* Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Resources (Section 151 Officer);
- \* Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- \* To approve the Statement of Accounts.

**Responsibilities of The Director of Resources (Section 151 Officer)**

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

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

- \* Selected suitable accounting policies and then applied them consistently;
- \* Made judgements and estimates that were reasonable and prudent;
- \* Stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the statement of accounts;
- \* Complied with the Code of Practice;
- \* Kept proper accounting records which were up to date; and
- \* Taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts presents a true and fair view of the financial position of Gloucester City Council at 31 March 2012 and its income and expenditure for the year ended on that date.

Signed ..... Dated .....

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

Signed ..... Dated .....

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

**ANNUAL GOVERNANCE STATEMENT**

**Review of 2011/12 and Actions Required in 2012/13**

## **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 code of corporate 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 Group Manager Audit & Assurance 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 it's 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 2012, 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 Corporate 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 2011/12 were detailed as part of the corporate plan, entitled 'Transforming Your City'. This Plan, which followed on from the Blueprint for Change in 2005 and building a Better Gloucester on 2008, is a 4 year plan (2011-2015) 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 strategy 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 five 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.

The Environment – We will consider the impact on the environment of everything we do.

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' Corporate Plan 2011-2014 can be found on the Council's website.
- 4.4 In order to ensure that progress is being made against the aims and objectives detailed in the Corporate Plan, performance reports are produced to highlight achievements and address any challenges. These reports are reviewed by the Chief Executive and Directors (GLT), and members. Reports are also made available online on the Council's website [www.gloucester.gov.uk](http://www.gloucester.gov.uk)
- 4.5 An end of year, annual performance report was presented to GLT on 18<sup>th</sup> May 2012 and is scheduled to be presented to members.
- 4.6 The Forward Plan contains matters which will be the subject of a 'key decision' and 'decisions relating to the Budget and Policy Framework'. Proposals relevant to the Budget and Policy Framework are subject to a period of consultation and the Overview and Scrutiny Committee have the opportunity to respond in relation to the consultation process. Forward Plans are prepared by the Leader of the Council, and cover a 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 web site.
- 4.7 Data quality is important for Local Authorities as decisions are made based on data that is produced, and, the Council reports its performance to a wider audience. Internal Audit have an important role to play in reviewing and reporting on any data quality issues identified as part of their work.
- 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 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.
- 5.4 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 2011-12, which was based on recommendations by an independent "Members Remuneration" panel, was adopted by the Council in May 2011.
- 5.5 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 2012/13 was approved by Council in March 2012.
- 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 is in accordance with the National Code of Local Government Conduct and complaints that Members have breached the Code are dealt with by the Council's Standards Committee. 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. 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.
- 6.2 The Council has a complaints procedure that enables dissatisfied members of the public to raise concerns. The Council view all comments, whether they are complaints or compliments, as a valuable way of collecting continual feedback about services and how it can help improve the services provided. Complainants may also refer matters to the local government ombudsman for investigation once they have been through the council's complaint system.
- 6.3 During 2011/12, the following policies were reviewed and updated, Freedom of Information & Environmental Information Regulations Policy, Data Protection Policy, Subject Access Request Policy, Regulation of Investigation Act 2000 (RIPA) – Procedural Guide.

**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 they explain reasons for 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 makes recommendations on the development of policies and to hold the 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 reviewed in March 2012. It contains the objectives of the strategy, linked to the council key aims, and guidance on the risk management cycle and scoring of risks.

7.6 The Gloucester Leadership Team and Cabinet are responsible for reviewing the Council's Strategic Risk Register. A current review (May 2012) of the Register is being undertaken to ensure any risks associated with the achievement of the Council's aims and objectives in the corporate strategy 'Your City' have been identified.

7.7 The Council has established an Audit Committee. The Terms of Reference for the Audit Committee cover the core functions of an audit committee as identified in the CIPFA guidance 'Audit Committees – Practical Guidance for Local Authorities'.

- 7.8 The Group Manager Legal and Democratic Services 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 whistle-blowing policy under which members of staff may raise any concerns. The policy was reviewed during the year and a revised version was agreed by a joint meeting of the Audit Committee and Standards Committee in February 2012.
- 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. Feedback from the new approach to Member training adopted in 2010/11 was positive and therefore continued in 2011/12. It included the following:
- An induction pack for successfully elected Councillors.
  - A Members' Handbook issued to all Members of the Council.
  - An induction day, which included an introduction to the Council from the Council's senior management team and a market place event.
  - A comprehensive extended induction programme featuring a wide range of topics.

In total 17 training courses were provided by the Council in 2011/12 and the total number of attendances was 177. This demonstrates that the new programme was well supported by Members of the Council in 2011/12, however, higher attendance levels are desirable at sessions held outside of the induction process.

- 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.
- 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 the Statement of Accounts
- 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 council's to report upon the remuneration of senior employees. This information was published as part of its annual accounts. The Council's comprehensive Pay Policy Statement was also approved by full council on 22<sup>nd</sup> March 2012.
- 9.5 The council has a strong track record of partnership working with the public, private and voluntary sectors. It has established: an arms 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.
- 9.6 Monitoring arrangements for the major partnerships are delivered through a combination of client/contractor meetings, the Gloucester Leadership 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 Group Manager Audit & Assurance annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 10.2 The process that has 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 2011/12, 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. 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 All '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 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 Committee cover the core functions of an audit committee as identified in the CIPFA guidance 'Audit Committees – Practical Guidance for Local Authorities.
- 13.3 As a result of the review of the effectiveness of the Audit Committee, which was undertaken in 2010, it was agreed that the Committee would produce an annual report detailing the work of the Committee. The first annual report was presented to Council in July 2011. The second annual report of the Audit Committee is planned to be presented to the July 2012 Council meeting.

## **14.0 The Standards Committee**

- 14.1 The Council has established a Standards Committee whose role is to promote and maintain high standards of conduct by Councillors and co-opted Members.
- 14.2 The introduction of the Localism Act 2011, has had a significant impact on the Standards Committee and ethical standards generally. The Act requires that:-
- the requirement for local authorities to have a Standards Committee is abolished, although such Committees may be appointed at the discretion of local authorities.

- The requirement to adopt a statutory Member Code of Conduct is revoked, although Councils are free to adopt a local code should they so wish.
- The requirement for certain Member interests to be registered remains.
- Failure to register/declare an interest will be potentially punishable as a criminal offence.

14.3 In view of the above, in March 2012, Council recommended that:-

- the Standards Committee role be combined with the role of the Audit Committee, to establish an Audit & Governance Committee.
- the Monitoring Officer be instructed to prepare and present to Council for adoption a draft Code of Conduct.
- the draft Code of Conduct should include the requirement for registration and disclosure of interests which would constitute personal and/or prejudicial interests.

Work is currently underway to move towards the adoption of the necessary constitutional documents and processes.

## **15.0 Overview and Scrutiny Committee**

15.1 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 2011/12 is due to be reported to Council in July 2012

15.2 The Committee used an annual work programme to manage the business of the Committee during 2011/12 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.

## **16.0 Internal Audit**

16.1 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.

16.2 Gloucester City Council (GCC) and Stroud District Council (SDC) 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 GCC and 3 based at SDC. In addition, the team is managed by the Head of Partnership, who is the GCC Group Manager Audit & Assurance.

16.3 The Accounts and Audit Regulations also require the authority to review the effectiveness of its internal audit at least once a year, and

that the findings of this review should be included in the Annual Governance Statement.

- 16.4 This review consisted mainly of a self-assessment against the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006, and the results were reviewed by the Council's Corporate Director of Resources, and will be reported to the Council's Audit & Governance Committee in June 2012. The overall conclusion from the review was that internal audit at GCC is effective. Although the self-assessment identified a number of 'gaps' in compliance with the CIPFA Code of Practice, these do not materially effect the reliance the Council can place on the Group Manager Audit & Assurance's opinion on the adequacy of the control environment.
- 16.5 Internal Audit work is carried out to the standards outlined in the CIPFA 'Code of Practice for Internal Audit in Local Government in the United Kingdom 2006' (the Code). The Code requires the Head of Internal Audit to 'provide a written report to those charged with governance timed to support the Annual Governance Statement'. The 2011-12 report by the Group Manager Audit & Assurance 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."

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

### External Audit

- 17.1 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.
- 17.2 In September 2011, the Council's External Auditor produced their 'Report to those charged with governance (ISA 260) relating to the 2010/11 audit of the Council's financial statements. In relation to 'audit matters of governance interests that arise from the audit of the financial statements' the report concluded that 'we have included a number of comments throughout this report which we feel merit the attention of the Audit Committee but there are no additional matters which we wish to draw specifically to your attention'.
- 17.3 The main issues identified in the ISA 260 report related to the quality and timeliness of the draft accounts, of the 11 agreed audit adjustments to the council's accounts.
- 17.4 The audit of the financial statements in previous years resulted in a greater amount of resource from KPMG to complete their work. This



was partly due to vacancies in the financial services team in the period leading up to and during the production of the statements and during the audit itself. For the 2009/10 and 2010/11 accounts and audit process, the Council put further effort and resource into improving its financial reporting arrangements however, further technical resources have been approved by the Director of Resources to cover the 2011/12 year end to mitigate against more recent vacancies and technical skills gaps.

- 17.5 Despite the approval of additional resources by the Director and GLT, the Accountancy Services team has not embedded the Director's required improvements – which resulted in a delay to the Director's sign-off of the accounts - and a delay to the commencement of the external audit.

#### Director of Resources

- 17.6 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's statement is included in the following paragraphs 17.7 to 17.14, below:

- 17.7 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.

- 17.8 My 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.

- 17.9 The arrangements for internal audit are as set out in the Annual Governance Statement (paragraph 16) and I am 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.
- 17.10 The work of both Internal and External Audit has further confirmed my own view, endorsed by GLT and the Corporate Governance Group, that essential ongoing improvement to ownership and accountability for financial management issues need to be fully embedded across the Council and better supported by the financial services team. This includes further improving financial monitoring arrangements, to include the production of the council's annual financial statements and improved modelling of future budget options within services.
- 17.11 During the course of 2011/12 as part of my stated required improvements in financial management, the council-wide 'LEAN' review of financial processes continued. This project aims to embed greater ownership of budgets and financial management with budget holders and managers. As a result of the improved processes, it is also identifying freed-up resources and financial savings.
- 17.12 However, further improvements in financial control must be implemented. This work is ongoing – and remains essential and fundamental to enable the further step change in Financial Management across the authority, that I have identified and stated as being necessary for the council to achieve. This includes the need to further bolster the technical accountancy resource within the council and to improve ongoing resilience. The delays experienced in enabling me to sign off the annual accounts and the commencement of the annual audit are not acceptable. A restructuring of financial services is to be implemented to ensure appropriate levels of both resourcing and skills are maintained within the service. I have established an interim team of additional resources, and which will overlap with recruitment to the necessary posts, to ensure both short and medium term resilience.
- 17.13 Risk Management is the process by which risks are identified, evaluated and controlled, and is a key element of the governance framework. A current review (May 2012) of the Register is being undertaken to ensure any risks associated with the achievement of the Council's aims and objectives in the corporate strategy 'Your City' have been identified.

17.14 During the year, in addition to the Member Risk Management Champion role, my recommendation to introduce an officer Risk Management Champion has been implemented. The post helps ensure that risk management is further embedded within the organisation.

Other sources of Assurance

17.15 A further source of assurance has been obtained from the use of Management Assurance Statements. These Statements have been issued to all Directors and Group 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.

17.16 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.

**18.0 Significant governance issues**

18.1 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**

**Julian Wain**  
**Chief Executive**

## Annual Governance Statement Action Plan 2012-13

No.	Core Principle	Governance issue	Responsible Officer	Action Required
1	Promote values for the authority and demonstrate the values of good governance through the upholding of high standards of conduct and behaviour.	The Localism Act 2011 makes fundamental changes to the system of regulation of standards of conduct for elected and co-opted Councillors.	Director of Resources/Group Manager Legal & Democratic Services	There remains a lot to do in order to fully implement the standards regime envisaged by the Localism Act 2011. The remuneration levels for the Independent Person need to be set and arrangements are being made for this to happen. The detailed Regulations on Disclosable Pecuniary Interests have yet to be formally published and this impacts on preparation of the Register maintained by the Monitoring Officer, the preparation of Standing Orders for requiring Members to withdraw where they have DPs and, more importantly, on training and guidance for Members. This is especially important as breach of the legislation on interests is a criminal offence. The Monitoring Officer will provide as much up-to-date information as is available to Members and produce further draft documents for consideration by Members where possible.
2	Take informed and transparent decisions, which are subject to effective scrutiny and managing risk.	A current review (May 2012) of the Register is being undertaken to ensure any risks associated with the	Corporate Director of Resources/Group Manager Audit & Assurance	Report outcomes of latest register review to GLT, cabinet and the Member Champion for Risk Management. Ongoing

No.	Core Principle	Governance issue	Responsible Officer	Action Required
3	Take informed and transparent decisions, which are subject to effective scrutiny and managing risk.	<p>achievement of the Council's aims and objectives in the corporate strategy</p> <p>'Transforming Your City' have been identified</p> <p>Essential and ongoing improvements in financial management are necessary, as identified in the statement by the Director of Resources</p>	Corporate Director of Resources	<p>Improve the ongoing technical accounting skills within the financial services team.</p> <p>Further implementation of the LEAN process review across the council to embed ongoing improvements.</p> <p>Establish an interim resource to help embed improvements and to ensure an overlap between the interim team and recruitment to new roles within financial services.</p> <p>Implement improved reporting arrangements to ensure key routines are delivered within financial services.</p>

# **FOREWORD TO THE ACCOUNTS**

# FOREWORD TO THE ACCOUNTS

## WHAT IS INCLUDED IN THIS STATEMENT?

The Council's overall accounts for the year ended 31 March 2012 are set out on pages 29-96. The accounts consist of the following :-

- \* The Statement of Accounting Policies (pages 29 - 36). This section explains the basis of the figures used in the accounts.
- \* The Core Financial Statements and the Group accounts (pages 37 - 44), comprising:
  - Movement in Reserves;
  - Group Movement in Reserves;
  - Comprehensive Income and Expenditure Statement;
  - Group Comprehensive Income and Expenditure Statement;
  - Balance Sheet;
  - Group Balance Sheet;
  - Cash Flow Statement; and
  - Group Cash Flow Statement.Group accounts combine the Council's accounts with those of Gloucestershire Airport Ltd (in which the Council has a 50% shareholding), Gloucester City Homes Ltd (which is wholly owned by the Council), Barton & Tredworth Developments Ltd (in which the Council has a quarter partnership share), Aspire Sports and Cultural Trust (a company limited by guarantee and wholly-owned by the Council) and Marketing Gloucester (in which the Council has a 50% shareholding).
- \* Notes to the Core Financial Statements (pages 45 to 88)
- \* The Supplementary Statements, comprising:
  - The Housing Revenue Account (pages 89-93), showing separately the revenue income and expenditure during the year relating to the provision of council houses.
  - The Collection Fund (pages 94-96), showing the income received from Council tax and business ratepayers and how that income has been distributed to the Government and to the City Council, Gloucestershire County Council and Gloucestershire Police Authority.

A Glossary of terms, explaining some of the terms used in this statement, is shown on pages 97-100.

## WHAT IS THE COUNCIL'S FINANCIAL POSITION?

### **REVENUE EXPENDITURE**

#### General Fund

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

The Council's Group CIES for 2011/12 shows a deficit on Provision of Services of £8.208 million (2010/11 restated :£3.800 million deficit). The adjustments required by statute to be made to the General Fund Balance (including transfers to and from reserves), resulted in an increase in the General Fund Balance of £1.752 million (2010/11: Decrease £1.480 million) and a year-end General fund balance of £2.446 million (2010/11 restated: £0.694 million).

GLOUCESTER CITY COUNCIL GROUP STATEMENT OF ACCOUNTS				
SUMMARY STATEMENT				
For the year ended 31 March 2012				
2010/11 Net Expenditure	Description	2011/12		
		Gross Expenditure	Gross Income	Net Expenditure
	<b>Gross expenditure, gross income and net expenditure of continuing operations</b>			
1,393	<i>Central Services to the public</i>	11,688	10,300	1,388
	<b>Cultural, environmental, regulatory and planning services</b>			
3,653	<b>Cultural Services</b>	8,033	4,085	3,948
7,032	<b>Environmental Services</b>	8,383	3,059	5,324
2,833	<b>Planning and Development Services</b>	3,810	1,803	2,007
1,700	<b>Service Management and Support Services</b>	1,869	402	1,467
397	<b>Highways and transport services</b>	3,451	3,268	183
3,267	<b>Housing Revenue Account (HRA)</b>	17,859	16,867	992
2,128	<b>Other Housing Services</b>	44,675	43,055	1,620
1,229	<b>Corporate and Democratic Core</b>	2,127	618	1,509
(11,431)	<b>Non distributed costs</b>	224	-	224
382	<b>Exceptional Items</b>	3,367	-	3,367
1,703	<b>Service transferred to Gloucestershire County Council</b>	-	-	-
<b>14,286</b>	<b>NET COST OF SERVICES</b>	<b>105,486</b>	<b>83,457</b>	<b>22,029</b>
5,789	<b>Other Operating Expenditure (Note 8)</b>			1,312
3,989	<b>Financing and investment income and expenditure (Note 9)</b>			2,048
(20,264)	<b>Taxation and Non-specific Grant Income (Note 10)</b>			(17,181)
	<b>Group share of the (Surplus)/Deficit on the provision of Services</b>			
(363)	Joint Ventures			(56)
(1)	Associates			(31)
	<b>Tax Expenses of Associates and Joint Venture</b>			
18	Joint Ventures			-
2	Associates			-
2	Subsidiary			(3)
<b>3,458</b>	<b>Group Deficit on Provision of Services</b>			<b>8,118</b>
(9,303)	<b>(Surplus)/deficit on revaluation of Property, Plant and Equipment assets</b>			9,595
(19,748)	<b>Actuarial (gains)/losses on pension assets / liabilities</b>			8,636
	<b>Share of Other Comprehensive Income and Expenditure</b>			
(322)	Joint Ventures			242
-	Associates			-
<b>(29,373)</b>	<b>Group Other Comprehensive Income and Expenditure</b>			<b>18,473</b>
<b>(25,915)</b>	<b>Total Group Comprehensive Income and Expenditure</b>			<b>26,591</b>

The Council is required to analyse the expenditure for the year 2011/12 in a standard way in order to enable comparisons to be made between different local authorities and other organisations. This representation of the above position is contained in the form of the Comprehensive Income and Expenditure Statement.



**Gloucester City Council Overall Financial Position**

The Gloucester City Council financial position at 31 March 2012 is considered to be sound by Gloucester City Council Leadership Team.

The fixed assets held by the Council have a current book value of £298.961 million, of which £206.483 million relates to council dwellings.

Assets less liabilities of the Council (Net Assets), as shown on the balance sheet (page 41), totalled £182.267 million at 31 March 2012, a decrease of £20.550 million over the previous year. This was mainly due to an increase in the liability related to the Council's pension scheme of £7.935 million, surpluses on the revaluation of assets of £3.327 million and the deficit for the year of £9.288 million.

Long and short term borrowing was £89.105 million at the year end, a decrease of £0.731 million over the previous year.

Long and short term Investments at the year end were £16.119 million, a decrease of £9.053 million over the previous year.

Earmarked revenue reserves, which are reserves set aside for specific purposes, were £0.369 million at the year end, a decrease of £0.372 million over the previous year. Provisions were £0.433 million at 31 March 2012, an increase of £0.052 million compared to 31 March 2011.

Capital grants and contributions, available to fund future capital expenditure and required to meet development obligations, were £1.669 million at the year end and usable capital receipts, also available to fund capital expenditure, were £0.617 million.

The Council is required, under proper accounting practice, to show the surplus or deficit on the Council's share of the county pension fund on its Balance Sheet. At 31 March 2012 the Council's share of the pension fund deficit was £51.042 million ( £43.588 million at 31 March 2011). This means that the Council's commitment, in the long term, to pay retirement benefits exceeds the current market value of the fund's assets by this amount. It is anticipated the deficit on the fund will be made good over the long term from increased contributions by the Council and increases in the market value of the fund's investments.

Heritable Bank went into administration in the autumn of 2008 and the Council had £2 million invested. The administrators have supplied current projections to suggest a return to creditors of approximately 90 pence in the pound. Previously, they quoted a range from 79 to 85 pence in the pound. To date a total of £1.406 million has been received in repayments through the Heritable administrators, in line with the estimated payments profile. The Council has subsequently received a firm offer from a financial institution for at least 90% of the total debt and, as a result, the impairment has been reduced by £0.421 million.

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

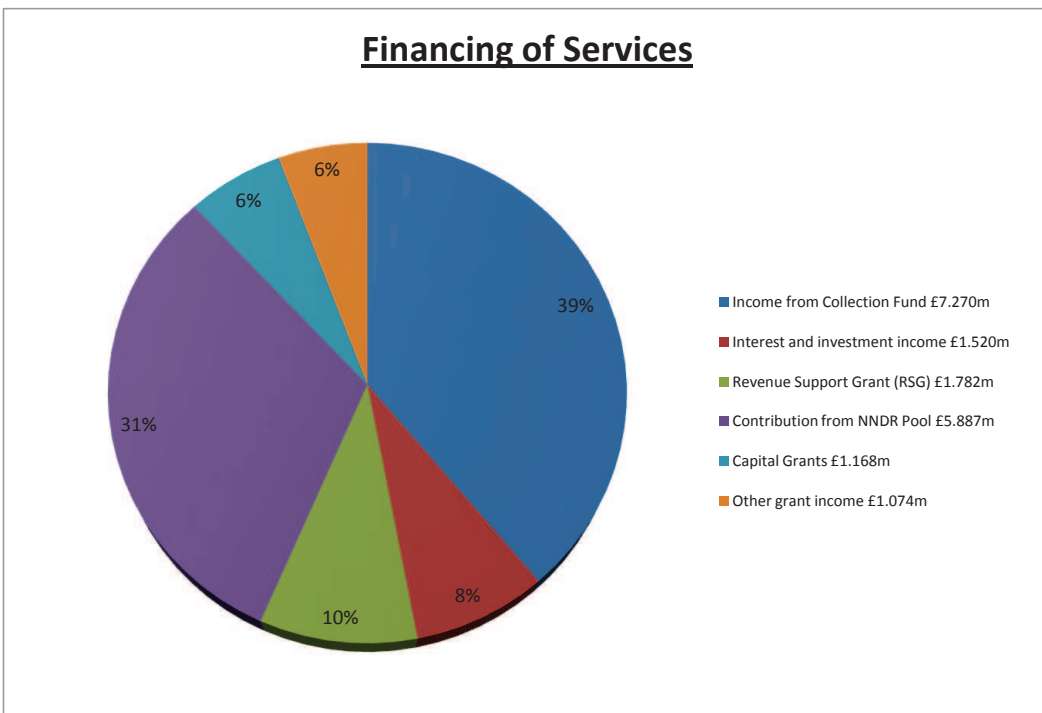
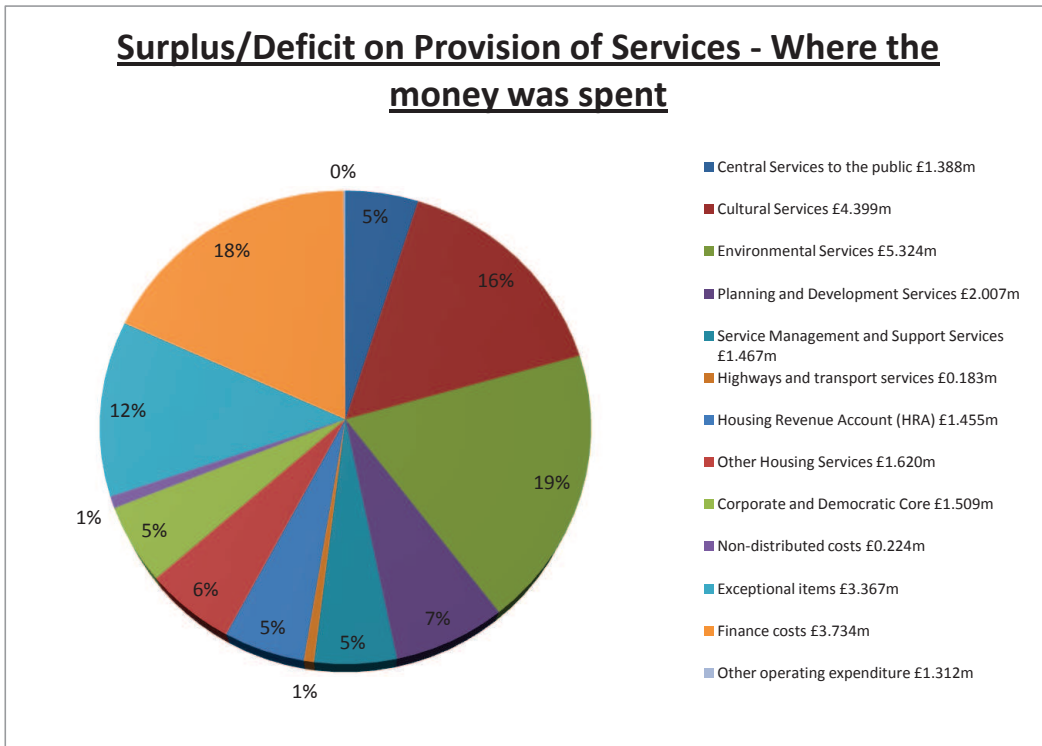
As part of the Council's approved 3-Year Money Plan, we established a distinction between shorter-term pressures and base budget ongoing pressures. The shorter-term reductions in income for 2011/12, as part of the plan, have been funded by reserves. Ongoing pressures, again in accordance with the approved plan, will be funded by matching reductions in spending. It has been identified, for future years, that some of the pressures previously identified as short-term, can no longer be classified as such. This leads to an increased target for spending reductions in the Council's financial plans.

**Further Information**

Further details of the accounts can be obtained from the Group Manager Financial Services, Herbert Warehouse, The Docks, Gloucester, GL1 2EQ. Tel. (01452) 396236. A statement of the accounting policies used is shown on pages 29 - 36 and a glossary explaining some of the technical terms used is included on pages 97-100.

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

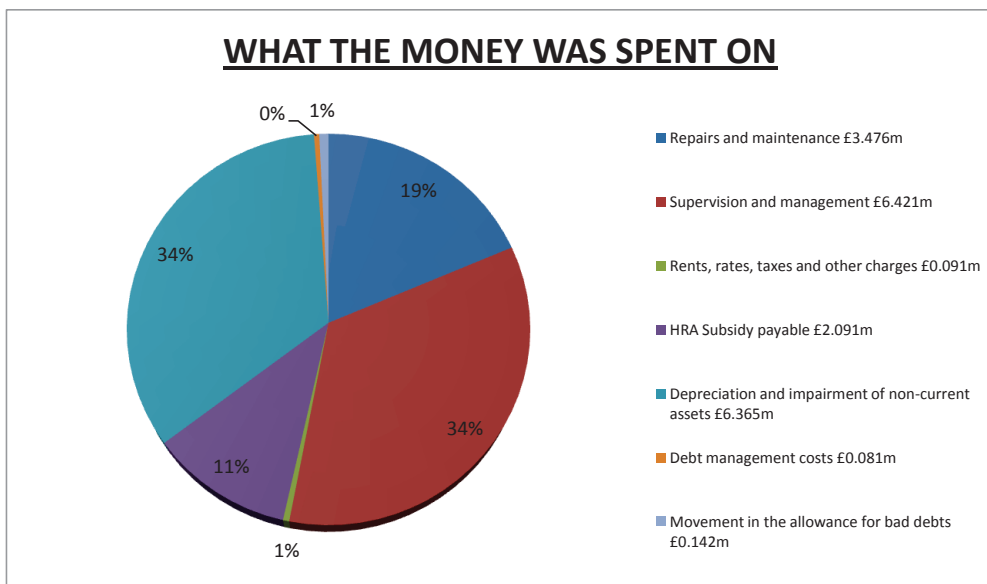
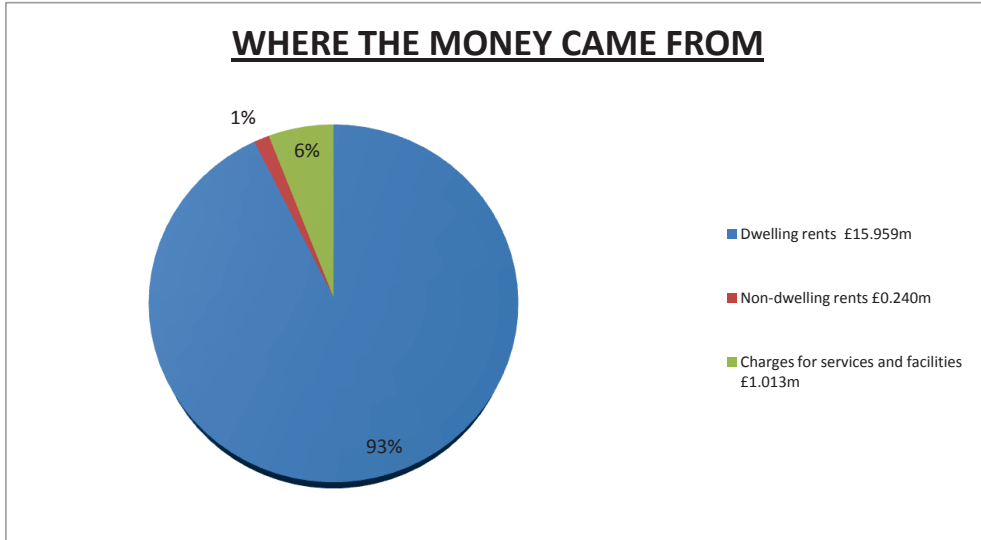
The Council finances its net general fund expenditure from local taxpayers and central Government grants. The following pie chart shows the net cost of services position over the various service areas.



**Housing Revenue Account (HRA)**

The Local Government and Housing Act 1989 requires that all income and expenditure relating to the landlord role of managing public sector council housing is contained (ring fenced) in the Housing Revenue Account (HRA). The accounts for the HRA are shown on pages 86-90.

An analysis of the account is shown graphically below:





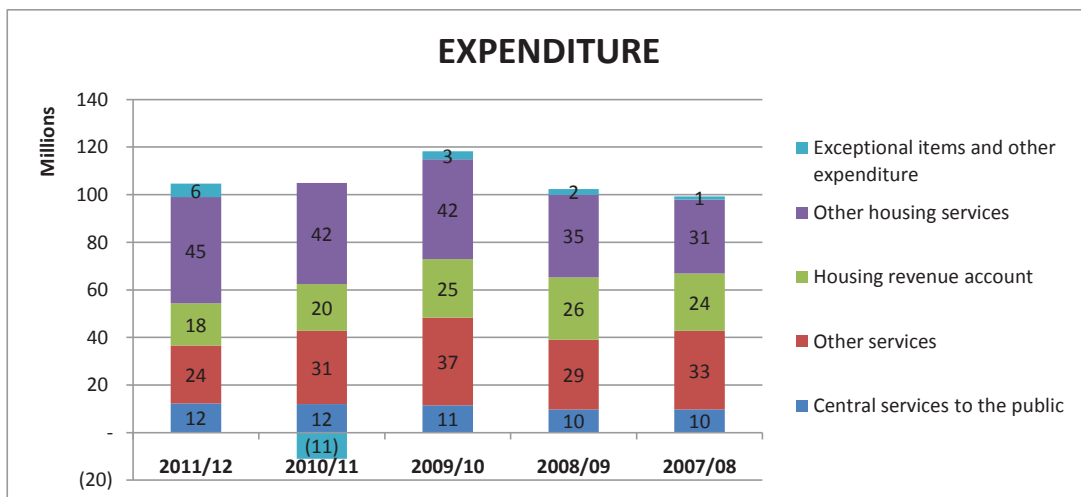
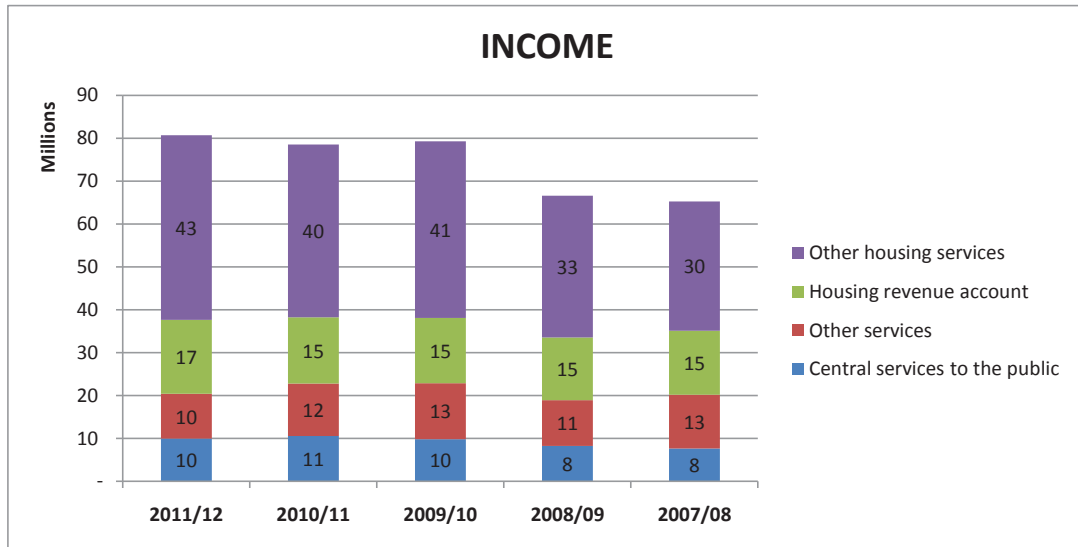
# **FIVE YEAR REVIEW**

GLOUCESTER CITY COUNCIL FIVE YEAR REVIEW COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT					
	2011/12	2010/11	2009/10	2008/09	2007/08
		Restated			
	£000	£000	£000	£000	£000
<b>Income</b>					
Central services to the public	10,300	10,588	9,844	8,248	7,622
Other services	10,492	12,219	13,027	10,660	12,573
Housing revenue account	17,212	15,450	15,231	14,609	14,891
Other housing services	43,055	40,294	41,180	33,062	30,165
	<b>81,059</b>	<b>78,551</b>	<b>79,282</b>	<b>66,579</b>	<b>65,251</b>
<b>Expenditure</b>					
Central services to the public	11,688	11,981	11,408	9,747	9,694
Other services	23,254	29,293	36,941	29,330	33,130
Housing revenue account	18,667	20,127	24,511	26,222	24,047
Other housing services	44,675	42,422	42,089	34,673	31,098
Exceptional items and other expenditure	5,718	(9,080)	3,320	2,471	1,304
	<b>104,002</b>	<b>94,743</b>	<b>118,269</b>	<b>102,443</b>	<b>99,273</b>
<b>(Surplus)/Deficit on Operations</b>	<b>(22,943)</b>	<b>(16,192)</b>	<b>(38,987)</b>	<b>(35,864)</b>	<b>(34,022)</b>
Financing and investment income	1,520	1,507	1,699	1,069	1,682
Financing costs	(3,734)	(5,513)	(6,269)	(3,593)	(2,290)
Taxation and Non-specific Grant Income	17,181	20,264	19,092	18,270	17,050
Profit/(loss) on disposal of assets, impairments	(948)	(5,331)	-	(35)	(425)
Other income and expenditure	(364)	(458)	(342)	262	(3,309)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(9,288)</b>	<b>(5,723)</b>	<b>(24,807)</b>	<b>(19,891)</b>	<b>(21,314)</b>
<b>Other Comprehensive Income and Expenditure</b>					
Surplus/(deficit) on revaluation of property, plant and equipment	(3,327)	9,303	4,588	43,247	21,261
Actuarial gains/losses on pension assets/liabilities	(7,935)	16,946	(28,429)	(9,303)	6,613
<b>Total Comprehensive Income and Expenditure</b>	<b>(20,550)</b>	<b>20,526</b>	<b>(48,648)</b>	<b>14,053</b>	<b>6,560</b>

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

**GLOUCESTER CITY COUNCIL FIVE YEAR REVIEW  
INCOME AND EXPENDITURE CHARTS**

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



GLOUCESTER CITY COUNCIL FIVE YEAR REVIEW BALANCE SHEETS					
	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000
		Restated	Restated		
<b>ASSETS</b>					
Property, plant and equipment, investment property	293,546	299,232	296,341	290,473	260,834
Heritage assets	5,415	5,375	5,375	-	-
Intangible assets	1,070	863	824	734	643
Assets held for sale	-	-	401	401	-
Long-term Investments	873	807	1,110	437	437
Debtors	1,457	246	206	206	204
<b>Long-term Assets</b>	<b>302,361</b>	<b>306,523</b>	<b>304,257</b>	<b>292,251</b>	<b>262,118</b>
Short-term Investments	15,246	24,365	13,085	3,980	18,331
Inventories	157	130	104	48	63
Short Term Debtors	9,550	12,539	15,211	10,259	8,510
Cash and Cash Equivalents	2,005	5,013	-	-	685
<b>Current Assets</b>	<b>26,958</b>	<b>42,047</b>	<b>28,400</b>	<b>14,287</b>	<b>27,589</b>
<b>TOTAL ASSETS</b>	<b>329,319</b>	<b>348,570</b>	<b>332,657</b>	<b>306,538</b>	<b>289,707</b>
<b>LIABILITIES</b>					
Provisions	(378)	(288)	(432)	(586)	(688)
Long Term Borrowing	(58,099)	(49,099)	(29,099)	(28,989)	(29,379)
Capital Grants Received in Advance	(1,986)	(2,032)	(2,186)	(2,473)	(14,270)
Other Long Term Liabilities	(51,042)	(43,588)	(71,318)	(41,399)	(32,424)
<b>Long-term liabilities</b>	<b>(111,505)</b>	<b>(95,007)</b>	<b>(103,035)</b>	<b>(73,447)</b>	<b>(76,761)</b>
Bank Overdraft	-	(2,047)	(3,076)	(2,390)	-
Short Term Borrowing	(31,006)	(40,737)	(38,623)	(5,528)	(3,090)
Short Term Creditors	(4,486)	(7,869)	(5,455)	(8,383)	(12,456)
Provisions (<1yr)	(55)	(93)	(177)	(135)	-
<b>Current liabilities</b>	<b>(35,547)</b>	<b>(50,746)</b>	<b>(47,331)</b>	<b>(16,436)</b>	<b>(15,546)</b>
<b>TOTAL LIABILITIES</b>	<b>(147,052)</b>	<b>(145,753)</b>	<b>(150,366)</b>	<b>(89,883)</b>	<b>(92,307)</b>
<b>NET ASSETS</b>	<b>182,267</b>	<b>202,817</b>	<b>182,291</b>	<b>216,655</b>	<b>197,400</b>
<b>RESERVES</b>					
<b>Usable reserves</b>	5,973	5,929	9,278	11,877	4,884
<b>Unusable reserves</b>	176,294	196,888	173,013	204,778	192,516
<b>TOTAL RESERVES</b>	<b>182,267</b>	<b>202,817</b>	<b>182,291</b>	<b>216,655</b>	<b>197,400</b>

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



# **STATEMENT OF ACCOUNTING POLICIES**

**STATEMENT OF ACCOUNTING POLICIES****STATEMENT OF ACCOUNTING POLICIES****1 GENERAL PRINCIPLES**

This Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. 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 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS).

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

**2 ACCRUALS OF INCOME AND EXPENDITURE**

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted as income and expenditure on the basis of the effective interest rate for relevant financial instruments rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

**3 CASH AND CASH EQUIVALENTS**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

**4 EXCEPTIONAL ITEMS**

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

**5 PRIOR PERIOD ADJUSTMENT, 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.

**6 CHARGES TO REVENUE AND NON-CURRENT ASSETS**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

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

## 7 EMPLOYEE BENEFITS

### **Benefits Payable During Employment**

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

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### **Post Employment Benefits - Pensions**

Employees of the Council are eligible to be members of the Local Government Pension Scheme administered by Gloucestershire County Council (LGPS). 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 Local Government Scheme is accounted for as a defined benefit scheme:

- 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 4.8% (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:  
Quoted securities – current bid price; Unquoted securities – professional estimate; Unitised securities – current bid price; and Property – market value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the 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 Income and Expenditure Account as part of Non Distributed Costs.
  - interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pension Reserve.
  - contributions paid to the LGPS – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## STATEMENT OF ACCOUNTING POLICIES

### 8 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

### 9 FINANCIAL INSTRUMENTS

#### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The 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.

**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.

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

**12 INTANGIBLE ASSETS**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to 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.

**13 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.

#### **14 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.

#### **15 INVESTMENT PROPERTY**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are, therefore, reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

#### **16 LEASES**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

##### **The Council as Lessee**

###### **Finance Leases**

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

- A charge for the acquisition of the interest in the property, plant or equipment which reduces the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period). The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are, therefore, substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

###### **Operating Leases**

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

##### **The Council as Lessor**

###### **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to (gains)/losses on disposal of non-current assets included under Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. The Council's net investment in the lease is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet. Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund in the Movement of 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.

## 17 OVERHEADS AND SUPPORT SERVICES

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

The total absorption costing of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

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

## 18 PROPERTY, PLANT AND EQUIPMENT

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

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The following de-minimis limits are applied by the Council in recognising assets:

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

### Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value. Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for by:

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

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

### 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 their revaluation reserve.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on the following bases:

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

**18 PROPERTY, PLANT AND EQUIPMENT (continued)**

**Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale), and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

**19 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 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.

**20 RESERVES**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service 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.

**21 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.



**22 VAT**

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

**23 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 reporting authority, for the purpose of Group Accounts, where materially different. Such adjustments that are necessary to align the group accounting policies may be made as Consolidation adjustments.

The group accounts have been restated to take into account the changes made in the Council's single entity accounts as a result of changes in accounting policy, mainly as a result of the full implementation of International Financial Reporting standards (IFRS).

**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), Aspire Sports and Cultural Trust (ASCT) and Gloucester City Homes (GCH) both of which are wholly-owned by the Council and Barton and Tredworth Developments Ltd (25% owned by the Council) and Marketing Gloucester (50% owned by the Council). Certain entities in which the Council has an interest have not been included in the group accounts as the impact of incorporating these into the the group accounts are considered to be immaterial.

**Accounting Policies**

The Group Accounts are prepared in accordance with the policies set out above, with the following additions and exceptions:-

The financial statements for Joint Ventures, Associates and Subsidiaries have been prepared under the historical cost convention in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

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

Depreciation on assets held by Gloucestershire Airport Ltd, GCH and ASCT 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>	<b>ASCT</b>
(a) Freehold Property	2% per annum of cost		
(b) Plant & Machinery	10% per annum of cost		Straight line over 5years
(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	20% per annum of cost
(f) Taxiway / Runway	4% per annum of cost		
(g) Leasehold improvements		Over the life of the lease	

Leasing – Assets acquired under finance leases or hire purchase contracts by Gloucestershire Airport are capitalised and depreciated using the same basis as similar items of Property, Plant and Equipment.

**24 HERITAGE ASSETS**

The Code of Practice on Local Authority Accounting 2011/12 (the Code) has introduced a change in accounting policy in relation to heritage assets, which has been fully adopted by the Council in the current financial year. The effect of this change in accounting policy is fully detailed in notes 47 and 51. Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of it's overall objectives in relation to the maintenance of the heritage. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art.

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

Community assets (including parks (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 18.

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

**25 ACCOUNTING FOR THE COSTS OF THE CARBON REDUCTION COMMITMENT SCHEME**

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

**26 CASH FLOW STATEMENT**

In prior years the cash flow statements for the Council and Group have been prepared on the direct method. For the the current year the Council took the decision to change the methodology for preparing the cash flow to the direct method as this was considered more appropriate and practical to apply than the indirect method. The prior year cash flow amounts have been restated to reflect this change in methodology.

# CORE FINANCIAL STATEMENTS

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**CORE FINANCIAL STATEMENTS**

**GLOUCESTER CITY COUNCIL MOVEMENT IN RESERVES STATEMENT**

For the years ended 31 March 2011 & 2012

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

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2010</b>									
-As previously reported	1,670	2,173	3,183	545	-	2,100	9,671	158,336	168,007
-Prior period adjustment(note 52)	504	-	(897)	-	-	-	(393)	14,677	14,284
<b>-As restated</b>	<b>2,174</b>	<b>2,173</b>	<b>2,286</b>	<b>545</b>	<b>-</b>	<b>2,100</b>	<b>9,278</b>	<b>173,013</b>	<b>182,291</b>
<b>Movement in Reserves during 2010/11</b>									
Surplus or (deficit) on the provision of services	319	-	(6,042)	-	-	-	(5,723)	-	(5,723)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	26,249	26,249
<b>Total Comprehensive Income and Expenditure</b>	<b>319</b>	<b>-</b>	<b>(6,042)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,723)</b>	<b>26,249</b>	<b>20,526</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	(3,231)	-	5,724	(130)	492	(481)	2,374	(2,374)	-
<b>Net Increase/(Decrease) before transfers (to)/from Earmarked Reserves</b>	<b>(2,912)</b>	<b>-</b>	<b>(318)</b>	<b>(130)</b>	<b>492</b>	<b>(481)</b>	<b>(3,349)</b>	<b>23,875</b>	<b>20,526</b>
<b>Transfers (to)/from Reserves Note 7</b>	<b>1,432</b>	<b>(1,432)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase/(Decrease) in 2010/11</b>	<b>(1,480)</b>	<b>(1,432)</b>	<b>(318)</b>	<b>(130)</b>	<b>492</b>	<b>(481)</b>	<b>(3,349)</b>	<b>23,875</b>	<b>20,526</b>
<b>Balance at 31st March 2011</b>									
-As previously reported	1,670	741	3,257	415	492	1,619	8,194	180,642	188,836
-Prior period adjustment (note 52)	(976)	-	(1,289)	-	-	-	(2,265)	16,246	13,981
<b>-As restated</b>	<b>694</b>	<b>741</b>	<b>1,968</b>	<b>415</b>	<b>492</b>	<b>1,619</b>	<b>5,929</b>	<b>196,888</b>	<b>202,817</b>
<b>Movement in Reserves during 2011/12</b>									
Surplus or (deficit) on the provision of services	(3,769)	-	(5,519)	-	-	-	(9,288)	-	(9,288)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(11,262)	(11,262)
<b>Total Comprehensive Income and Expenditure</b>	<b>(3,769)</b>	<b>-</b>	<b>(5,519)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,288)</b>	<b>(11,262)</b>	<b>(20,550)</b>
<b>Net Decrease before Transfers</b>	<b>(3,769)</b>	<b>-</b>	<b>(5,519)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,288)</b>	<b>(11,262)</b>	<b>(20,550)</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	5,149	-	4,859	(380)	(492)	112	9,248	(9,248)	-
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>1,380</b>	<b>-</b>	<b>(660)</b>	<b>(380)</b>	<b>(492)</b>	<b>112</b>	<b>(40)</b>	<b>(20,510)</b>	<b>(20,550)</b>
Transfers (to)/from Earmarked Reserves (Note 7)	372	(372)	-	-	-	-	-	-	-
<b>Increase/(Decrease) in 2011/12</b>	<b>1,752</b>	<b>(372)</b>	<b>(660)</b>	<b>(380)</b>	<b>(492)</b>	<b>112</b>	<b>(40)</b>	<b>(20,510)</b>	<b>(20,550)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>2,446</b>	<b>369</b>	<b>1,308</b>	<b>35</b>	<b>-</b>	<b>1,731</b>	<b>5,889</b>	<b>176,378</b>	<b>182,267</b>

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**CORE FINANCIAL STATEMENTS**

**GLOUCESTER CITY COUNCIL GROUP MOVEMENT IN RESERVES STATEMENT**  
For the years ended 31 March 2011 & 2012

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 2010</b>							
-As previously reported	9,671	(2,101)	7,570	158,336	21,045	179,381	186,951
-Prior period adjustment (note 52)	(393)	-	(393)	14,677	-	14,677	14,284
<b>-As restated</b>	<b>9,278</b>	<b>(2,101)</b>	<b>7,177</b>	<b>173,013</b>	<b>21,045</b>	<b>194,058</b>	<b>201,235</b>
<b>Movement in Reserves during 2010/11</b>							
Surplus or (deficit) on the provision of services	(5,723)	1,921	(3,802)	-	-	-	(3,802)
Other Comprehensive Income and Expenditure	-	-	-	26,249	2,802	29,051	29,051
<b>Total Comprehensive Income and Expenditure</b>	<b>(5,723)</b>	<b>1,921</b>	<b>(3,802)</b>	<b>26,249</b>	<b>2,802</b>	<b>29,051</b>	<b>25,249</b>
Adjustments between Group Accounts and GCC Account - Note 49	-	2,085	2,085	-	(2,085)	(2,085)	-
<b>Net Increase/(Decrease) before Transfers</b>	<b>(5,723)</b>	<b>4,006</b>	<b>(1,717)</b>	<b>26,249</b>	<b>717</b>	<b>26,966</b>	<b>25,249</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	2,374	-	2,374	(2,374)	17	(2,357)	17
<b>Increase/(Decrease) in 2010/11</b>	<b>(3,349)</b>	<b>4,006</b>	<b>657</b>	<b>23,875</b>	<b>734</b>	<b>24,609</b>	<b>25,266</b>
<b>Balance at 1 April 2011</b>							
-As previously reported	8,194	1,912	10,106	180,642	22,546	203,188	213,294
-Prior period adjustment(note 52)	(2,265)	(7)	(2,272)	16,246	(767)	15,479	13,207
<b>-As restated</b>	<b>5,929</b>	<b>1,905</b>	<b>7,834</b>	<b>196,888</b>	<b>21,779</b>	<b>218,667</b>	<b>226,501</b>
<b>Movement in Reserves during 2011/12</b>							
Surplus or (deficit) on the provision of services	(9,288)	1,170	(8,118)	-	-	-	(8,118)
Adjustment in respect of group share of prior year reserves for associates no longer included in group accounts	-	(85)	(85)	-	-	-	(85)
Other Comprehensive Income and Expenditure	-	-	-	(11,262)	(7,211)	(18,473)	(18,473)
<b>Total Comprehensive Income and Expenditure</b>	<b>(9,288)</b>	<b>1,085</b>	<b>(8,203)</b>	<b>(11,262)</b>	<b>(7,211)</b>	<b>(18,473)</b>	<b>(26,676)</b>
Adjustments between Group Accounts and GCC Account - Note 49	-	1,477	1,477	-	(1,477)	(1,477)	-
<b>Net Increase/(Decrease) before Transfers</b>	<b>(9,288)</b>	<b>2,562</b>	<b>(6,726)</b>	<b>(11,262)</b>	<b>(8,688)</b>	<b>(19,950)</b>	<b>(26,676)</b>
Adjustments between accounting basis & funding basis under regulations (Note 6)	9,248	-	9,248	(9,248)	-	(9,248)	-
<b>Increase/(Decrease) in 2011/12</b>	<b>(40)</b>	<b>2,562</b>	<b>2,522</b>	<b>(20,510)</b>	<b>(8,688)</b>	<b>(29,198)</b>	<b>(26,676)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>5,889</b>	<b>4,467</b>	<b>10,356</b>	<b>176,378</b>	<b>13,092</b>	<b>189,470</b>	<b>199,826</b>

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**GLOUCESTER CITY COUNCIL COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**  
For the year ended 31 March 2012

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.

2010/11 Restated			Description	2011/12		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
10,234	9,659	575	<b>Central Services to the public</b>			
400	135	265	Local tax collection	9,853	9,107	746
24	-	24	Elections	334	83	251
218	172	46	Emergency planning	19	-	19
141	-	141	Local land charges	178	194	(16)
964	622	342	General grants and bequests	319	-	319
			Central Support Services	985	916	69
<b>11,981</b>	<b>10,588</b>	<b>1,393</b>		<b>11,688</b>	<b>10,300</b>	<b>1,388</b>
			<b>Cultural, environmental, regulatory and planning services</b>			
			<b>Cultural Services</b>			
2,535	654	1,881	Culture and Heritage	2,405	719	1,686
2,383	708	1,675	Recreation and Sport	2,312	82	2,230
1,278	685	593	Tourism	1,024	541	483
			<b>Environmental Services</b>			
887	1,248	(361)	Cemeteries and Crematorium	1,226	1,408	(182)
1,986	357	1,629	Environmental Health	1,751	341	1,410
53	-	53	Flood defence and land drainage	57	-	57
4,864	808	4,056	Waste collection	3,983	1,309	2,674
1,655	-	1,655	Street cleansing	1,366	1	1,365
			<b>Planning and Development Services</b>			
527	221	306	Building control	470	224	246
733	516	217	Development control	675	453	222
775	52	723	Planning policy	748	86	662
893	627	266	Economic development	752	607	145
2,055	734	1,321	Community development	1,165	433	732
2,303	603	1,700		1,869	402	1,467
<b>22,927</b>	<b>7,213</b>	<b>15,714</b>	<b>Service Management and Support Services</b>	<b>19,803</b>	<b>6,606</b>	<b>13,197</b>
			<b>Highways and transport services</b>			
80	70	10	Transport planning, policy and strategy	17	6	11
971	20	951	Routine Roads Maintenance	500	20	480
2,733	3,585	(852)	Parking Services	2,641	3,145	(504)
344	56	288	Public Transport	293	97	196
<b>4,128</b>	<b>3,731</b>	<b>397</b>		<b>3,451</b>	<b>3,268</b>	<b>183</b>
<b>20,127</b>	<b>15,450</b>	<b>4,677</b>	<b>Housing Revenue Account (HRA)</b>	<b>18,667</b>	<b>17,212</b>	<b>1,455</b>
			<b>Other Housing Services</b>			
546	2	544	Housing Strategy	575	1	574
3	-	3	Housing Advances	3	-	3
1,418	3	1,415	Private Sector Renewal	979	-	979
972	482	490	Homelessness	1,011	525	486
38,423	38,901	(478)	Housing Benefit Payments	40,845	41,259	(414)
947	820	127	Housing Benefits Administration	1,181	1,183	(2)
113	86	27	Welfare Services	81	87	(6)
<b>42,422</b>	<b>40,294</b>	<b>2,128</b>		<b>44,675</b>	<b>43,055</b>	<b>1,620</b>
			<b>Corporate and Democratic Core</b>			
1,048	-	1,048	Democratic representation and management	960	-	960
923	742	181	Corporate management	1,167	618	549
<b>1,971</b>	<b>742</b>	<b>1,229</b>		<b>2,127</b>	<b>618</b>	<b>1,509</b>
(11,431)	-	(11,431)	<b>Non distributed costs</b>	<b>224</b>	<b>-</b>	<b>224</b>
			<b>Exceptional Items</b>			
380	(2)	382	Senior Management Restructuring	1,224	-	1,224
-	-	-	HRA Settlement determination payment	2,143	-	2,143
<b>92,505</b>	<b>78,016</b>	<b>14,489</b>	<b>Total Continuing Operations excluding Operations transferred to Gloucestershire County Council</b>	<b>104,002</b>	<b>81,059</b>	<b>22,943</b>
			<b>Service transferred to Gloucestershire County Council</b>			
2,238	535	1,703	Concessionary Fares	-	-	-
<b>94,743</b>	<b>78,551</b>	<b>16,192</b>	<b>(Surplus)/Deficit on Operations</b>	<b>104,002</b>	<b>81,059</b>	<b>22,943</b>
6,245	456	5,789	<b>Other Operating Expenditure (Note 8)</b>	543	581	(38)
5,513	1,507	4,006	<b>Financing and investment income and expenditure (Note 9)</b>	5,084	1,520	3,564
-	20,264	(20,264)	<b>Taxation and Non-specific Grant Income (Note 10)</b>	-	17,181	(17,181)
<b>106,501</b>	<b>100,778</b>	<b>5,723</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>109,629</b>	<b>100,341</b>	<b>9,288</b>
			<b>(Surplus)/deficit on revaluation of Property, Plant and Equipment assets</b>	3,327	-	3,327
-	16,946	(16,946)	<b>Actuarial (gains)/losses on pension assets / liabilities</b>	7,935	-	7,935
-	26,249	(26,249)	<b>Other Comprehensive Income and Expenditure</b>	<b>11,262</b>	<b>-</b>	<b>11,262</b>
<b>106,501</b>	<b>127,027</b>	<b>(20,526)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>120,891</b>	<b>100,341</b>	<b>20,550</b>

**GLOUCESTER CITY COUNCIL GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

For the year ended 31 March 2012

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.

2010/11 Restated			Description	2011/12		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
11,981	10,588	1,393	Central Services to the public	11,688	10,300	1,388
			Cultural, environmental, regulatory and planning services			
9,852	6,199	3,653	Cultural Services	8,033	4,085	3,948
9,445	2,413	7,032	Environmental Services	8,383	3,059	5,324
4,983	2,150	2,833	Planning and Development Services	3,810	1,803	2,007
2,303	603	1,700	Service Management and Support Services	1,869	402	1,467
4,128	3,731	397	Highways and transport services	3,451	3,268	183
35,155	31,888	3,267	Housing Revenue Account (HRA)	17,859	16,867	992
42,422	40,294	2,128	Other Housing Services	44,675	43,055	1,620
1,971	742	1,229	Corporate and Democratic Core	2,127	618	1,509
(11,431)	-	(11,431)	Non distributed costs	224	-	224
380	(2)	382	Exceptional Items (Note)	3,367	-	3,367
<b>111,189</b>	<b>98,606</b>	<b>12,583</b>	<b>Total Continuing Operations excluding Operations transferred to Gloucestershire County Council</b>	<b>105,486</b>	<b>83,457</b>	<b>22,029</b>
			<b>Service transferred to Gloucestershire County Council</b>			
2,238	535	1,703	Concessionary Fares	-	-	-
<b>113,427</b>	<b>99,141</b>	<b>14,286</b>	<b>(Surplus)/Deficit on Operations</b>	<b>105,486</b>	<b>83,457</b>	<b>22,029</b>
6,245	456	5,789	Other Operating Expenditure (Note 8)	543	581	(38)
5,514	1,525	3,989	Financing and investment income and expenditure (Note 9)	5,054	1,656	3,398
-	20,264	(20,264)	Taxation and Non-specific Grant Income (Note 10)	-	17,181	(17,181)
<b>125,186</b>	<b>121,386</b>	<b>3,800</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>111,083</b>	<b>102,875</b>	<b>8,208</b>
			<b>Share of the (Surplus)/Deficit on the provision of Services</b>			
		(363)	Joint Ventures			(56)
		(1)	Associates			(31)
			<b>Share of Tax Expenses</b>			
		18	Joint Ventures			-
		2	Associates			-
		2	Subsidiary			(3)
		<b>3,458</b>	<b>Group (Surplus)/Deficit</b>			<b>8,118</b>
		(9,303)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			9,595
		(19,748)	Actuarial (gains)/losses on pension assets / liabilities			8,636
			<b>Share of Other Comprehensive Income and Expenditure</b>			
		(322)	Joint Ventures			242
		-	Associates			-
		<b>(29,373)</b>	<b>Group Other Comprehensive Income and Expenditure</b>			<b>18,473</b>
		<b>(25,915)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>26,591</b>

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**CORE FINANCIAL STATEMENTS**

<b>GLOUCESTER CITY COUNCIL BALANCE SHEET</b>				
<b>As at 31 March 2012</b>				
<p>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'.</p>				
<b>Restated</b>				
<b>31/03/2010</b>	<b>31/03/2011</b>		<b>Notes</b>	<b>31/03/2012</b>
<b>£000</b>	<b>£000</b>			<b>£000</b>
275,349	278,438	Property, Plant & Equipment	11	274,091
20,992	20,794	Investment Property	12	19,455
5,375	5,375	Heritage Assets	47	5,415
824	863	Intangible Assets	13	1,070
401	-	Assets held for Sale	11	-
1,110	807	Long Term Investments	14,46	873
206	246	Long Term Debtors	14,17(i)	1,457
<b>304,257</b>	<b>306,523</b>	<b>Long Term Assets</b>		<b>302,361</b>
13,085	24,365	Short Term Investments	14	15,246
104	130	Inventories	15	157
15,211	12,539	Short Term Debtors	14,17	9,549
-	5,013	Cash and Cash Equivalents	18	2,006
<b>28,400</b>	<b>42,047</b>	<b>Current Assets</b>		<b>26,958</b>
<b>332,657</b>	<b>348,570</b>	<b>Total Assets</b>		<b>329,319</b>
(3,076)	(2,047)	Bank Overdraft	18	-
(38,623)	(40,737)	Short Term Borrowing	14,20(i)	(31,006)
(5,455)	(7,869)	Short Term Creditors	14,20	(4,486)
(177)	(93)	Provisions (<1yr)	21	(55)
<b>(47,331)</b>	<b>(50,746)</b>	<b>Current Liabilities</b>		<b>(35,547)</b>
(432)	(288)	Provisions	21	(378)
(29,099)	(49,099)	Long Term Borrowing	14,20(ii)	(58,099)
(2,186)	(2,032)	Capital Grants Received in Advance	35	(1,986)
(71,318)	(43,588)	Other Long Term Liabilities	42	(51,042)
<b>(103,035)</b>	<b>(95,007)</b>	<b>Long Term Liabilities</b>		<b>(111,505)</b>
<b>182,291</b>	<b>202,817</b>	<b>Net Assets</b>		<b>182,267</b>
9,278	5,929	Usable Reserves	22	5,889
173,013	196,888	Unusable Reserves	23	176,378
<b>182,291</b>	<b>202,817</b>	<b>Total Reserves</b>		<b>182,267</b>

# CORE FINANCIAL STATEMENTS

## GLOUCESTER CITY COUNCIL GROUP BALANCE SHEET

As at 31 March 2012

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), Gloucester City Homes Ltd (100% of the total), Aspire Sports and Cultural Trust (100%), Barton and Tredworth Developments Ltd (25%) and Marketing Gloucester (50%) with the net assets of the Council.

As Subsidiaries the assets and liabilities of Gloucester City Homes Limited and Aspire Sports and Cultural Trust have been combined with those of the Council on a line by line basis, eliminating inter-organisation balances (for example inter-company loan accounts and internal debtors and creditors).

As Associate companies, the Council's share of the net assets of Barton and Tredworth Developments Ltd, and Marketing Gloucester has been included using the Equity method in accordance with the Code.

As a Joint Venture, the Council's share of the net assets and liabilities in Gloucester Airport has been included as long-term investment, eliminating the share capital and also includes the revalued airport land and buildings.

Restated 31/03/2010 £000	Restated 31/03/2011 £000		Note	31/03/2012 £000
275,441	278,525	Property, Plant & Equipment	50	274,234
20,992	20,794	Investment Property	50	19,455
5,375	5,375	Heritage Assets	47	5,415
1,907	1,186	Intangible Assets	51	1,415
401	-	Assets Held for Sale		-
1,110	807	Long Term Investments	14,46	438
206	246	Long Term Debtors	14,17(i)	1,457
21,596	21,614	Investment in Joint Venture	46	15,599
156	162	Investments in Associates	46	106
<b>327,184</b>	<b>328,709</b>	<b>Long Term Assets</b>		<b>318,119</b>
13,085	24,365	Short Term Investments	14	15,246
120	145	Inventories	15	174
15,605	13,189	Short Term Debtors	14,17	11,812
4,111	6,306	Cash and Cash Equivalents	18	4,044
<b>32,921</b>	<b>44,005</b>	<b>Current Assets</b>		<b>31,276</b>
<b>360,105</b>	<b>372,714</b>	<b>Total Assets</b>		<b>349,395</b>
(3,076)	(2,047)	Bank Overdraft	18	-
(40,205)	(38,851)	Short Term Borrowing	14, 20(i)	(29,109)
(4,855)	(9,607)	Short Term Creditors	20	(7,690)
(3,283)	(93)	Provisions (<1yr)	21	(55)
<b>(51,419)</b>	<b>(50,598)</b>	<b>Current Liabilities</b>		<b>(36,854)</b>
(432)	(288)	Provisions	21	(378)
(29,099)	(49,099)	Long Term Borrowing	14,20(ii)	(58,099)
(2,186)	(2,032)	Capital Grants Received in Advance	35	(1,986)
(75,734)	(44,196)	Other Long Term Liabilities	42	(52,252)
<b>(107,451)</b>	<b>(95,615)</b>	<b>Long Term Liabilities</b>		<b>(112,715)</b>
<b>201,235</b>	<b>226,501</b>	<b>Net Assets</b>		<b>199,826</b>
7,177	7,834	Usable Reserves	22	10,356
194,058	218,667	Unusable Reserves	23	189,470
<b>201,235</b>	<b>226,501</b>	<b>Total Reserves</b>		<b>199,826</b>



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**CORE FINANCIAL STATEMENTS**

**GLOUCESTER CITY COUNCIL CASH FLOW STATEMENT**  
**For the year ended 31 March 2012**

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.

<b>Restated</b>		<b>Notes</b>	<b>2011/12 £000</b>
<b>2010/11 £000</b>			
4,813	<b>Operating Activities</b>	<b>24</b>	(1,028)
(20,886)	<b>Investing Activities</b>	<b>25</b>	799
22,115	<b>Financing Activities</b>	<b>26</b>	(731)
<b>6,042</b>	<b>Net Increase / (decrease) in cash and cash equivalents</b>		(960)
(3,076)	<b>Cash and cash equivalents at the beginning of the year</b>		2,966
<b>2,966</b>	<b>Cash and cash equivalents at the end of the year</b>		<b>2,006</b>

<b>2010/11 £000</b>	<b>The Balance of Cash and Cash Equivalents and Bank Overdraft</b>	<b>2011/12 £000</b>
5,013	Cash and Cash Equivalents	2,006
(2,047)	Bank Overdraft	-
<b>2,966</b>	<b>Balance at 31st March</b>	<b>2,006</b>



**GLOUCESTER CITY COUNCIL GROUP CASH FLOW STATEMENT**  
**For the year ended 31 March 2012**

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>2010/11 £000</b>		<b>Notes</b>	<b>2011/12 £000</b>
5,631	<b>Operating Activities</b>	<b>24</b>	(192)
(21,053)	<b>Investing Activities</b>	<b>25</b>	719
18,646	<b>Financing Activities</b>	<b>26</b>	(742)
<b>3,224</b>	<b>Net Increase /(decrease) in cash and cash equivalents</b>		<b>(215)</b>
1,035	<b>Cash and cash equivalents at the beginning of the year</b>		4,259
<b>4,259</b>	<b>Cash and cash equivalents at the end of the year</b>		<b>4,044</b>

<b>Group £000</b>	<b>The Balance of Cash and Cash Equivalents and Bank Overdraft</b>		<b>Group £000</b>
6,306	Cash and Cash Equivalents		4,044
(2,047)	Bank Overdraft		-
<b>4,259</b>	<b>Balance at 31st March</b>		<b>4,044</b>

# **NOTES TO THE CORE FINANCIAL STATEMENTS**

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

For 2011/12 the only accounting policy change that needs to be reported relates to amendments to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets).

The amendments to IFRS 7 - Financial Instruments are intended to assist users of financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Council's financial position. The transfers described by the standard do not occur frequently in local authorities. The Council does not have any such transactions in 2011/12.

### Community Assets

Community Assets mainly comprise parks, gardens and open spaces. The Code added the option for authorities to extend the measurement and disclosures. The Council has, to date, not changed its accounting policy in this way as it does not have the management information to make reasonable valuation estimates of community assets, which are currently held at historic cost on the balance sheet where known. This means that in most cases the assets are currently held at nil value.

## 2 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING PRINCIPLES

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

- i There is a high degree of uncertainty about future levels of funding for local Government, however, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- ii The Council has £2 million deposited with Heritable Bank which is in administration.

The administrators have issued a number of report. An impairment of £628k was recognised in 2008/09 based on LAAP Bulletin 82. Based on the latest report in July 2012 and a subsequent offer from a major financial institution the Council has estimated that it will receive in excess of 90% of the deposit and has reduced the impairment in 2011/12 by £421k. The deposit is recognised in the balance sheet as a long term investment.

## 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 2012 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 £120k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects of the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in a increase in the pension liability of £9.482 million. The assumptions, however, interact in complex ways. During 2011/12 the Council's actuaries advised that the net pensions liability had increased by £3.861 million as a result of estimates being corrected as a result of experience and decreased by £4.074 million attributable to updating of the assumptions.
Arrears	At 31 March 2012, the Council had a balance of sundry debtors of £1.699 million. A review of the aged debt profile and recovery percentages suggested that a provision for doubtful debts of approximately 9% is appropriate. In the current economic climate, however, it is not certain that such a provision would be sufficient.	If collection rates were to deteriorate, the provision made for doubtful debts would need to increase based on the actual levels of recovery achieved.

## 4 MATERIAL ITEMS OF INCOME AND EXPENDITURE

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of material items should be set out in a note. For Gloucester City Council these are gains and losses arising on asset revaluations and the pensions deficit.

Please see note 11 in regards to the revaluation of assets and note 42 with regard to the pensions deficit.

## 5 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Council's Audit Committee on 26 February 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

As at 26 February 2013 (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.

#### 2011/12 Information

	Usable Reserves £'000					£'000 Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
<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	(2,672)	(6,361)	-	-	-	9,033
Revaluation losses on Property Plant and Equipment	(1,530)	84	-	-	-	1,446
Amortisation of intangible assets	(274)	-	-	-	-	274
Payment in respect of HRA settlement with Department of Communities and Local Government	-	(2,143)	-	-	-	2,143
Revenue expenditure funded from capital under statute	(2,055)	-	-	-	-	2,055
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(268)	-	-	-	-	268
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:</i>						
Statutory provision for the financing of capital investment	305	-	-	-	-	(305)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,168	-	-	-	(1,168)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	1,056	(1,056)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of sale proceeds credited as part of the sale of non-current assets	429	-	(429)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	617	-	-	(617)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	1	-	-	(1)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(191)	-	191	-	-	-
<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	(6)	-	-	-	-	6
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	3,120	-	(3,120)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	3,612	-	(3,612)
<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)	(3,179)	-	-	-	-	3,179
Employer's pensions contributions and direct payments to pensioners payable in the year	3,223	437	-	-	-	(3,660)
<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	(91)	-	-	-	-	91
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Other Adjustment	(12)	-	-	-	-	12
<b>Total Adjustments</b>	<b>(5,149)</b>	<b>(4,859)</b>	<b>380</b>	<b>492</b>	<b>(112)</b>	<b>9,248</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2010/11 Information (Restated)

	Usable Reserves £'000					£'000 Movement in Unusable
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
<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	(1,890)	(8,656)	-	-	-	10,546
Revaluation losses on Property Plant and Equipment	(5,331)	(52)	-	-	-	5,383
Movements in the market value of Investment Properties	(198)	-	-	-	-	198
Amortisation of intangible assets	(244)	-	-	-	-	244
Revenue expenditure funded from capital under statute	(2,102)	-	-	-	-	2,102
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	(456)	-	-	-	-	456
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:</i>						
Statutory provision for the financing of capital investment	268	-	-	-	-	(268)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,069	-	-	-	(2,069)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	2,550	(2,550)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of sale proceeds credited as part of the sale of non-current assets	527	-	(527)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	396	-	-	(396)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	3	-	-	(3)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(258)	-	258	-	-	-
<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	(49)	-	-	-	-	49
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	2,980	-	(2,980)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	2,488	-	(2,488)
<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	3	4	-	-	-	(7)
<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)	6,996	-	-	-	-	(6,996)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,788	-	-	-	-	(3,788)
<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	(27)	-	-	-	-	27
<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	135	-	-	-	-	(135)
<b>Total Adjustments</b>	<b>3,231</b>	<b>(5,724)</b>	<b>130</b>	<b>(492)</b>	<b>481</b>	<b>2,374</b>

**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 2011/12.

Reserve No.		Balance at	Transfers	Transfers	Balance at	Balance at	Transfers	Transfers	Balance at
		31/03/2011	Out 2011/12	In 2011/12	31/03/2012	31/03/2010	Out 2010/11	In 2010/11	31/03/2011
		£000	£000	£000	£000	£000	£000	£000	£000
<b>General Fund:</b>									
1	Insurance Reserve	100	-	32	132	100	-	-	100
2	Historic Buildings Reserve	4	-	23	27	20	57	41	4
3	Portfolio Reserves	10	-	-	10	-	-	10	10
4	Shopmobility reserve	-	-	29	29	-	-	-	-
5	Housing Benefits Reserve	0	-	-	-	30	30	-	-
6	Planning Delivery Grant Reserve	21	-	-	21	317	411	115	21
7	Invest To Save	150	-	-	150	250	100	-	150
8	Kings Square Redevelopment Reserve	-	-	-	-	1,000	1,000	-	-
9	Heritable Bank Reserve	456	456	-	-	456	-	-	456
<b>Total</b>		<b>741</b>	<b>456</b>	<b>84</b>	<b>369</b>	<b>2,173</b>	<b>1,598</b>	<b>166</b>	<b>741</b>
HRA		-	-	-	-	-	-	-	-
<b>Total</b>		<b>741</b>	<b>456</b>	<b>84</b>	<b>369</b>	<b>2,173</b>	<b>1,598</b>	<b>166</b>	<b>741</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 21, page 53).

**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 Housing Benefits Reserve**

This was set up to cover uncertainties in the subsidy claimed on housing benefit expenditure and was fully utilised in the previous year.

**6 Planning Delivery Grant Reserve**

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

**7 Invest to Save Reserve**

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

**8 Kings' Square Redevelopment Reserve**

This reserve was set up to help meet the cost of the redevelopment of Kings' Square and King's Quarter. This reserve was fully utilised in the previous year.

**9 Heritable Bank Reserve**

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

As an impairment has been recognised against this investment(refer note 46) this reserve has been transferred to the general fund in 2012.



**8 OTHER OPERATING EXPENDITURE**

Restated				
GCC	Group		GCC	Group
2010/11	2010/11		2011/12	2011/12
£000	£000		£000	£000
-	-	Gains on the disposal of HRA Assets	(16)	(16)
200	200	Precepts paid to parish councils	202	202
258	258	Contribution to Housing Pooled Receipts	162	162
-	-	Reversal of impairment on long-term investment	(421)	(421)
-	-	Gains on disposal of non current assets	(144)	(144)
5,331	5,331	Impairments arising on revaluation of non-current assets	179	179
<b>5,789</b>	<b>5,789</b>	<b>Total</b>	<b>(38)</b>	<b>(38)</b>

**9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

Restated				
GCC	Group		GCC	Group
2010/11	2010/11		2011/12	2011/12
£000	£000		£000	£000
2,488	2,489	Interest payable and similar charges	2,356	2,393
(1,475)	(1,493)	Interest and Investment Income	(1,520)	(1,656)
2,827	2,827	Pensions Interest and Expected Return on pensions assets	1,378	1,311
(32)	(32)	Dividend Receivable	-	-
198	198	Income and expenditure in relation to investment properties and changes in their fair value	1,350	1,350
-	-	Other investment income	-	-
<b>4,006</b>	<b>3,989</b>	<b>Total</b>	<b>3,564</b>	<b>3,398</b>

**10 TAXATION AND NON-SPECIFIC GRANT INCOME**

Restated				
GCC	Group		GCC	Group
2010/11	2010/11		2011/12	2011/12
£000	£000		£000	£000
(7,169)	(7,169)	Income from the collection fund	(7,270)	(7,270)
(1,376)	(1,376)	Revenue Support Grant (RSG)	(1,782)	(1,782)
(172)	(172)	Area Based Grant	-	-
-	-	Council tax freeze	(177)	(177)
-	-	New homes bonus	(897)	(897)
(9,478)	(9,478)	Contribution from NNDR Pool	(5,887)	(5,887)
(2,069)	(2,069)	Capital Grant	(1,168)	(1,168)
<b>(20,264)</b>	<b>(20,264)</b>	<b>Total</b>	<b>(17,181)</b>	<b>(17,181)</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**11 PROPERTY, PLANT AND EQUIPMENT**  
Movements on Balances

Movements in 2011/12	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Total Property, Plant and Equipment £'000
<b>Cost or Valuation</b>						
<b>At 1 April 2011</b>	218,123	59,840	6,245	14,034	153	298,395
Additions	3,980	3,124	223	823	-	8,150
Revaluation increases/(decreases) recognised in the Revaluation Reserve	84	(3,101)	-	-	-	(3,017)
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	(3,240)	(179)	-	-	-	(3,419)
Derecognition – Disposals	(281)	(24)	-	-	-	(305)
<b>At 31 March 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>
<b>Accumulated Depreciation and Impairment</b>						
<b>At 1 April 2011</b>	9,078	3,739	3,591	3,546	3	19,957
Depreciation Charge	3,121	1,766	371	524	11	5,793
Derecognition – Disposals	(16)	(21)	-	-	-	(37)
<b>At 31 March 2012</b>	<b>12,183</b>	<b>5,484</b>	<b>3,962</b>	<b>4,070</b>	<b>14</b>	<b>25,713</b>
<b>Net book value as at 31 March 2012</b>	<b>206,483</b>	<b>54,176</b>	<b>2,506</b>	<b>10,787</b>	<b>139</b>	<b>274,091</b>
<b>Net book value as at 1 April 2011</b>	<b>209,045</b>	<b>56,101</b>	<b>2,654</b>	<b>10,488</b>	<b>150</b>	<b>278,438</b>

**NOTES TO THE CORE FINANCIAL STATEMENTS**

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

**Comparative Figures 2010/11**

Movements in 2010/11 (Restated)	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Held for Sale £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Cost or Valuation</b>								
<b>At 1 April 2010</b>	217,472	54,143	5,523	13,152	148	405	1	290,844
Additions	6,636	1,677	742	884	5	-	-	9,944
Revaluation increases/(decreases) recognised in the Revaluation Reserve	79	9,697	-	(2)	-	-	-	9,774
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	(52)	(5,802)	-	-	-	-	-	(5,854)
Derecognition – Disposals	(364)	-	-	-	-	-	-	(364)
Impairments	(5,661)	-	-	-	-	-	-	(5,661)
Assets reclassified (to)/from Held for Sale	-	125	-	-	-	(405)	-	(280)
Other movements in cost or valuation	13	-	(20)	-	-	-	(1)	(8)
<b>At 31 March 2011</b>	<b>218,123</b>	<b>59,840</b>	<b>6,245</b>	<b>14,034</b>	<b>153</b>	<b>-</b>	<b>-</b>	<b>298,395</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2010</b>	6,097	2,484	3,336	3,170	2	4	-	15,093
Depreciation Charge	2,981	1,272	255	376	1	-	-	4,885
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	(17)	-	-	-	-	-	(17)
Other movements in depreciation and impairment	-	-	-	-	-	(4)	-	(4)
<b>At 31 March 2011</b>	<b>9,078</b>	<b>3,739</b>	<b>3,591</b>	<b>3,546</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>19,957</b>
<b>Net book value as at 31 March 2011</b>	<b>209,045</b>	<b>56,101</b>	<b>2,654</b>	<b>10,488</b>	<b>150</b>	<b>-</b>	<b>-</b>	<b>278,438</b>
<b>Net book value as at 1 April 2010</b>	<b>211,375</b>	<b>51,659</b>	<b>2,187</b>	<b>9,982</b>	<b>146</b>	<b>401</b>	<b>1</b>	<b>275,751</b>

**11 PROPERTY, PLANT AND EQUIPMENT (Continued)**

**Depreciation**

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

- Council Dwellings – 50–70 years
- Other Land and Buildings – 30–50 years
- Vehicles, Plant, Furniture & Equipment – 10% to 35% of carrying amount
- Infrastructure – 25 years

The following is a list of the major fixed assets owned by the Council at 31 March 2012.

All assets are owned freehold unless otherwise stated.

Operational assets	Non-operational assets
<p><b>Council dwellings</b></p> <p><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)                      14 Surface Car Parks (2 leasehold)                      Tourist Information Centre (leased)                      Oxstalls Tennis Centre                      Hempsted Market</p> <p><b>Community &amp; Heritage assets</b>                      Various Parks and open spaces                      Works of art                      Museum Exhibits                      Civic regalia</p> <p><b>Vehicles plant and equipment</b>                      Vehicles and items of plant                      Computer equipment                      Sports and playground facilities in parks</p> <p><b>Infrastructure assets</b>                      Street furniture                      9 Public Conveniences (2 leasehold)</p>	<p><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)                      Various on Commercial Road (leasehold)                      16 Sports Clubs facilities (mixed tenure)                      50% of Gloucestershire Airport (freehold)                      The Fleece Hotel                      The Docks Headlease area including 1/3 Albion Cottages(leasehold)                      Barbican Land Ladybellgate Street                      Spartans Club                      Depot at Eastern Avenue</p>

**Component accounting**

Component accounting thresholds have been set as the lower of :

- \* Component assets over £350,000 (2010/11 £500,000) 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 2011/12 valuation identified no assets meeting the component accounting thresholds. The same position was found for 2010/11.

**Capital Commitments**

At 31st March 2012 the Council did have any outstanding commitments with regards to capital contracts.

**PROPERTY, PLANT AND EQUIPMENT (Continued)**

**Revaluations**

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out 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:

All investment property was revalued as well as 20% of the remainder of the portfolio.

The basis of the valuation is: Fair Value and 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/leasehold interest, 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>	-	-	-	10,787	-	40	-	-	-	10,827
Valued at fair value as at:										
31 March 2012	206,483	54,176	2,506	-	139	5,375	19,455	-	-	288,134
31 March 2011	211,375	42,483	2,187	-	-	-	20,992	401	1	277,439
31 March 2010	211,375	42,483	2,187	-	-	-	20,992	401	1	277,581
31 March 2009	212,894	44,014	2,284	-	-	-	21,266	401	-	280,859
31 March 2008	171,780	26,583	2,645	-	-	-	23,361	401	-	224,770
<b>Total Cost or Valuation</b>	<b>206,483</b>	<b>54,176</b>	<b>2,506</b>	<b>10,787</b>	<b>139</b>	<b>5,415</b>	<b>19,455</b>	<b>-</b>	<b>-</b>	<b>298,961</b>

**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	
	2011/12 £000	2010/11 £000
Rental income from investment property	1,774	1,598
Direct operating expenses arising from investment property	709	1,115
Net gain	1,065	483

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	
	2011/12 £000	2010/11 £000
Balance at beginning of the year	20,794	20,992
Additions:		
- Purchases	-	47
- Subsequent expenditure	11	-
Net gains/(losses) from fair value adjustments	(1,350)	(198)
Transfers:		
- to/from Property, Plant and Equipment	-	280
Other Changes	-	(327)
Balance at end of the year	19,455	20,794

**13 INTANGIBLE ASSETS**

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

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

Movements in intangible assets during the year are shown below:

	Computer Software	
	2011/12 £'000	2010/11 £'000
<b>Gross book value - as at 1 April 11</b>	2,369	2,086
Additions	481	283
<b>Gross book value at 31 March 12</b>	<b>2,850</b>	<b>2,369</b>
<b>Amortisation as at 1 April 11</b>	<b>1,506</b>	<b>1,262</b>
Amortised during year	274	244
<b>Depreciation as at 31 March 12</b>	<b>1,780</b>	<b>1,506</b>
<b>Net book value as at 31 March 12</b>	<b>1,070</b>	<b>863</b>

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

	Internally Generated Assets	Other Assets	2011/12 Total	Internally Generated Assets	Other Assets	2010/11 Total
	£000	£000	£000	£000	£000	£000
Balance at start of year:						
- Gross carrying amounts	102	2,267	2,369	-	2,086	2,086
- Accumulated amortisation	-	1,506	1,506	-	1,262	1,262
- Net carrying amount	102	761	863	-	824	824
<b>Net carrying amount at start of year</b>						
Additions:						
- Internal development	100	-	100	-	-	-
- Purchases	-	381	381	102	181	283
Amortisation for the period	20	254	274	-	244	244
<b>Net carrying amount at end of year</b>	<b>82</b>	<b>888</b>	<b>970</b>	<b>102</b>	<b>761</b>	<b>863</b>
Comprising:						
- Gross carrying amounts	202	2,647	2,849	102	2,267	2,369
- Accumulated amortisation	20	1,759	1,779	-	1,506	1,506
	<b>182</b>	<b>888</b>	<b>1,070</b>	<b>102</b>	<b>761</b>	<b>863</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14 FINANCIAL INSTRUMENTS

#### Categories of Financial Instruments

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

	GCC				GROUP			
	Long-term		Current		Long-term		Current	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Investments</b>								
Loans and receivables	873	807	15,246	24,365	438	807	15,246	24,365
Available-for-sale financial assets	-	-	-	-	-	-	-	-
Unquoted equity investment at cost	-	-	-	-	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-	-
<b>Total investments</b>	873	841	15,246	24,365	438	807	15,246	24,365
<b>Debtors</b>								
Loans and receivables	1,457	246	9,549	12,539	1,457	246	11,812	13,189
Financial assets carried at contract amounts	-	-	-	-	-	-	-	-
<b>Total Debtors</b>	1,457	246	9,549	12,539	1,457	246	11,812	13,189
<b>Borrowings</b>								
Financial liabilities at amortised cost	(58,099)	(49,099)	(31,006)	(40,737)	(58,099)	(49,099)	(29,109)	(38,851)
<b>Total borrowings</b>	(58,099)	(49,099)	(31,006)	(40,737)	(58,099)	(49,099)	(29,109)	(38,851)
<b>Creditors</b>								
Financial liabilities at amortised cost	-	-	(4,486)	7,869	-	-	(7,954)	9,607
Financial liabilities carried at contract amount	-	-	-	-	-	-	-	-
<b>Total creditors</b>	-	-	(4,486)	7,869	-	-	(7,954)	9,607

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

	2011/12				2010/11												
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair value through Profit and Loss £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair value through Profit and Loss £000	Total £000								
										2011/12				2010/11			
										31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011
£000	£000	£000	£000	£000	£000	£000	£000	£000									
Interest expense	2,356	-	-	-	2,489	-	-	-	2,311								
Losses on derecognition	-	-	-	-	-	-	-	-	-								
Increases/Reductions in fair value	-	-	-	-	-	-	-	304	304								
Impairment losses	-	-	-	-	-	-	-	-	-								
Fee expense	-	-	-	-	4	-	-	-	4								
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>2,356</b>	-	-	-	<b>2,315</b>	-	-	<b>304</b>	<b>2,619</b>								
Interest income	-	455	-	455	-	451	-	-	451								
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-	-								
Increases/Reductions in fair value	-	-	-	-	-	-	-	(10)	(10)								
Gains on derecognition	-	-	-	-	-	-	-	-	-								
Fee income	-	-	-	-	-	-	-	-	-								
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	-	<b>455</b>	-	<b>455</b>	-	<b>451</b>	-	<b>(10)</b>	<b>441</b>								
Gains on revaluation	-	-	-	-	-	-	-	-	-								
Losses on revaluation	-	-	-	-	-	-	-	-	-								
<b>Net gain/(loss) for the year</b>	<b>2,356</b>	<b>(455)</b>	-	<b>1,901</b>	<b>2,315</b>	<b>(451)</b>	-	<b>314</b>	<b>2,178</b>								

**14 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 2012 of 4.41% to 5% for loans from the PWLB and 3.89% to 3.99% 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, 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:**

	2011/12		2010/11	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities	(58,099)	(70,235)	(49,099)	(51,965)
Long-term creditors	-	-	-	-
Short-term creditors	(4,486)	(4,486)	(7,869)	(7,869)

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 2012 amounts have been calculated by reference to the premature repayment set of interest rates in force on 31 March 2012 (Source: Public Works Loans Board).

	2011/12		Restated 2010/11	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and Receivables	873	873	807	807
Long-term Debtors	1,457	1,457	246	246

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.



**15 INVENTORIES**

	GCC		Group	
	2011/12	2010/11	2011/12	2010/11
	£000	£000	£000	£000
<b>Consumable stores</b>				
Balance outstanding at start of year	130	104	145	120
Purchases	27	26	29	25
Recognised as an expense in the year	-	-	-	-
Written off balances	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-
<b>Balance outstanding at year-end</b>	<b>157</b>	<b>130</b>	<b>174</b>	<b>145</b>

**16 CONSTRUCTION CONTRACTS**

At 31 March 2012 the Council and Group had no construction contracts in progress.

**17 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	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	£000	£000	£000	£000
Central government bodies	4,446	6,146	4,446	6,146
Other Local authorities	224	297	224	297
NHS bodies	-	-	-	-
Public corporations and trading funds	-	-	-	-
Other entities and individuals	4,879	6,096	7,142	6,746
<b>Total debtors</b>	<b>9,549</b>	<b>12,539</b>	<b>11,812</b>	<b>13,189</b>

**17(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	
	31/03/2012	31/03/2011
	£'000	£'000
Mortgages to former tenants	40	40
Mortgages to private persons	5	5
Loans to vulnerable people for house renovations	83	82
Staff loans	29	21
Loans to Gloucestershire Airport Ltd.	1,202	-
Other loans	98	98
<b>Total</b>	<b>1,457</b>	<b>246</b>

The loans to Gloucestershire Airport Ltd were advanced to finance capital expenditure at the Airport. The loans are for an indefinite period and do not have any fixed repayment terms.

Loans to staff comprise loans to essential users for cars and loans for bus passes and staff training. Other loans include an interest-free loan to Gloucester Historic Buildings Ltd and money spent on essential repairs works to private properties, which have been secured as a charge on the properties concerned ('works-in-default').

**18 CASH AND CASH EQUIVALENTS**

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

	GCC		Group	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011
	£000	£000	£000	£000
Cash held by the Council	5	17	5	5
Bank current accounts	1,201	(2,047)	3,239	(2,047)
Short-term deposits with building societies	800	4,996	800	6,301
<b>Total Cash and Cash Equivalents</b>	<b>2,006</b>	<b>2,966</b>	<b>4,044</b>	<b>4,259</b>

**19 ASSETS HELD FOR SALE**

	GCC and Group			
	Current	Non Current	Current	Non Current
	2011/12 £000	2011/12 £000	2010/11 £000	2010/11 £000
Balance outstanding at start of year	-	-	-	401
Assets declassified as held for sale: - Property, Plant and Equipment	-	-	-	(401)
<b>Balance outstanding at year-end</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**20 SHORT-TERM CREDITORS**

	GCC		Group	
	31/03/2012 £000	31/03/2011 £000	31/03/2012 £000	31/03/2011 £000
Central Government Bodies	293	384	293	384
Other Local Authorities	56	753	56	753
Council Taxpayers	878	833	878	833
Sundry creditors	3,259	5,899	6,727	7,637
<b>Total</b>	<b>4,486</b>	<b>7,869</b>	<b>7,954</b>	<b>9,607</b>

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

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

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

**20(i) Short Term Borrowings**

**GCC**

Short-term borrowings consist of loans repayable by the Council on demand or within twelve months of the balance sheet date. This includes £0.205 million (£0.206 million at 31 March 2011) of borrowing from charities deposited with the Council, together with £0.904 million (£0.043 million at 31 March 2011) of interest owing at 31 March 2012 and loans from Gloucester City Homes Limited of £1.894 million (2010/11:£1.884 million) and Aspire Sports and Cultural Trust of £0.03 million (2010/11:£0.03 million) . The fair value of the loans approximates to their cost.

**Group**

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

**20(ii) Long Term Borrowings (GCC and Group)**

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

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

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

Loans	Rates Payable (%)	Years Until Repayment at 31 March 2011				
		1 - 2	2 - 5	5 - 10	10+	Total
		£000	£000	£000	£000	£000
PWLB	4.41 - 5.00	2,000	7,500	4,500	15,099	29,099
Barclays	3.89 - 3.99	-	-	-	20,000	20,000
<b>Total</b>		<b>2,000</b>	<b>7,500</b>	<b>4,500</b>	<b>35,099</b>	<b>49,099</b>

The loans are shown at amortised cost. The amortised cost of all of the council's PWLB loans is £28.099 million at 31 March 2012 (£29.099 million at 31 March 2011), compared to a fair value of £34.561 million (31 March 2011:£31.591 million). The amortised cost of the Barclays Loan is £20.000 million as at 31st March 2012 (£20.000 million at 31 March 2011) compared to a fair value of £23.689 million (31 March 2011:£20.069 million). The loans were taken out during 2010/11. The amortised cost of the BAE loan is £10.000 million (Nil at 31 March 2011) compared to fair value of £11.984 million( 31 March 2011:Nil). The fair value is the cost of settling the liability at the balance sheet date and is more than the amortised cost at 31 March because many of the Council's loans were at interest rates higher than the rates for similar loans at the balance sheet date.

The 2012 amounts been calculated by reference to the premature repayment set of interest rates in force on 31 March 2012 (Source: Public Works Loan Board).

**Barclays details**

Loan details	All £5,000,000 Start Date	Interest Rate	End Date	Lender Option Borrower Option(LOBO) Details
<b>1</b>	07/05/2010	3.89%	07/05/2040	LOBO effective 08/05/2012 & 10 yearly thereafter
<b>2</b>	10/05/2010	3.99%	10/05/2040	LOBO effective 10/05/2012 & 10 yearly thereafter
<b>3</b>	11/05/2010	3.89%	11/05/2040	LOBO effective 11/05/2012 & 10 yearly thereafter
<b>4</b>	12/05/2010	3.99%	12/05/2040	LOBO effective 13/05/2012 & 10 yearly thereafter

**21 PROVISIONS**

**Provisions more than 1 year**

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

	GCC and Group		
	Injury and Damage Compensation Claims	Other Provisions	Total
	£000	£000	£000
Balance at 1 April 2011	247	41	288
Additional provisions made in 2011/12	168	64	232
Amounts used in 2011/12	(142)	-	(142)
Unused amounts reversed in 2011/12	-	-	-
<b>Balance at 31 March 2012</b>	<b>273</b>	<b>105</b>	<b>378</b>
Consists of:			
Insurance provision	273	-	273
Pensions provision	-	51	51
Car Parks provision	-	54	54
<b>Balance at 31 March 2012</b>	<b>273</b>	<b>105</b>	<b>378</b>

**Insurance 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.

**Car Parks Provision**

The car parks provision was set up to meet compensation due, plus interest, arising from the termination of a contractual agreement in respect of car parks. The original contract was with NCP and the compensation was paid during 2005/06. The interest was being paid in monthly instalments over a five year period with final instalment payments made within the 2009/10 year. The interest paid is still subject to an adjustment based on the prevailing rates during the period and the provision is being held for that revision.

**Injury Compensation Claims**

All of the injury compensation claims are individually insignificant. They relate to personal injuries sustained where the Council is alleged to be at fault (e.g. through a failure to repair a road or pavement properly). Provision is made for those claims where it is deemed probable that the Council will have to make a settlement, based on past experience of court decisions, about the liability outstanding claims are expected to be and the amount of damages payable. Most are anticipated to be settled in 2013/14.

**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 2011	93	93
Additional provisions made in 2011/12	55	55
Amounts used in 2011/12	(93)	(93)
Unused amounts reversed in 2011/12	-	-
<b>Balance at 31 March 2012</b>	<b>55</b>	<b>55</b>
Consists of:		
Accumulated Absence provision	55	55
Redundancy provision	-	-
<b>Balance at 31 March 2012</b>	<b>55</b>	<b>55</b>

**Accumulated Absences Provision**

This is the value of holiday and flexi outstanding at 31 March 2012. This is a short term provision for less than a year.

**22 USABLE RESERVES**

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

**23 UNUSABLE RESERVES**

Restated				
GCC	Group		GCC	Group
31/03/2011 (Restated) £000	31/03/2011 (Restated) £000		31/03/2012 £000	31/03/2012 £000
80,828	80,828	Revaluation Reserve	77,498	86,565
(43,588)	(43,588)	Pensions Reserve	(51,042)	(53,297)
160,088	160,088	Capital Adjustment Account	150,463	156,659
142	144	Deferred Capital Receipts Reserve	136	136
(567)	(567)	Financial Instruments Adjustment Account	(559)	(559)
27	27	Collection Fund Adjustment Account	(64)	(64)
(42)	(42)	Short-term Accumulating Compensated Absences Account	(54)	(54)
-	21,777	Investment in Joint Venture and associated companies	-	-
<b>196,888</b>	<b>218,667</b>	<b>Total Unusable Reserves</b>	<b>176,378</b>	<b>189,386</b>

Details of the restated prior year amounts are included in note 52.

**(i) Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

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

31/03/2011 (Restated) £000	31/03/2011 (Restated) £000	31/03/2011 (Restated) £000		31/03/2012 £000	31/03/2012 £000	31/03/2012 £000
General	HRA	Total		General	HRA	Total
20,756	51,451	<b>72,207</b>	Balance at 1 April	29,779	51,049	<b>80,828</b>
9,246	57	<b>9,303</b>	Upward revaluation of assets	1,529	84	<b>1,613</b>
(58)	(459)	<b>(517)</b>	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(4,943)	-	<b>(4,943)</b>
<b>29,944</b>	<b>51,049</b>	<b>80,993</b>	<b>Surplus on revaluation of assets</b>	<b>26,365</b>	<b>51,133</b>	<b>77,498</b>
-	-	-	Difference between fair value depreciation and historical cost depreciation	-	-	-
-	-	-	Accumulated gains on assets sold or scrapped	-	-	-
(165)	-	<b>(165)</b>	Amount written off to the Capital Adjustment Account	-	-	-
<b>29,779</b>	<b>51,049</b>	<b>80,828</b>	<b>Balance at 31 March</b>	<b>26,365</b>	<b>51,133</b>	<b>77,498</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 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

31/03/2011 (Restated) £000		31/03/2012 £000
<b>172,631</b>	Balance at 1 April	<b>160,088</b>
(19,045)	Reversal of items relating to capital expenditure debited or credited to the CIES	(14,956)
-	Charges for depreciation and impairment of non current assets	(2,143)
-	HRA Settlement payment to Department of Communities and Local Government	-
(244)	Revaluation losses on Property, Plant and Equipment	(274)
(2,101)	Amortisation of intangible assets	(2,055)
(456)	Revenue expenditure funded from capital under statute	(266)
<b>150,785</b>	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	<b>140,394</b>
165	Adjusting amounts written out of the Revaluation Reserve	-
<b>150,950</b>	Net written out amount of the cost of non-current assets consumed in the year	<b>140,394</b>
	<b>Capital financing applied in the year:</b>	
399	Use of the Capital Receipts Reserve to finance new capital expenditure	618
2,488	Use of the Major Repairs Reserve to finance new capital expenditure	3,612
2,550	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	1,056
268	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	305
-	Capital expenditure charged against the General Fund and HRA balances	-
<b>156,655</b>		<b>145,985</b>
3,433	Movements in the market value of Investment Properties debited or credited to the CIES	4,478
-	Movement in the Donated Assets Account credited to the CIES	-
<b>160,088</b>	<b>Balance at 31 March</b>	<b>150,463</b>

**23 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. As a result, the balance on the Account at 31 March 2012 will be charged to the General Fund over the next 6 years.

31/03/2011 £000		31/03/2012 £000
(574)	<b>Balance at 1 April</b>	(567)
	- Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-
7	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	8
7	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
(567)	<b>Balance at 31 March</b>	(559)

**(iv) Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31/03/2011 £000		31/03/2012 £000
(71,318)	<b>Balance at 1 April</b>	(43,588)
16,946	Actuarial gains or losses on pensions assets and liabilities	(7,935)
6,996	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	(3,179)
3,788	Employer's pensions contributions and direct payments to pensioners payable in the year	3,660
(43,588)	<b>Balance at 31 March</b>	(51,042)

**23 UNUSABLE RESERVES (CONTINUED)**

**(v) Deferred Capital Receipts Reserve**

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

31/03/2011 £000		31/03/2012 £000
191	Balance at 1 April	142
(49)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(6)
-	Transfer to the Capital Receipts Reserve upon receipt of cash	-
142	Balance at 31 March	136

**(vi) Collection Fund Adjustment Account**

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

31/03/2011 £000		31/03/2012 £000
54	Balance at 1 April	27
(27)	Amount by which Council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(91)
27	Balance at 31 March	(64)

**(vii) Accumulated Absences Account**

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

31/03/2011 £000		31/03/2012 £000
(177)	Balance at 1 April	(42)
177	Settlement or Cancellation of Accrual made at the end of the preceding year	42
(42)	Amounts accrued at the end of the current year	(54)
135	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	-
(42)	Balance at 31 March	(54)

**24 CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

Restated			Council	Group
Council 31/03/2011 £000	Group 31/03/2011 £000		31/03/2012 £000	31/03/2012 £000
(9,051)	(3,783)	Deficit on Provision of Services	(9,288)	(8,360)
		<i>Adjustment for non-cash items</i>		
4,885	4,921	Depreciation of property, plant and equipment	5,793	5,848
244	324	Amortisation of intangible assets	274	375
-	-	Losses/(gains) on disposal of non-current assets	(160)	(160)
14,873	12,033	Revaluation losses charged to net cost of services	4,769	4,770
311	311	Net revaluation surplus/(loss) taken to revaluation reserve	(311)	(311)
(10,783)	(11,790)	Adjustment in respect of pension fund deficit	(481)	(580)
<b>9,530</b>	<b>5,799</b>		<b>9,884</b>	<b>9,942</b>
		<i>Adjustment for changes in working capital</i>		
(40)	(40)	Increase in long-term debtors	(1,211)	(1,211)
(26)	(25)	Increase in inventories	(27)	(29)
2,261	2,416	(Increase)/decrease in short-term debtors	2,990	1,377
1,908	4,752	Increase/(decrease) in short-term creditors	(3,382)	(1,917)
459	(154)	Increase/(decrease) in capital grants received in advance	(46)	(46)
(228)	(3,334)	(Decrease)/Increase in provisions	52	52
<b>4,334</b>	<b>3,615</b>		<b>(1,624)</b>	<b>(1,774)</b>
<b>4,813</b>	<b>5,631</b>	<b>Net Cash flows from Operating Activities</b>	<b>(1,028)</b>	<b>(192)</b>
		<i>The cash flows for operating activities include the following items:</i>		
449	467	Interest received	455	510
(2,444)	(2,445)	Interest paid	(1,496)	(1,553)
32	32	Dividends received	-	-

**25 CASH FLOW STATEMENT – INVESTING ACTIVITIES**

Restated			Council	Group
Council 31/03/2011 £000	Group 31/03/2011 £000		31/03/2012 £000	31/03/2012 £000
(10,274)	(10,416)	Purchase of property, plant and equipment, investment property and intangible assets	(8,682)	(8,916)
(10,976)	(11,001)	Purchase of short-term and long-term investments	-	(253)
364	364	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	429	429
-	-	Proceeds from short-term and long-term investments	9,052	9,544
-	-	Other receipts from investing activities	-	(85)
<b>(20,886)</b>	<b>(21,053)</b>	<b>Net cash flows from investing activities</b>	<b>799</b>	<b>719</b>

**26 CASH FLOW STATEMENT – FINANCING ACTIVITIES**

Restated			Council	Group
Council 31/03/2011 £000	Group 31/03/2011 £000		31/03/2012 £000	31/03/2012 £000
22,115	20,000	Cash receipts of short- and long-term borrowing	10,000	10,000
-	(1,354)	Repayments of short- and long-term borrowing	(10,731)	(10,742)
<b>22,115</b>	<b>18,646</b>	<b>Net cash flows from financing activities</b>	<b>(731)</b>	<b>(742)</b>

**27 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

- 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 2011/12**

	CORPORATE AND DEMOCRATIC CORE	CENTRAL SERVICES	CULTURAL, ENVIRON, PLAN SERVICES	HIGHWAYS, ROADS, TRANS SERVICES	HOUSING REVENUE ACCOUNT	HOUSING SERVICES	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(432)	(1,204)	(5,049)	(3,104)	(17,205)	(197)	(27,191)
Government grants	(186)	(9,096)	(1,557)	(164)	1,722	(42,858)	(52,139)
<b>Total Income</b>	<b>(618)</b>	<b>(10,300)</b>	<b>(6,606)</b>	<b>(3,268)</b>	<b>(15,483)</b>	<b>(43,055)</b>	<b>(79,330)</b>
Employee expenses	721	3,792	5,148	208	1	1,336	11,206
Other service expenses	89	6,175	10,960	2,981	15,621	42,368	78,194
Support service recharges	1,317	1,721	3,695	262	1,316	971	9,282
<b>Total Expenditure</b>	<b>2,127</b>	<b>11,688</b>	<b>19,803</b>	<b>3,451</b>	<b>16,938</b>	<b>44,675</b>	<b>98,682</b>
<b>Net Expenditure</b>	<b>1,509</b>	<b>1,388</b>	<b>13,197</b>	<b>183</b>	<b>1,455</b>	<b>1,620</b>	<b>19,352</b>

**(ii) Directorate Income and Expenditure 2010/11**

	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	(483)	(934)	(4,585)	(3,251)	(16,590)	(128)	(25,971)
Government grants	(259)	(9,655)	(2,662)	(1,014)	1,547	(40,166)	(52,209)
<b>Total Income</b>	<b>(742)</b>	<b>(10,589)</b>	<b>(7,247)</b>	<b>(4,265)</b>	<b>(15,043)</b>	<b>(40,294)</b>	<b>(78,180)</b>
Employee expenses	929	4,737	6,414	281	315	1,859	14,535
Other Service expenses	(194)	3,609	12,179	5,778	18,934	39,502	79,808
Support service recharges	1,236	3,636	4,368	306	471	1,061	11,078
<b>Total Expenditure</b>	<b>1,971</b>	<b>11,982</b>	<b>22,961</b>	<b>6,365</b>	<b>19,720</b>	<b>42,422</b>	<b>105,421</b>
<b>Net Expenditure</b>	<b>1,229</b>	<b>1,393</b>	<b>15,714</b>	<b>2,100</b>	<b>4,677</b>	<b>2,128</b>	<b>27,241</b>

**(iii) Group Income and Expenditure 2011/12**

	Directorate Analysis	Subsidiaries Analysis	Group Total
	£000	£000	£000
Fees, charges & other service income	(27,191)	(2,286)	(29,477)
Government grants	(52,139)	(25)	(52,164)
<b>Total Income</b>	<b>(79,330)</b>	<b>(2,311)</b>	<b>(81,641)</b>
Employee expenses	11,206	5,246	16,452
Other service expenses	78,194	(5,865)	72,329
Support service recharges	9,282	2,016	11,298
<b>Total Expenditure</b>	<b>98,682</b>	<b>1,397</b>	<b>100,079</b>
<b>Net Expenditure</b>	<b>19,352</b>	<b>(914)</b>	<b>18,438</b>

**(iv) Group Income and Expenditure 2010/11**

	Directorate Analysis	Subsidiaries Analysis	Group Total
	£000	£000	£000
Fees, charges & other service income	(25,971)	(16,605)	(42,576)
Government grants	(52,209)	(3,985)	(56,194)
<b>Total Income</b>	<b>(78,180)</b>	<b>(20,590)</b>	<b>(99,181)</b>
Employee expenses	14,535	5,456	19,991
Other Service expenses	79,808	11,680	91,488
Support service recharges	11,078	1,959	13,037
<b>Total Expenditure</b>	<b>105,421</b>	<b>19,095</b>	<b>124,516</b>
<b>Net Expenditure</b>	<b>27,241</b>	<b>(1,495)</b>	<b>25,335</b>



**27 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)**

<b>(v) Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement</b>		
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>31/03/2012</b>	<b>31/03/2011</b>
	<b>£000</b>	<b>£000</b>
Net expenditure in the Directorate Analysis	19,352	27,241
Add Services not included in main analysis	3,591	(11,049)
Add amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(13,655)	(10,469)
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>9,288</b>	<b>5,723</b>

<b>(vi) Reconciliation of Group Income and Expenditure to Group Cost of Services in the Comprehensive Income and Expenditure Statement</b>		
	<b>31/03/2012</b>	<b>31/03/2011</b>
	<b>£000</b>	<b>£000</b>
Net expenditure in the Group Analysis	18,438	25,335
Add Services not included in Group Analysis	3,591	(11,049)
Add amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(13,821)	(10,486)
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>8,208</b>	<b>3,800</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 28 RECONCILIATION TO SUBJECTIVE ANALYSIS

#### 28 (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.

	2011/12							
	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(27,191)	-	-	-	-	(27,191)	-	(27,191)
Interest and investment income	-	-	-	-	-	-	(1,520)	(1,520)
Income from council tax,	-	-	-	-	-	-	(7,270)	(7,270)
Government grants and contributions	(52,139)	-	-	-	-	(52,139)	(9,911)	(62,050)
<b>Total Income</b>	<b>(79,330)</b>	-	-	-	-	<b>(79,330)</b>	<b>(18,701)</b>	<b>(98,031)</b>
Employee expenses	11,206	-	-	-	-	11,206	-	11,206
Other service expenses	78,194	-	-	-	-	78,194	3,591	81,785
Support service recharges	9,282	-	-	-	-	9,282	-	9,282
Impairments arising on revaluation of non-current assets	-	-	-	-	-	-	(242)	(242)
Interest payments	-	-	-	-	-	-	3,734	3,734
Precepts & Levies	-	-	-	-	-	-	202	202
Payment to housing capital receipts pool	-	-	-	-	-	-	162	162
Gain or Loss on disposal of non-current assets	-	-	-	-	-	-	(144)	(144)
Gain or Loss on disposal of HRA assets	-	-	-	-	-	-	-	-
Total expenditure	98,682	-	-	-	-	98,682	7,287	105,969
<b>Surplus or deficit on the provision of services</b>	<b>19,352</b>	-	-	-	-	<b>19,352</b>	<b>(11,414)</b>	<b>7,938</b>

#### 2010/11 Comparative Figures

	2010/11							
	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(25,971)	-	-	-	-	(25,971)	-	(25,971)
Interest and investment income	-	-	-	-	-	-	(1,507)	(1,507)
Income from council tax,	-	-	-	-	-	-	(7,169)	(7,169)
Government grants and contributions	(52,209)	-	-	-	-	(52,209)	(13,095)	(65,304)
<b>Total Income</b>	<b>(78,180)</b>	-	-	-	-	<b>(78,180)</b>	<b>(21,771)</b>	<b>(99,951)</b>
Employee expenses	14,535	-	-	-	-	14,535	-	14,535
Other service expenses	79,808	-	-	-	-	79,808	(11,049)	68,759
Support service recharges	11,078	-	-	-	-	11,078	-	11,078
Impairments arising on revaluation of non-current assets	-	-	-	-	-	-	5,331	5,331
Changes in investment properties fair value	-	-	-	-	-	-	198	198
Interest payments	-	-	-	-	-	-	5,315	5,315
Precepts & Levies	-	-	-	-	-	-	200	200
Payment to housing capital receipts pool	-	-	-	-	-	-	258	258
Total expenditure	105,421	-	-	-	-	105,421	253	105,674
<b>Surplus or Deficit on the Provision of Services</b>	<b>27,241</b>	-	-	-	-	<b>27,241</b>	<b>(21,518)</b>	<b>5,723</b>

**28 RECONCILIATION TO SUBJECTIVE ANALYSIS (Continued)**

**28 (ii) Reconciliation to Subjective Analysis - Group**

2011/12			
	Directorate Analysis	Subsidiaries Analysis	Total
	£000	£000	£000
Fees, Charges & Other Service income	(27,191)	(2,286)	(29,477)
Surplus or deficit on Associates and Joint Ventures	-	(90)	(90)
Interest and Investment income	(1,520)	(136)	(1,656)
Income from council tax	(7,270)	-	(7,270)
Government Grants and Contributions	(62,050)	(25)	(62,075)
<b>Total Income</b>	<b>(98,031)</b>	<b>(2,537)</b>	<b>(100,568)</b>
Employee expenses	11,206	5,246	16,452
Other service expenses	81,785	(5,865)	75,920
Support Service recharges	9,282	2,016	11,298
Impairments arising on revaluation of non-current assets	(242)	-	(242)
Interest Payments	3,734	(30)	3,704
Precepts & Levies	202	-	202
Payments to Housing Capital Receipts Pool	162	-	162
Gain or Loss on Disposal of non-current Assets	(144)	-	(144)
Gain or Loss on disposal of HRA assets	(16)	-	(16)
<b>Total expenditure</b>	<b>105,969</b>	<b>1,367</b>	<b>107,336</b>
<b>Surplus or deficit on the provision of services</b>	<b>7,938</b>	<b>(1,170)</b>	<b>6,768</b>

**2010/11 Comparative Figures**

2010/11			
	Directorate Analysis	Subsidiaries, Associates and Joint Venture Analysis	Total
	£000	£000	£000
Fees, Charges & Other Service income	(25,971)	(16,605)	(42,576)
Surplus or deficit on Associates and Joint Ventures	-	(342)	(342)
Income from council tax	(7,169)	-	(7,169)
Interest and Investment income	(1,507)	(18)	(1,525)
Government Grants and Contributions	(65,304)	(3,985)	(69,289)
<b>Total Income</b>	<b>(99,951)</b>	<b>(20,950)</b>	<b>(120,901)</b>
Employee expenses	14,535	5,456	19,991
Other service expenses	68,759	11,269	80,028
Support Service recharges	11,078	1,959	13,037
Impairments arising on revaluation of non-current assets	5,331	-	5,331
Changes in investment properties fair value	198	-	198
Interest Payments	5,315	1	5,316
Precepts & Levies	200	-	200
Payments to Housing Capital Receipts Pool	258	-	258
<b>Total expenditure</b>	<b>105,674</b>	<b>18,685</b>	<b>124,359</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>5,723</b>	<b>(2,265)</b>	<b>3,458</b>

**29 ACQUIRED, DISCONTINUED AND TRANSFERRED OPERATIONS**

The concessionary fares function has transferred to the control of Gloucestershire County Council with effect from 1 April 2011. All future costs associated with this scheme are included in the accounts for the County Council from this date.

There have been no other acquired or discontinued operations during the 2011/12 or 2010/11 financial years.

**30 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.

	2011/12			2010/11		
	£000	£000	£000	£000	£000	£000
	Income	Expenditure	Net	Income	Expenditure	Net
City Estates	2,164	1,131	(1,033)	1,669	810	(859)
St.Oswald's Park	10	10	-	20	9	(11)
Eastgate Market	362	278	(84)	328	349	21
Open market and other markets	120	153	33	104	106	2
Lettings & Catering Services	1,213	1,315	102	71	70	(1)
Translation & Interpreting Services	41	69	28	78	103	25
Building Design Services	1,051	1,033	(18)	1	1	-
Legal & Office Services	918	1,018	100	145	202	57
<b>Total</b>	<b>5,879</b>	<b>5,007</b>	<b>(872)</b>	<b>2,416</b>	<b>1,650</b>	<b>(766)</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):

	2011/12 £000	2010/11 £000
Net Surplus on Trading Operations	(872)	(766)
Services to the public included in Expenditure of Continuing Operations	-	-
Support services recharged to Expenditure of Continuing Operations	1,244	1,051
<b>Net Deficit credited to Other Operating Expenditure</b>	<b>372</b>	<b>285</b>

**31 AGENCY SERVICES**

The Council provides creditor and payroll services for Gloucester City Homes and Aspire Sports and Cultural Trust involving the payment of approximately £4.964 million (2010/11:£5,051 million) to employees and £1.131 million (2010/11:£1,177 million) to Her Majesty's Revenue and Customs. Charges are made to those bodies based on service level agreements.

	2011/12 £000	2010/11 £000
Expenditure incurred in providing payroll services to Aspire Cultural Trust and Gloucester City Homes	24	24
Management fee payable by Aspire and GCH	(24)	(24)
<b>Net Surplus arising on the agency arrangement</b>	<b>-</b>	<b>-</b>

**32 MEMBERS' ALLOWANCES**

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

	2011/12 £000	2010/11 £000
Allowances	290	293
Expenses	5	13
<b>Total</b>	<b>295</b>	<b>306</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)

**33 OFFICERS' REMUNERATION**

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

The remuneration relates to actual payments to employees during the year. The remuneration of staff for the year ended 31 March 2012 and in the prior year includes officers in receipt of severance pay arising from management restructuring during these two periods. To ensure transparency, these have been shown separately from normal salary.

Remuneration Band	Normal salary		Severance payments		Total	
	Number of Employees		Number of Employees		Number of Employees	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£50,000 to £54,999	7	5	-	-	7	5
£55,000 to £59,999	-	-	-	1	-	1
£60,000 to £64,999	-	-	-	-	-	-
£65,000 to £69,999	-	-	1	-	1	-
£70,000 to £74,999	-	-	1	-	1	-
£75,000 to £79,999	2	3	-	1	2	4
£80,000 to £84,999	2	-	-	-	2	-
£85,000 to £89,999	-	-	-	-	-	-
£90,000 to £94,999	-	-	-	-	-	-
£95,000 to £99,999	-	-	-	-	-	-
£100,000 to £104,999	-	-	-	-	-	-
£105,000 to £109,999	-	-	1	-	1	-
£110,000 to £114,999	1	-	-	-	1	-
£115,000 to £119,999	-	1	-	-	-	1

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

Senior Officer	Chief Executive (Head of Paid Service)		Corporate Director of Regeneration		Corporate Director of Resources (Section 151 Officer)	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
Salary, fees & allowances	£114,923	£116,185	£81,324	£79,985	£79,750	£78,454
Bonuses	-	-	-	-	-	-
Expenses allowance	-	-	£77	-	-	-
Compensation for loss of employment	-	-	-	-	-	-
Employer's pension contribution	£17,468	£17,624	£12,361	£12,572	£12,122	£12,388
Any other emoluments	-	-	-	-	-	-
<b>Total</b>	<b>£132,391</b>	<b>£133,809</b>	<b>£93,762</b>	<b>£92,557</b>	<b>£91,872</b>	<b>£90,842</b>

Senior Officer	Corporate Director of Services & Neighbourhoods		Corporate Director of Strategy & Development	
	2010/11	2011/12	2010/11	2011/12
Salary, fees & allowances	£78,840	£78,255	£812,340	£5,472
Bonuses	-	-	-	-
Expenses allowance	-	-	£90	-
Compensation for loss of employment	-	-	-	-
Employer's pension contribution	£11,984	£11,738	£12,348	£1,118
Any other emoluments	-	-	-	-
<b>Total</b>	<b>£90,824</b>	<b>£89,993</b>	<b>£824,778</b>	<b>£6,590</b>

**34 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:

	2011/12 £'000	2010/11 £'000
Fees payable to the Audit Commission (KPMG LLP) for		
- external audit services	187	176
- statutory inspection	1	1
- certification of grant claims and returns	26	49
- other services provided by the appointed auditor	-	-
<b>Total audit fees</b>	<b>214</b>	<b>226</b>

**35 GRANT INCOME (GCC and Group)**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

	2011/12	Restated
	£'000	2010/11 £'000
Homelessness and other housing	(306)	(381)
Council Tax Benefit Administration	(40,550)	(38,228)
Concessionary Fares	-	(532)
Rent Rebates	(10,557)	(10,140)
Sports Grants	(3)	(286)
Community Grants	(74)	(333)
Revenue Support Grant	(1,782)	(1,376)
Area Based Grant	-	(172)
NNDR	(5,887)	(9,478)
Capital Grants	(1,168)	(2,069)
Other	(216)	(1,010)
<b>Total grants</b>	<b>(60,543)</b>	<b>(64,005)</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:

	31/03/2012 £'000
<b>Capital Grants Receipts in Advance (GCC and Group)</b>	
Coney Hill South	88
Cotswold View	560
Green Farm	74
48 The Wheatridge	337
British Energy	150
Watermills Play Area	3
Hempsted Grange	143
Hammersons	90
Other contributions	541
<b>Total</b>	<b>1,986</b>

**36 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.

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

	2011/12			2010/11		
	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	-	1,782	1	-	1,376
Non Domestic Rates	1	-	47,009	1	-	44,444
Specific Grants		-	1,419		-	1,196
Other Local and Police Authorities						
Precepts	2	50,500	-	2	49,423	-
Gloucestershire County Council						
Pension Fund	12	2,956	-	10	3,198	-
Gloucestershire Airport						
Loan transactions	5	-	-	6	-	-
Quedgeley Parish Council	1	11	-	1	200	-
<b>Others</b>						
Gloucester Law Centre	3	105	-	2	138	-
Friendship Café/Gym Nation	1	-	-	1	6	-
EG Carter	1	646	-		-	-
Abbeyle Community Association	1	1	-		-	-
Podsmead Community Association	1	3	-		-	-
Anixter	1	299	-		-	-
Fair Shares	1	9	-		-	-
GL Communities	2	30	-	1	248	-
Citizens Advice Bureau	1	134	-	2	68	-
Gloucester City Homes	8	14,062	-	7	17,804	-
Aspire	5	1,650	-	2	2,024	-
Gloucester Cathedral	-	-	-	2	3	-
Llanthony Secunda Priory Trust	2	-	-	1	10	-
Glos Playing Fields Assoc	-	-	-	2	1	-
Severn Area Rescue Assoc	-	-	-	1	6	-
Gloucester Asian Elders	1	3	-		-	-
Glos College	1	2	-	2	45	-
CIVICA	4	83	-		-	-
Zurich	2	306	-	1	342	-
The Family Haven	1	7	-	-	-	-

Amounts due to or from related parties included in debtors and creditors as at 31 March 2012:

	2011/12 £'000	2010/11 £'000
<b>Debtors</b>	323	524
<b>Creditors</b>	95	1,760

**Members**

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 32. During 2011/12, works and services to the value of £16.611 million (2010/11: £18.658 million) were commissioned from companies in which 26 members had an interest.

Contracts were entered into in full compliance with the Council's standing orders.

The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interests which is open to public inspection at the North Warehouse during office hours.

**Officers**

During 2011/12, works and services to the value of £16.441 million (2010/11: £13.0 million) were commissioned from companies in which 9 officers had an interest. Those entities are E G Carter; Gloucester City Homes; Aspire; Llanthony Secunda Priory Trust and CIVICA (detailed in the above table).

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

**37 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.

	2011/12	Restated 2010/11
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>65,569</b>	<b>58,426</b>
Capital investment		
- Property, Plant and Equipment	7,837	9,942
- Investment Properties	11	47
- Intangible Assets	481	283
- Revenue Expenditure Funded from Capital under Statute	1,934	2,101
	<b>75,832</b>	<b>70,799</b>
Sources of finance		
- Usable capital receipts	(617)	(399)
- Capital grants and contributions	(1,188)	(2,076)
- Major Repairs Reserve	(3,612)	(2,487)
- Revenue contributions	-	-
Revenue Provision (including Minimum Revenue Provision)	(305)	(268)
Capital Receipts applied for debt repayment	-	-
<b>Closing Capital Financing Requirement</b>	<b>70,110</b>	<b>65,569</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow for capital investment:		
- supported by Government financial assistance	263	4,098
- unsupported by Government financial assistance	4,583	3,313
Amounts 'set aside' for debt repayment	(305)	(268)
<b>Increase in Capital Financing Requirement</b>	<b>4,541</b>	<b>7,143</b>

**38 LEASES**

**(i) GCC as Lessor**

**Finance Leases**

The Council has no Finance leases as lessor.

**Operating Leases**

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

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

Rentals received during the year and included in the net cost of services were £1.769 million (2010/11:£1.619 million). The future minimum lease payments receivable under non-cancellable leases in future years are as follows:

	2011/12	Restated 2010/11
	£'000	£'000
Not later than 1 year	1,657	53
Later than 1 year and not later than 5 years	4,919	186
Later than 5 years	2,081	1,308
<b>Total</b>	<b>8,657</b>	<b>1,547</b>



**38 LEASES (Continued)**

(ii) **GCC as Lessee**

**Operating Leases**

The Council has operating leases, the leasing payments relating to buildings and car parks leased before 2010/11.

Total lease payments were £0.723 million in 2011/12 (2010/11 :£0.323 million).

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

	<b>Restated</b>	
	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
Not later than 1 year	694	723
Later than 1 year and not later than 5 years	143	211
Later than 5 years	1,671	1,692
<b>Total</b>	<b>2,508</b>	<b>2,626</b>

**Finance Leases**

The Council does not have any finance leases as lessee.

**39 IMPAIRMENT LOSSES**

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

**40 CAPITALISATION OF BORROWING COSTS**

No borrowing costs were capitalised during the year.

**41 TERMINATION BENEFITS**

The Council terminated the contracts of a number of employees in 2011/12, incurring redundancy and compensatory agreement costs of £751k(2010/11:£222) details of which are as follows:

	<b>Compulsory Redundancies</b>		<b>Other Departures</b>		<b>Total</b>	
	<b>Number</b>	<b>£'000</b>	<b>Number</b>	<b>£'000</b>	<b>Number</b>	<b>£'000</b>
Less than £20,000	3	24	17	191	20	215
Between £20,000 and £100,000	2	109	12	427	14	536
<b>Total</b>	<b>5</b>	<b>133</b>	<b>29</b>	<b>618</b>	<b>34</b>	<b>751</b>

In addition to the above amounts paid to employees as above the Council made lump sum payments in respect of pension entitlements totalling £398k and consultancy costs of £75k.

The amount was payable to 34 officers from a variety of services, whose employment was terminated as part of the Council's rationalisation of Directorates (including Group and Service reviews). The rationalisation is a result of the Council's Three Year Money Plan savings target to be achieved by 2013/14.

**42 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:

<b>Comprehensive Income and Expenditure Account</b>	<b>2011/12 £000</b>	<b>2010/11 £000</b>
<i>Net Cost of Services :</i>		
Current service cost (apportioned across services)	1,312	1,882
Past service costs/(credits), curtailments and settlements	184	(11,440)
Settlements and Curtailments (included in Non-Distributed costs)	39	4
<i>Financing and Investment Income and Expenditure</i>		
Interest cost	5,526	6,641
Expected return on assets in the scheme	(3,882)	(4,085)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>3,179</b>	<b>(6,998)</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
- Actuarial gains and losses	(7,935)	(16,946)
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	<i>(4,756)</i>	<i>(23,944)</i>
<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	(3,179)	6,998
Fund Balance for pensions in the year:		
- employer's contributions payable by the general fund to the scheme	3,660	3,198
- retirement benefits payable to pensioners	-	-
	<b>(4,275)</b>	<b>(13,748)</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a net deficit of £32.536 million (2010/11:£24.601 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>	
	<b>2011/12 £000</b>	<b>2010/11 £000</b>
Opening balance at 1 April	<b>101,750</b>	<b>130,801</b>
Current service cost	1,312	1,881
Interest cost	5,526	6,640
Contributions by scheme participants	517	625
Actuarial gains and losses	5,842	(21,898)
Benefits paid	(4,625)	(4,867)
Past service costs	184	(11,440)
Curtailments	39	8
<b>Closing balance at 31 March</b>	<b>110,545</b>	<b>101,750</b>

**42 DEFINED BENEFIT PENSION SCHEMES (Continued)**

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

Local Government Pension Scheme

	2011/12 £000	2010/11 £000
<b>Opening balance at 1 April</b>	<b>58,162</b>	<b>59,483</b>
Expected rate of return	3,882	4,085
Actuarial gains and losses	(2,093)	(4,952)
Employer contributions	3,660	3,788
Contributions by scheme participants	517	625
Benefits paid	(4,625)	(4,867)
<b>Closing balance at 31 March</b>	<b>59,503</b>	<b>58,162</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.

The actual return on scheme assets in the year was 3.1% (2010/11: 7.9%).

**Scheme History**

	31-Mar-08 £'000	31-Mar-09 £'000	31-Mar-10 £'000	31-Mar-11 £'000	31-Mar-12 £'000
<i>Present value of liabilities:</i>					
Local Government Pension Scheme	(88,565)	(84,228)	(130,801)	(101,750)	(110,545)
<i>Fair value of assets</i>					
Local Government Pension Scheme	58,237	42,829	59,483	58,162	59,503
<b>Deficit in the scheme</b>	<b>(30,328)</b>	<b>(41,399)</b>	<b>(71,318)</b>	<b>(43,588)</b>	<b>(51,042)</b>
Experience gains/(losses) on plan assets	(8,941)	(16,940)	14,582	(4,952)	(2,093)
Experience gains/(losses) as a percentage of fair value of assets	(15.4)	(39.6)	24.5%	(8.5%)	(3.5%)
Experience gains/(losses) on plan liabilities	2,323	(60)	(63)	9,072	(1,768)
Experience gains/(losses) as a percentage of the present value of the defined benefit obligation	2.6%	(0.1%)	(0.0%)	8.9%	(1.6%)

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 £51.042 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 2012 was £3.660 million (2010/11: £3.778 million).

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

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2012.

The principal assumptions used by the actuary have been:

	<b>Local Government Pension Scheme</b>	
	2011/12	2010/11
Long-term expected rate of return on assets in the scheme:		
Equity investments	6.20%	7.50%
Bonds	3.90%	4.90%
Other	4.40%	5.50%
Cash	3.50%	4.60%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	21.7 years	21.7 years
- Women	23.6 years	23.6 years
Longevity at 65 for future pensioners:		
- Men	23.5 years	23.5 years
- Women	25.8 years	25.8 years
Rate of inflation	2.50%	2.80%
Rate of increase in salaries	4.30%	4.60%
Rate of increase in pensions	5.50%	2.80%
Rate for discounting scheme liabilities	4.80%	5.50%
Take-up of option to convert annual pension into Retirement lump sum	75%	75%

**42 DEFINED BENEFIT PENSION SCHEMES (Continued)**

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

	31-Mar-12 %	31-Mar-11 %
Equity investments	71	68
Debt Instruments	21	24
Other assets	6	6
Cash	2	2

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

**43 CONTINGENT LIABILITIES**

At 31 March 2012, the Council had three material contingent liabilities:

***Municipal Mutual Insurance Ltd (MMI) liabilities***

On the 19 January 1994 one of the Council's insurers MMI obtained High Court approval for a scheme of arrangement that will come into operation if the company becomes insolvent. If the scheme is implemented, the Council will have to pay the balance of any liabilities not met by the insurers. Claims settled to date total £650,828 and the estimated outstanding claims as at 31 March 2012 are £50,427. The Council could be required to pay a proportion of this depending on the final financial position of the company. Any liabilities to be met under this scheme will be met from the Council's Insurance Reserve.

***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. The level of refund to be made can not be quantified at this stage as it will be dependent on the number of potential refund claims and further Central Government legislation to be issued.

**44 CONTINGENT ASSETS**

***Additional receipts arising from South West bypass road development***

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

**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.

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

**Credit Risk**

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

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

The Council's maximum exposure to credit risk in relation to its short-term investments and deposits with banks and other financial institutions of £17.213 million (2010/11:£28.90 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 46 including the recoverability of the investment with Heritable Bank. Long-term debtors as detailed in note 17(i) include the loan to Gloucestershire Airport Limited of £1.2 million and are considered to have a low credit risk.

The Council does not generally allow credit for customers and £0.264 million, net of impairments, of the debtors balance of £11.812 million (see note 14 ) is past its due date for payment as follows:

	£'000
Less than 4 months	105
4 months- 1 year	77
More than 1 year	82
<b>Total</b>	<b>264</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
	%	31/03/2012 %
Less than 1 year	20	-
1 - 2 years	20	-
2 - 5 years	50	4
5 - 10 years	75	17
Over 10 years	95	79
		<b>100</b>

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

**Market Risk**

**Interest Rate Risk**

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

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

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

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

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

According to this assessment strategy, at 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

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

**Price Risk**

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

**Foreign exchange Risk**

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

**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-12 £'000	Restated 31-Mar-11 £'000	31-Mar-12 £'000	Restated 31-Mar-11 £'000
Share capital - Gloucestershire Airport Ltd	435	435	-	435
Government Stock	2	2	2	2
Heritable Bank	436	370	436	370
<b>Total</b>	<b>873</b>	<b>807</b>	<b>438</b>	<b>807</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 £15.599m. 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 and estimated future payouts is as shown in the table below:

Date	Repayment
Received to date	67.90%
April 2012	3.79%
July 2012	3.50%
January 2013	3.50%
April 2013	5.81%
	84.50%

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

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

	GCC and Group	
	31-Mar-12 £'000	31-Mar-11 £'000
Initial investment	2,000	2,000
Interest accrued to 31 March 2012	49	35
Payments received	(1,406)	(1,037)
Impairment	(207)	(628)
<b>Balance at 31 March</b>	<b>436</b>	<b>370</b>

Based on the latest report from the administrator he estimated recovery is considered to be between 86% and 90%, however, subsequent to the year-end the Council has received an offer from a major financial institution of in excess of 90% of the full amount invested. In view of this the impairment has been reduced to reflect a 90% recovery with the effect of reducing the impairment by £421k.

The group balance sheet reflects an amount of £106,000 (2010/11:£162,000) in respect of the Council's investment in associated companies. This represents the Council's share of the net assets of Barton and Tredworth Developments Limited and Marketing Gloucester.

**47 Heritage Assets**

The Code of Practice on Local Authority Accounting 2011/12 (the Code) introduced a change to the treatment in accounting for heritage assets which has been adopted by the Council. As set out in the statement of accounting policies the Council now reflects heritage assets on the balance sheet at valuation. At 31 March 2012 heritage assets were reflected at £5.415 million which have been recognised as a separate class of assets under property, plant and equipment with a corresponding increase in the revaluation reserve. The balance sheets at 31 March 2010 and 31 March 2011 have been restated to reflect this valuation also with a corresponding increase in the revaluation reserve.

**47 HERITAGE ASSETS (continued)**

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 2012 are as follows:

	<b>GCC and Group</b>	
	<b>31/03/2012</b>	<b>Restated 31/03/2011</b>
	<b>£'000</b>	<b>£'000</b>
Oil paintings	1,084	1,084
Coins	227	227
Archaeology	898	898
Silver	596	596
Domestic life exhibits	288	288
Furniture	213	213
Working life exhibits	172	172
Miscellaneous items	1,937	1,897
<b>Total</b>	<b>5,415</b>	<b>5,375</b>
<b>At valuation</b>	<b>5,375</b>	<b>5,375</b>
<b>At cost</b>	<b>40</b>	<b>-</b>
<b>Total</b>	<b>5,415</b>	<b>5,375</b>

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

	<b>GCC and Group</b>	
	<b>2011/12</b>	<b>2010/11</b>
	<b>£000</b>	<b>£000</b>
Balance at beginning of the year	5,375	5,375
Additions	40	-
Balance at end of the year	5,415	5,375

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

**48 EVENTS AFTER THE BALANCE SHEET DATE**

No events have taken place subsequent to the financial year-end that require adjustment to the amounts reflected in these accounts or need to be disclosed.

**49 NOTES TO THE GROUP ACCOUNTS**

The Council's group accounts combine the Council's accounts with those of Gloucestershire Airport Limited in which the Council has a 50% shareholding (the remaining 50% of the shares are owned by Cheltenham Borough Council), Gloucester City Homes Limited and Aspire Sports and Cultural Trust, which are wholly-owned by the Council, Barton and Tredworth Developments Limited (25% owned by the Council) and Marketing Gloucester (50% owned by the Council). Gloucestershire Airport is accounted for as a joint venture and GCH and Aspire as subsidiaries with Barton and Tredworth Developments and Marketing Gloucester being accounted for as associates.

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%
Gloucester Heritage Urban Regeneration Limited	50%
Gloucester Law Centre	36%
Linking Communities	29%
Race Equality Council for Gloucestershire	31%
GL Communities	21%

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

Aspire Sports and Cultural Trust (ASCT) and Gloucester City Homes have been categorised as subsidiary companies 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 service. Taxation has been disclosed as a separate line before net operating expenditure.

The Group Balance Sheet has been prepared by combining Gloucester City Homes' and Aspire Sport and Cultural Trust 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.

**49 NOTES TO THE GROUP ACCOUNTS (continued)**

**Aspire Sports and Cultural Trust (ASCT)**

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

The company's unaudited accounts for the year ended 31 March 2012 reflected the following:

	2011/12 £000	2010/11 £000
Gross income	4,090	4,150
Net operating profit	512	503
<b>Net assets</b>	<b>1,552</b>	<b>1,818</b>

The company is classified as a subsidiary of the Council and its accounts have been consolidated with those of the Council in the group accounts.

**Gloucestershire Airport Limited (GAL)**

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

The registered name of the airport company is Gloucestershire Airport Ltd (Registered Number 2774189). The draft (unaudited) accounts of the company for the year ended 31 March 2012 reflected the following:

	2011/12 £000	2010/11 £000
After tax operating profit	112	690
Net assets	505	876

The main reason net assets have reduced is due to a significant increase in the net pension deficit, resulting mainly from an actuarial loss of £0.483 million. The Council's commitment to meet losses is limited to the shares that it holds.

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

## 49 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 have been 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 2011:£15.81 million).
- Non-operational assets added at leasehold market value (50% share) total £6.556 million (31 March 2011:£6.50 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). This will enable the airport to attract more profitable corporate business. The construction works on two of the key aspects of the project were completed in Spring 2012. The procurement and related works for the implementation of the ILS have commenced with completion planned for December 2012. The benefits of the runway safety project are anticipated to be seen by the airport from 2013 onwards. The Council loaned £1.202 million to the Airport (£Nil in 2010/11) during the year to help fund this project. This Loan is shown as long term debtor on the Council's balance sheet pending its conversion to a long term loan.

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

	Gloucestershire Airport Limited	Gloucester City Council's Share	Gloucestershire Airport Limited	Gloucester City Council's Share
	£ 2011/12 £000	£ 2011/12 £000	£ 2010/11 £000	£ 2010/11 £000
Turnover	4,244	2,122	3,985	1,992
Profit on ordinary activities before taxation	112	56	726	363
Tax on profit on ordinary activities	-	-	35	18
Profit for the financial year after taxation	112	56	690	345
Fixed Assets	4,379	2,189	2,113	1,056
Current Assets	1,187	593	1,055	528
Liabilities due within one year	1,202	601	627	314
Liabilities due after one year	1,769	884	-	-

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 in the year to 31st March 2012 (2011:£32,000). Equity dividends proposed by the Board of Directors of the Airport are not recorded in the Airport financial statements until they are approved by the shareholders at the annual general meeting and are recorded as a movement on retained profits.

The accounts of GAL for the year ending 31 March 2012 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 unaudited accounts reflected the following:

	2011/12 £000	2010/11 £000
Gross income	12,547	16,438
Net profit	569	1,422
<b>Net assets</b>	<b>735</b>	<b>865</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.

**49 NOTES TO THE GROUP ACCOUNTS (continued)**

**Barton and Tredworth Developments Limited**

The council has a 25% shareholding in Barton and Tredworth Developments Ltd (registered number 3372004).

The draft (unaudited) accounts for the year ended 31 March 2012 reflected the following:

	2011/12 £000	2010/11 £000
Gross income	256	348
Net profit/(loss)	25	(51)
<b>Net assets</b>	<b>673</b>	<b>604</b>

A copy of the accounts of Barton and Tredworth Developments Ltd can be obtained from the company's registered office at The Barton Enterprise Centre, 99 Barton Street, Gloucester GL1 4HR.

The company is classified as an associated company of the Council under the Companies Act and the Council's share (25%) of the net assets of the company at 31 March 2012 has been included in the group accounts.

**Marketing Gloucester (MG)**

A marketing company was established in 2008/09 to lead the development and promotion of the businesses within the City and the City itself through a new Gloucester brand. A private limited company was set up. The company is not owned by the Council and is completely independent. The Council did not transfer any functions or staff. Staff are seconded from the Council to the company.

The company's unaudited accounts for the year ended 31 March 2012 reflected the following:

	2011/12 £000	2010/11 £000
Gross income	382	471
Net profit/(loss)	24	16
<b>Net liabilities</b>	<b>124</b>	<b>149</b>

The company is classified as an associated company of the Council and the Council's share (50%) of its accounts have been included in the group accounts.

**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 £21.883 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.

50 GROUP PROPERTY, PLANT AND EQUIPMENT

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Movements in 2011/12	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>								
<b>At 1 April 2011</b>	218,123	59,887	6,345	14,034	153	-	-	298,542
Additions	3,980	3,172	324	783	-	-	-	8,259
Revaluation increases/(decreases) recognised in the Revaluation Reserve	84	2,727	-	-	-	-	-	2,811
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	(3,240)	(6,007)	-	-	-	-	-	(9,247)
Derecognition – Disposals	(281)	(24)	-	-	-	-	-	(305)
<b>At 31 March 2012</b>	<b>218,666</b>	<b>59,755</b>	<b>6,669</b>	<b>14,817</b>	<b>153</b>	<b>-</b>	<b>-</b>	<b>300,060</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2011</b>	9,078	3,771	3,618	3,546	3	-	-	20,016
Depreciation Charge	3,121	1,781	410	524	11	-	-	5,847
Derecognition – Disposals	(16)	(21)	-	-	-	-	-	(37)
<b>At 31 March 2012</b>	<b>12,183</b>	<b>5,531</b>	<b>4,028</b>	<b>4,070</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>25,826</b>
<b>Net book value as at 31 March 2012</b>	<b>206,483</b>	<b>54,224</b>	<b>2,641</b>	<b>10,747</b>	<b>139</b>	<b>-</b>	<b>-</b>	<b>274,234</b>
<b>Net book value as at 31 March 2011</b>	<b>209,045</b>	<b>56,116</b>	<b>2,727</b>	<b>10,488</b>	<b>150</b>	<b>-</b>	<b>-</b>	<b>278,526</b>

Comparative figures 2010/11

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Movements in 2010/11(Restated)	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost of Valuation</b>								
<b>At 1 April 2010</b>	217,472	54,190	5,592	13,152	148	405	1	290,960
Additions	6,636	1,677	774	884	5	-	-	9,976
Revaluation increases/(decreases) recognised in the Revaluation Reserve	79	12,857	-	(2)	-	-	-	12,934
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	(52)	(8,962)	-	-	-	-	-	(9,014)
Derecognition – Disposals	(364)	-	-	-	-	-	-	(364)
Impairments	(5,661)	-	-	-	-	-	-	(5,661)
Assets reclassified (to)/from Held for Sale	-	125	-	-	-	(405)	-	(280)
Other movements in cost or valuation	13	-	(20)	-	-	-	(1)	(8)
<b>At 31 March 2011</b>	<b>218,123</b>	<b>59,887</b>	<b>6,345</b>	<b>14,034</b>	<b>153</b>	<b>-</b>	<b>-</b>	<b>298,542</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2010</b>	6,097	2,500	3,343	3,170	2	4	-	15,116
Depreciation Charge	2,981	1,288	275	376	1	-	-	4,921
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	(17)	-	-	-	-	-	(17)
Other movements in depreciation and impairment	-	-	-	-	-	(4)	-	(4)
<b>At 31 March 2011</b>	<b>9,078</b>	<b>3,771</b>	<b>3,618</b>	<b>3,546</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>20,016</b>
<b>Net book value as at 31 March 2011</b>	<b>209,045</b>	<b>56,116</b>	<b>2,727</b>	<b>10,488</b>	<b>150</b>	<b>-</b>	<b>-</b>	<b>278,526</b>
<b>Net book value as at 31 March 2010</b>	<b>211,375</b>	<b>51,690</b>	<b>2,248</b>	<b>9,982</b>	<b>146</b>	<b>401</b>	<b>1</b>	<b>275,843</b>

**51 GROUP INTANGIBLE ASSETS**

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

	Computer Software		Goodwill	2010/11 Total
	Internally Generated Assets	Other Assets		
<b>Movements in 2010/11</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at start of year:				
- Gross carrying amounts	-	2,487	1,182	3,669
- Accumulated amortisation	-	1,370	392	1,762
<b>Net carrying amount at start of year</b>	<b>-</b>	<b>1,117</b>	<b>790</b>	<b>1,907</b>
Additions:				
- Purchases	102	291	-	393
Amortisation for the period	-	324	-	324
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-	790	790
<b>Net carrying amount at end of year</b>	<b>102</b>	<b>1,084</b>	<b>-</b>	<b>1,186</b>
Comprising:				
- Gross carrying amounts	102	2,778	1,182	4,062
- Accumulated amortisation	-	1,694	1,182	2,876
	<b>102</b>	<b>1,084</b>	<b>-</b>	<b>1,186</b>

## **52 PRIOR YEAR ADJUSTMENTS**

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

### **1. Arising out of Changes in Accounting Policies-Heritage Assets**

As detailed in note 47 the Council has adopted a new accounting policy with regard to heritage assets where such assets are now recognised on the balance sheet. As a result of this change in accounting policy heritage assets have been recognised in the balance sheet at 31 March 2012 with a corresponding adjustment to the revaluation reserve with a similar adjustment to the prior year balance sheets at 31 March 2010 and 31 March 2011.

### **2. Arising out of Errors Identified in Prior Year Accounts**

When preparing the current year accounts a number of errors were identified in the prior year accounts. Due to the large number of errors and their relative materiality these have been accounted for as prior year adjustments resulting in the restatement of the previous year's Comprehensive Income and Expenditure Statement and of the Balance Sheets for the previous two years.

Details of the prior year adjustments are as follows:

#### **2.1 Asset Impairments**

The Council has, in prior periods subsequent to 1 April 2007, carried out annual revaluations of certain of its property assets. Any revaluation surplus or deficit on asset values as a result of the revaluations has been recognised in the revaluation reserve due to the fact that no analysis of the revaluation reserve by asset was available. In the current financial year the revaluation reserve balance has been analysed by asset. This exercise revealed impairments for individual assets relating to the year ended 31 March 2011 totalling £5.383 million and £0.793 million relating to prior years. As there were no existing reserves in respect of these assets these impairments should have been recognised in the net cost of services in the Comprehensive Income and Expenditure Statement.

As this is considered to be a material error in respect of the accounts for the year ended 31 March 2011 the amounts in the previous year's accounts have been restated to take this into account.

#### **2.2 Capital Grants**

Capital grants totalling £613k were recognised in the accounts as a reduction in capital grants received in advance, however, as the conditions for these grants had been met they should have been recognised in income and transferred to the capital adjustment account. This has been adjusted in 2011/12 by reducing current year income and restating the prior year Comprehensive Income and Expenditure Statement and Balance Sheet.

#### **2.3 Accruals and Arrears Rental**

An amount of £433k in respect of services provided in the 2010/11 financial year was not accrued for in the accounts for that year. In addition an amount of £345k in respect of back rent was incurred in the 2013 financial year. Of this an amount of £217k related to the 2010/11 year and prior for which no accrual was made. Both these amounts have been accounted for as prior year adjustments.

#### **2.4 Housing Subsidy Payable**

The Council pays an annual subsidy to Central Government which is paid in interim instalments with a final adjustment made on submission of the final return resulting in a creditor or debtor at year-end. The final determination for both the 2009/2010 and 2010/2011 years and prior was not adjusted for in the year-end accounts with the result that the debtor balance included in the year-end accounts was overstated. The extent of this overstatement was £533k at 31 March 2011.

#### **2.5 Heritable Bank Investment**

The Council's investment with Heritable Bank was transferred from short-term investments to long-term investments in 2009/10, however, the full balance was not transferred with the result that an amount of £269k was included in short-term investments at 31 March 2010. The balance sheet at 31 March 2010 has been restated to reflect the correct treatment of this investment.

#### **2.6 Movement in Reserves Statement and Capital Financing Requirement**

In both the 2009/10 and 2010/11 accounts there were a number of errors in connection with the treatment of certain items included in the Movement in Reserves Statement. These related primarily to the incorrect treatment of income with regard to capital grants and revenue expenditure funded from capital under statute. In addition an amount of £280k was erroneously transferred from the HRA account to the Capital Adjustment Account in respect of the Minimum Revenue Provision(MRP) in the 2009/10 financial year. The MRP calculation for the year resulted in a Nil adjustment. The impact of these errors was to understate the movement from usable reserves to unusable reserves by £126k in 2009/10 and £1,082k in 2010/11. The balance sheets at 31 March 2010 and 31 March 2011 have been restated to correct these errors.

#### **2.7 Aspire Pension Surplus**

In the group accounts one of the wholly-owned entities of the Council, Aspire Sports and Social Trust, reflected a pension fund surplus of £767k in 2010/11 which was recognised as an asset in their balance sheet and also the group accounts. In the 2011/12 accounts this pension surplus was de-recognised as the likelihood of this asset being realised by refunds or a reduction in future contributions is considered to be remote. This has been treated as a prior year adjustment by restating the prior year group Comprehensive Income and Expenditure Statement and Balance Sheet.

**52 PRIOR YEAR ADJUSTMENTS (continued)**

The impact of the prior year adjustments on the reported Comprehensive Income and Expenditure Statement for the prior year (2010/2011)

	GCC					
	Previously Reported	Adjustments				Restated
		Asset Impairments	Capital Grants	Accruals and Back Rent	Housing Subsidy	
£000	£000	£000	£000	£000	£000	
<b>Changes to 2010/11 Comprehensive Income and Expenditure Statement</b>						
Cultural, environmental, regulatory and planning services	15,281	-	-	433	-	15,714
Highways and transport services	325	-	-	72	-	397
Housing Revenue Account-net expenditure	4,214	52	-	-	411	4,677
		52	-	505	411	
Other operating expenditure	458	5,331	-	-	-	5,789
Taxation and non-specific grant income	(19,651)	-	(613)	-	-	(20,264)
<b>(Surplus)/deficit on provision of services</b>	<b>37</b>	<b>5,383</b>	<b>(613)</b>	<b>505</b>	<b>411</b>	<b>5,723</b>
<b>Other comprehensive income and expenditure</b>						-
(Surplus)/deficit arising on revaluation of property, plant and equipment assets	(3,920)	(5,383)	-	-	-	(9,303)
<b>Total Comprehensive Income and Expenditure</b>	<b>(20,829)</b>	<b>-</b>	<b>(613)</b>	<b>505</b>	<b>411</b>	<b>(20,526)</b>

	Group						
	Previously Reported	Adjustments					Restated
		Asset Impairments	Capital Grants	Accruals and Back Rent	Housing Subsidy	Aspire	
£000	£000	£000	£000	£000	£000	£000	
<b>Changes to 2010/11 Comprehensive Income and Expenditure Statement</b>							
Cultural services	3646	-	-	-	-	7	3653
Environmental services	6,599	-	-	433	-	-	7,032
Highways and transport services	325	-	-	72	-	-	397
Housing Revenue Account-net expenditure	2,804	52	-	-	411	-	3,267
		52	-	505	411	7	
Other operating expenditure	458	5,331	-	-	-	-	5,789
Taxation and non-specific grant income	(19,651)	-	(613)	-	-	-	(20,264)
<b>(Surplus)/deficit on provision of services</b>	<b>(1,893)</b>	<b>5,383</b>	<b>(613)</b>	<b>505</b>	<b>411</b>	<b>7</b>	<b>3,800</b>
<b>Other comprehensive income and expenditure</b>							-
(Surplus)/deficit arising on revaluation of property, plant and equipment assets	(3,920)	(5,383)	-	-	-	-	(9,303)
Actuarial (gains)/losses on pension assets/liabilities	(20,515)	-	-	-	-	767	(19,748)
<b>Total other comprehensive income and expenditure</b>	<b>(24,757)</b>	<b>(5,383)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>767</b>	<b>(29,373)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(26,992)</b>	<b>-</b>	<b>(613)</b>	<b>505</b>	<b>411</b>	<b>774</b>	<b>(25,915)</b>

52 PRIOR YEAR ADJUSTMENTS (continued)

	GCC									
	Previously Reported	Adjustments								Restated
		Heritage Assets	Asset Impairments	Capital Grants	Accruals and Back Rent	Housing Subsidy	Heritable Bank	Assets	CFR and MIRS	
£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Changes to 2009/10 and 2010/11</b>										
<b>2009/10 Balance Sheet</b>										
<b>Long-term assets</b>										
Property, plant and equipment	266,173	-	-	-	-	-	-	9,176	-	275,349
Heritage Assets	-	5,375	-	-	-	-	-	-	-	5,375
Long-term investments	841	-	-	-	-	-	269	-	-	1,110
<b>Current assets</b>										
Short-term investments	13,354	-	-	-	-	-	(269)	-	-	13,085
Short-term debtors	15,333	-	-	-	-	(122)	-	-	-	15,211
<b>Current liabilities</b>										
Short-term creditors	(5,310)	-	-	-	(145)	-	-	-	-	(5,455)
<b>Net Assets</b>	<b>168,007</b>	<b>5,375</b>	<b>-</b>	<b>-</b>	<b>(145)</b>	<b>(122)</b>	<b>-</b>	<b>9,176</b>	<b>-</b>	<b>182,291</b>
<b>Usable Reserves</b>										
General Fund	1,670	-	-	-	(145)	-	-	-	649	2,174
HRA Account	3,183	-	-	-	-	(122)	-	-	(775)	2,286
Other	4,818	-	-	-	-	-	-	-	-	4,818
	<b>9,671</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(145)</b>	<b>(122)</b>	<b>-</b>	<b>-</b>	<b>(126)</b>	<b>9,278</b>
<b>Unusable reserves</b>										
Revaluation reserve	66,039	5,375	793	-	-	-	-	-	-	72,207
Capital adjustment account	164,122	-	(793)	-	-	-	-	9,176	126	172,631
Other	(71,825)	-	-	-	-	-	-	-	-	(71,825)
	<b>158,336</b>	<b>5,375</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,176</b>	<b>126</b>	<b>173,013</b>
<b>Total Reserves</b>	<b>168,007</b>	<b>5,375</b>	<b>-</b>	<b>-</b>	<b>(145)</b>	<b>(122)</b>	<b>-</b>	<b>9,176</b>	<b>-</b>	<b>182,291</b>
<b>2010/11 Balance Sheet</b>										
<b>Long-term assets</b>										
Property, plant and equipment	269,262	-	-	-	-	-	-	9,176	-	278,438
Heritage Assets	-	5,375	-	-	-	-	-	-	-	5,375
Long-term investments	841	-	-	-	-	-	(34)	-	-	807
<b>Current assets</b>										
Short-term investments	24,331	-	-	-	-	-	34	-	-	24,365
Short-term debtors	13,072	-	-	-	-	(533)	-	-	-	12,539
<b>Current liabilities</b>										
Short-term creditors	(7,218)	-	-	-	(650)	-	-	-	-	(7,868)
<b>Long-term liabilities</b>										
Capital grants received in advance	(2,645)	-	-	613	-	-	-	-	-	(2,032)
<b>Net Assets</b>	<b>188,836</b>	<b>5,375</b>	<b>-</b>	<b>613</b>	<b>(650)</b>	<b>(533)</b>	<b>-</b>	<b>9,176</b>	<b>-</b>	<b>202,817</b>
<b>Usable Reserves</b>										
General Fund	1,670	-	-	-	(650)	-	-	-	(326)	694
HRA Account	3,257	-	-	-	-	(533)	-	-	(756)	1,968
Other	3,267	-	-	-	-	-	-	-	-	3,267
	<b>8,194</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(650)</b>	<b>(533)</b>	<b>-</b>	<b>-</b>	<b>(1,082)</b>	<b>5,929</b>
<b>Unusable reserves</b>										
Revaluation reserve	69,277	5,375	6,176	-	-	-	-	-	-	80,828
Capital adjustment account	155,393	-	(6,176)	613	-	-	-	9,176	1,082	160,088
Other	(44,028)	-	-	-	-	-	-	-	-	(44,028)
	<b>180,642</b>	<b>5,375</b>	<b>-</b>	<b>613</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,176</b>	<b>1,082</b>	<b>196,888</b>
<b>Total Reserves</b>	<b>188,836</b>	<b>5,375</b>	<b>-</b>	<b>613</b>	<b>(650)</b>	<b>(533)</b>	<b>-</b>	<b>9,176</b>	<b>-</b>	<b>202,817</b>

52 PRIOR YEAR ADJUSTMENTS (continued)

	Group Adjustments										Restated
	Previously Reported	Heritage Assets	Asset Impairments	Capital Grants	Accruals and Back Rent	Housing Subsidy	Heritable Bank	Assets	CFR and MIRS	Aspire	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
<b>Changes to 2009/10 and 2010/11 Balance Sheets</b>											
<b>2009/10 Balance Sheet</b>											
<b>Long-term assets</b>											
Property, plant and equipment	266,265	-	-	-	-	-	-	9,176	-	-	275,441
Heritage Assets	-	5,375	-	-	-	-	-	-	-	-	5,375
Long-term investments	841	-	-	-	-	-	269	-	-	-	1,110
<b>Current assets</b>											
Short-term investments	13,354	-	-	-	-	-	(269)	-	-	-	13,085
Short-term debtors	15,727	-	-	-	-	(122)	-	-	-	-	15,605
<b>Current liabilities</b>											
Short-term creditors	(4,710)	-	-	-	(145)	-	-	-	-	-	(4,855)
<b>Net Assets</b>	<b>186,951</b>	<b>5,375</b>	<b>-</b>	<b>-</b>	<b>(145)</b>	<b>(122)</b>	<b>-</b>	<b>9,176</b>	<b>-</b>	<b>-</b>	<b>201,235</b>
<b>Usable Reserves</b>											
General Fund	1,670	-	-	-	(145)	-	-	-	649	-	2,174
HRA Account	3,257	-	-	-	-	(122)	-	-	(775)	-	2,360
Other	2,643	-	-	-	-	-	-	-	-	-	2,643
	<b>7,570</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(145)</b>	<b>(122)</b>	<b>-</b>	<b>-</b>	<b>(126)</b>	<b>-</b>	<b>7,177</b>
<b>Unusable reserves</b>											
Revaluation reserve	66,039	5,375	793	-	-	-	-	-	-	-	72,207
Capital adjustment account	164,122	-	(793)	-	-	-	-	9,176	126	-	172,631
Other	(50,780)	-	-	-	-	-	-	-	-	-	(50,780)
	<b>179,381</b>	<b>5,375</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,176</b>	<b>126</b>	<b>-</b>	<b>194,058</b>
<b>Total Reserves</b>	<b>186,951</b>	<b>5,375</b>	<b>-</b>	<b>-</b>	<b>(145)</b>	<b>(122)</b>	<b>-</b>	<b>9,176</b>	<b>-</b>	<b>-</b>	<b>201,235</b>
<b>2010/11 Balance Sheet</b>											
<b>Long-term assets</b>											
Property, plant and equipment	269,349	-	-	-	-	-	-	9,176	-	-	278,525
Heritage Assets	-	5,375	-	-	-	-	-	-	-	-	5,375
Long-term investments	841	-	-	-	-	-	(34)	-	-	-	807
<b>Current assets</b>											
Short-term investments	24,331	-	-	-	-	-	-	34	-	-	24,365
Short-term debtors	13,729	-	-	-	-	(533)	-	-	-	(7)	13,189
<b>Current liabilities</b>											
Short-term creditors	(8,957)	-	-	-	(650)	-	-	-	-	-	(9,607)
<b>Long-term liabilities</b>											
Other long-term liabilities	(43,429)	-	-	-	-	-	-	-	-	(767)	(44,196)
Capital grants received in advance	(2,645)	-	-	613	-	-	-	-	-	-	(2,032)
<b>Net Assets</b>	<b>213,294</b>	<b>5,375</b>	<b>-</b>	<b>613</b>	<b>(650)</b>	<b>(533)</b>	<b>-</b>	<b>9,176</b>	<b>-</b>	<b>(774)</b>	<b>226,501</b>
<b>Usable Reserves</b>											
General Fund	1,670	-	-	-	(650)	-	-	-	(326)	-	694
HRA Account	3,257	-	-	-	-	(533)	-	-	(756)	-	1,968
Other	5,179	-	-	-	-	-	-	-	-	(7)	5,172
	<b>10,106</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(650)</b>	<b>(533)</b>	<b>-</b>	<b>-</b>	<b>(1,082)</b>	<b>(7)</b>	<b>7,834</b>
<b>Unusable reserves</b>											
Revaluation reserve	69,277	5,375	6,176	-	-	-	-	-	-	-	80,828
Capital adjustment account	155,393	-	(6,176)	613	-	-	-	9,176	1,082	-	160,088
Pensions reserve	(43,429)	-	-	-	-	-	-	-	-	(767)	(44,196)
Other	21,947	-	-	-	-	-	-	-	-	-	21,947
	<b>203,188</b>	<b>5,375</b>	<b>-</b>	<b>613</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,176</b>	<b>1,082</b>	<b>(767)</b>	<b>218,667</b>
<b>Total Reserves</b>	<b>213,294</b>	<b>5,375</b>	<b>-</b>	<b>613</b>	<b>(650)</b>	<b>(533)</b>	<b>-</b>	<b>9,176</b>	<b>-</b>	<b>(774)</b>	<b>226,501</b>



# **SUPPLEMENTARY FINANCIAL STATEMENTS**

Page 102  
**HOUSING REVENUE ACCOUNT**

<b>HOUSING REVENUE ACCOUNT COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>						
<b>For the year ended 31 March 2012</b>						
The Housing Revenue Account fulfils a statutory obligation to account separately for local authority housing provision, as defined in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of expenditure on council houses - maintenance, administration and depreciation costs - and how these are met by rents and other income. The accounts are included in the Comprehensive Income and Expenditure account (page 39) and balance sheet (page 41).						
Restated			Description	2011/12		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
			<b>Expenditure</b>			
3,951	-	3,951	Repairs & Maintenance	3,476	-	3,476
6,443	-	6,443	Management & Supervision	6,421	-	6,421
83	-	83	Rents, rates, taxes and other charges	91	-	91
1,967	-	1,967	Housing Subsidy payable	2,091	-	2,091
8,689	-	8,689	Depreciation and Impairment of fixed assets	6,365	-	6,365
90	-	90	Debt Management costs	81	-	81
21	-	21	Increase in provision for bad / doubtful debts	142	-	142
			<b>Income</b>			
-	(15,139)	(15,139)	Dwelling Rents	-	(15,959)	(15,959)
-	(265)	(265)	Non-Dwelling Rents	-	(240)	(240)
-	(1,162)	(1,162)	Charges for Services and facilities	-	(1,013)	(1,013)
<b>21,244</b>	<b>(16,566)</b>	<b>4,678</b>	<b>Net Cost of HRA Services</b>	<b>18,667</b>	<b>(17,212)</b>	<b>1,455</b>
			<b>Exceptional items</b>			
-	-	-	Settlement determination payment	2,143	-	2,143
			<b>Financing and Investment Income and expenditure</b>			
-	(55)	(55)	Interest and Investment Income	-	-	-
1,419	-	1,419	Interest payable and similar charges	1,921	-	1,921
-	-	-	Surplus or deficit of discontinued operations	-	-	-
-	-	-	Taxation and non-specific grant income	-	-	-
<b>22,663</b>	<b>(16,621)</b>	<b>6,042</b>	<b>(Surplus) or Deficit on Provision of services</b>	<b>22,731</b>	<b>(17,212)</b>	<b>5,519</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>	-	-	-
<b>22,663</b>	<b>(16,621)</b>	<b>6,042</b>	<b>(Surplus) or deficit for the year on HRA services</b>	<b>22,731</b>	<b>(17,212)</b>	<b>5,519</b>

<b>Movement on the HRA Statement</b>			
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.			
Restated	Description	2011/12	
2010/11 £'000		£'000	£'000
	<b>Balance on the HRA at end of the previous year</b>		
(3,183)	-As previously reported reported		(3,257)
897	-Prior year adjustment		1,289
(2,286)	-As restated		(1,968)
6,042	<b>(Surplus ) or deficit for the year on the HRA Income and Expenditure Statement</b>	5,519	
(5,724)	<b>Adjustments between accounting basis and funding basis and funding basis under statute</b>	(4,859)	
318	<b>Net (increase) or decrease before transfers to or from reserves</b>	660	
-	<b>Transfers to or (from) reserves</b>	-	
318	<b>(Increase) or decrease in year on the HRA</b>		660
<b>(1,968)</b>	<b>Balance on the HRA at the end of the current year</b>		<b>(1,308)</b>

<b>1 Note of reconciling items for the Movement on the HRA Statement</b>		
Restated 2010/11 £'000		2011/12 £'000
	<b>Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Statement</b>	
(4)	Amortisation of premiums and discounts	(4)
8,708	Impairment losses and depreciation	6,277
(2,980)	Transfer to major repairs reserve	(3,120)
	- Settlement payment determination	2,143
	- Revenue expenditure charged to capital under statute	-
	- Pension contributions	(437)
<b>5,724</b>		<b>4,859</b>
	<b>Items not included in the HRA Income and Expenditure Account but included in the Movement on the HRA Statement</b>	
	-	-
<b>5,724</b>	<b>Net adjustments between accounting basis and funding basis under regulations</b>	<b>4,859</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 39) and balance sheet (page 41).

## **3 Repairs and Maintenance**

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

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

## **4 Management and Supervision**

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

With effect from 12 December 2005 these services have been provided by Gloucester City Homes Ltd (GCH), a wholly owned arm's length management company of the Council (see note 49 on page 81).

## **5 Housing Revenue Account Subsidy**

Payable or receivable from Central Government, HRA subsidy comprises two elements:

- \* A subsidy towards the cost of repurchasing pre-reinforced concrete houses
  - \* An adjustment to take account of any net deficit or surplus on the account which the Government calculates as achievable.
- The account was deemed to make a surplus of £2.114 million in 2011/12 (£1.557 million in 2010/11), therefore, this amount is deducted from the other element as a "negative subsidy".

If the overall subsidy due is negative, then this amount is payable to the Government.

**The figures shown are made up as follows:-**

	2010/11 £'000	2011/12 £'000
"Negative subsidy" for year	(1,557)	(2,114)
<b>Net subsidy payable for the year</b>	<b>(1,557)</b>	<b>(2,114)</b>

The negative subsidy for 2011/12 includes a £3.120 million Major Repairs Allowance received from the Government to cover the depreciation (or 'wearing out') of the housing stock.

**6 Depreciation and Impairment of fixed assets**

The depreciation charged to dwellings in 2011/12 is equal to the Major Repairs Allowance, which represents a measure of the 'wearing out' of the HRA's operational assets during the year. The depreciation is credited to the Major Repairs Reserve (see note 10 below), which is used to finance HRA capital expenditure.

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

2010/11 £'000	Type of Tangible fixed asset	2011/12 £'000
2,967	Dwellings	3,121
6	Other Land & Buildings	-
8	Vehicles, plant and equipment	-
<b>2,981</b>	<b>Total Depreciation</b>	<b>3,121</b>

A total of £3.240m (2010/11 £5.661 million) was charged to the Comprehensive Income and Expenditure Statement as impairment of non current assets, representing the estimated amount of capital expenditure incurred on the stock during the year, which did not result in an increase in its value. To comply with statute, this charge has been reversed out in the Movement in Reserves Statement.

**7 Bad or Doubtful Debts**

The increased provision comprises a contribution in the year to the bad debts provision for rent arrears.

The bad debts provision for rent arrears was £0.247 million at 31 March 2012 (£0.200 million at 31 March 2011). The amount of rent arrears in respect of current and former tenants at 31 March 2012 was £0.536 million (£0.458 million at 31 March 2011). This is equivalent to approximately 0.89% of the total due from tenants in 2011/12 (0.85% in 2010/11).

**8 Dwelling Rents**

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

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

Both these charges are calculated in accordance with statutory determinations.

**10 Major Repairs Reserve (MRR)**

The authority has a duty to keep a Major Repairs Reserve. In 2011/12 a sum of £3.120 million (representing the depreciation on HRA assets) was credited to this account. Subsequently £3.612 million was used to finance capital expenditure.

The balance on this account was £0.492 million at the beginning of the financial year and £Nil at the end of the year.

**12 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
Unallocated balance	1,968	(660)	-	1,308
<b>Total 2011/12</b>	<b>1,968</b>	<b>(660)</b>	<b>-</b>	<b>1,308</b>
Total 2010/11	2,286	(318)	-	3,257

**13 Capital Expenditure**

Total capital expenditure on HRA assets during the year was £3.980 million, £3.686 million of which was spent on improvements and modernisations to dwellings, and £0.294 million on property acquisitions.

Capital expenditure requiring financing was £3.980 million, which was financed by £0.368 million borrowing (for which the costs are met by government subsidy), and £3.612 million from the Major Repairs Reserve.

**14 Non Current Assets**

Government regulations requires a full stock valuation on council dwellings to be carried out every 5 years. This exercise was undertaken in this financial year, as at 31 March 2012.

**15 Council Housing Stock and Value**

<b>Analysis by Type</b>	<b>Number of dwellings</b>	
	<b>31/03/2012</b>	<b>31/03/2011</b>
Houses	2,331	2,330
Flats	2,172	2,178
Shared ownership (whole equivalents)	24	26
<b>Total Stock</b>	<b>4,527</b>	<b>4,534</b>
<b>Age Analysis</b>		
Pre 1919	50	49
1919 - 1944	693	695
1945 - 1964	2,243	2,272
1964 onwards	1,541	1,518
<b>Total Stock</b>	<b>4,527</b>	<b>4,534</b>

The dwellings were valued at 31 March 2012 at £206.483 million (£209.045 million at 31 March 2011) - see note 11 to the balance sheet, page 50.

Other operational assets, comprising garages, were valued at £0.508 million at 31 March 2012 (£0.600 million at 31 March 2011).

The value of non-operational property, comprising mainly estate shops, was £1.355 million at 31 March 2012 (£1.600 million at 31 March 2011).

**16 Value of HRA Vacant Possession Dwellings**

In accordance with government guidelines council house valuations have been reduced by a regional adjustment factor in recognition of their status as social housing. The estimated value of the stock, after applying the discount factor, was £206.483 million at 31 March 2012. With vacant possession the dwellings would have had an estimated value of £469.314 million, thereby recognising an economic cost of providing council housing at less than open market rents of £262.831 million.

The social housing adjustment factor used is 44% from 1 April 2005.

**17 HRA Capital Receipts**

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

The figures shown are net of administration costs.

2010/11 £000's	HRA Capital Receipts Receivable	2011/12 £000's
364	Dwellings	281
<b>364</b>	<b>Total</b>	<b>281</b>

**18 Pensions**

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

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT					
For the year ended 31 March 2012					
2010/2011			2011/12		
£'000		Note	£'000	£'000	£'000
	<b>Expenditure</b>				
56,534	Precepts & Demands	3		57,763	
	Write Offs				
300	- Council Tax			209	
-	- NNDR			101	
	Business Rates	2			
44,265	- payment to national pool		46,811		
179	- cost of collection		198	47,009	
	Change in Allowance for impairment				
-	- NNDR		480		
(69)	- Council Tax		96	576	
326	Distribution of previous years' estimated Collection Fund surplus			50	
<b>101,535</b>					<b>105,708</b>
	<b>Income</b>				
48,664	Council Tax	1		49,027	
	Transfers from General Fund				
8,554	- Council tax benefits			8,581	
44,444	Collectable from Business Ratepayers	2		47,590	
101,662					105,198
<b>127</b>	<b>Increase/(decrease) in Fund</b>				<b>(510)</b>
435	Balance of Fund at beginning of year				562
127	Increase/(decrease) in year	4			(510)
<b>562</b>	<b>Balance of Fund at 31 March</b>	<b>4</b>			<b>52</b>

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	77	5/9	43
Disabled A	13,239	6/9	8,826
B	13,115	7/9	10,201
C	11,417	8/9	10,148
D	5,039	9/9	5,039
E	3,201	11/9	3,912
F	766	13/9	1,106
G	150	15/9	250
H	3	18/9	6
<b>Total</b>	<b>47,007</b>		<b>39,532</b>
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)			(494)
Add contributions in lieu of government properties			104
<b>Council Tax Base for 2011/12</b>			<b>39,142</b>
<b>Council Tax Base for 2010/11</b>			<b>38,308</b>

The Council Tax Base for 2011/12 multiplied by the Average Band D Council Tax Charge gives the Total of Precepts and Demands for the Year:

Tax Base	39,141.56
	X
Average Band D Charge	1,475.76
Precepts and Demands	57,763,542.03



**2 Income from Business Ratepayers**

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

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

The total non-domestic rateable value at 31 March 2012 was £124.78 million (£123.22 million at 31 March 2011) and the national non-domestic multiplier for 2011/12 was 43.3p (2010/11 41.4p), resulting in gross income before transitional, small property, empty property and mandatory relief, write offs, provision for bad debts and interest of approximately £54.02 million. The income shown in the collection fund of £47.59 million is net of these adjustments.

**3 Precepts and Demands**

	2010/11 £'000	2011/12 £'000
Gloucestershire County Council	41,774	42,684
Gloucestershire Police Authority	7,649	7,816
Gloucester City Council	7,111	7,263
<b>Total</b>	<b>56,534</b>	<b>57,763</b>

**4 Fund Balance**

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

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

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

The deficit for 2011/12 is £0.510 million (2010/11 surplus £0.127 million). This is apportioned as follows:

	2010/11 £'000	2011/12 £'000
Gloucestershire County Council	94	(377)
Gloucestershire Police Authority	17	(69)
Gloucester City Council	16	(64)
<b>Total</b>	<b>127</b>	<b>(510)</b>

# **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.

## **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.

## **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.

# AUDIT REPORT

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## AUDIT AND GOVERNANCE COMMITTEE

**MEETING** : Monday, 26th November 2012

**PRESENT** : Cllrs. Wilson (Chair), Hobbs (Vice-Chair), McLellan, Noakes, Porter and Wood

**Others in Attendance**

Councillor Llewellyn, Cabinet Member for Performance and Resources

Ian Pennington, KPMG LLP

Peter Gillett, Corporate Director of Resources

Terry Rodway, Group Manager Audit and Assurance

Kevin Buckerfield, Interim Finance Change Manager

Parvati Diyar, Democratic Services

**APOLOGIES** : Cllr. Gilson  
Sue Mullins, Monitoring Officer and Group Manager Legal and Democratic Services

### 28. DECLARATIONS OF INTEREST

Councillor McLellan declared a personal and non-prejudicial interest as a Member of Gloucestershire County Council.

Councillor Porter declared a personal interest as a Trustee of Aspire.

### 29. MINUTES OF THE PREVIOUS MEETING AND ACTION SHEET

The minutes of the meeting held on 24<sup>th</sup> September 2012 were approved and signed by the Chair as a correct record.

Matters arising from action sheet

Minute 17 – Combined Heat and Power installation at GL1 (Gloucester Leisure Centre). The Asset Manager was working with Aspire to ensure better configuration.

Minute 17 – Purchase of a software with a modern stock control facility at The Guildhall. Staff at The Guildhall had put forward suggestions to Business Transformation & Technology (BT&T). The Flex System within Leisure and Cultural Services was in need of an upgrade particularly around bar stocks and this had

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been approved by the Gloucester Leadership Team (GLT) and was on the 6 month work programme. A business case was being prepared by the Guildhall Managers.

Councillor Porter enquired whether a request had been made to upgrade the system to play digital films. The Corporate Director of Resources advised this would require a separate business case.

Minute 20 – Risk Management. The Group Manager, Audit and Assurance apologised that he had not emailed Members on the current progress relating to the four outstanding services. Financial Services had been received. Risk registers for Asset Management and Catering were almost complete. The delay had been due to the appointment of new managers.

It was agreed this item should remain on the agenda for an update to be provided at the next Audit and Governance Committee.

Minute 20 – Risk Register. The Group Manager, Audit and Assurance would provide an update at the next meeting.

Minute 21 – Fixed Asset Register. The Interim Finance Change Officer advised that he was currently preparing the capital expenditure budget. Although the Cedar system was an option, the Real Asset Management system provided an option to re-value. A case would be put together to consider which option would be taken forward.

Minute 21 – Internal Meetings. Councillor Llewellyn advised that internal meetings to monitor the audit were in place.

Minute 22 – Internal Complaints. The Corporate Director of Resources had raised this with the Monitoring Officer. It was agreed that an annual report be presented to the Audit and Governance Committee at the end of the municipal year.

Councillor Noakes suggested that the action sheet be amended to show revised deadline dates. It was agreed that this be undertaken.

**30. PUBLIC QUESTION TIME (15 MINUTES)**

There were no questions from members of the public.

**31. PETITIONS AND DEPUTATIONS (15 MINUTES)**

There were no petitions or deputations.

**32. KPMG AUDIT OF ACCOUNTS 2011/12 - UPDATE**

Mr. Pennington updated Members on the current situation regarding the audit of accounts.

He explained that a significant amount of work had been undertaken by the Finance Team and KPMG to finalise the audit of accounts for this meeting. Due to several issues that were still outstanding it had not been possible to present this to the

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Audit and Governance Committee, although the work was approximately 95% complete. Mr. Pennington advised that there were some outstanding issues relating to NNDR income and collection accounts which would require support be given to the debtors and creditors team to resolve, with further audit testing required.

The Corporate Director of Resources had previously spoken to the Chair of the Audit and Governance Committee and they had agreed not to present papers to this meeting but to enable an update to be made by KPMG and to arrange a special meeting in 2013 to consider the audit of accounts when all of the work is complete. The Corporate Director of Resources reminded committee members that, similar to KPMG, he also needed to be assured that the draft accounts represented the most accurate position before he would sign them off. He stated that the current position presented an opportunity to ensure that any historic issues or queries should be identified and corrected whilst the 2011/12 accounts were still 'open' and to ensure the most appropriate and understood base position is agreed for the Council going forward. Whilst time consuming, this was essential to enable future year-end processes and audit arrangements to be more effective than before.

Councillor Wood said he was grateful for the work undertaken by KPMG and also believed that the measures being put in place as described by the Corporate Director of Resources would result in the Council being in a stronger position for the future.

Councillor Porter expressed his disappointment that promises had been made by the Group Manager, Financial Services at previous meetings to ensure improvements were in place but that this had clearly not happened.

The Group Manager, Audit and Assurance stated that he previously reported to the Audit and Governance Committee on internal audit work undertaken within Financial Services, the areas that had resulted in a limited level of assurance being given, and the recommendations that had been made. He had also reported to Members on agreed recommendations that had not been implemented by the agreed date.

Councillor Porter questioned why we were still in this position if the audit processes had picked up these issues. The Group Manager, Audit and Assurance reminded Members that the Committee had previously taken the appropriate action to question the Group Manager, Financial Services on these issues.

Councillor Llewellyn commented that the Cabinet had been presented with regular financial monitoring reports throughout the whole 2011/12 financial year and had received confirmation through regular meetings with the Group Manager, Financial Services that audit processes were in place. She had no reason to believe this was not the case.

The Corporate Director of Resources reported on the staffing issues and actions that had been undertaken to resolve them. He also updated Members on the recruitment process for the vacant Group Manager post.

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The Corporate Director of Resources added that the Council had acted promptly, as acknowledged by KPMG, to address the issues which had arisen and the Interim Finance Change Manager had acted on these and had already introduced new arrangements for monthly and annual processes for closure of accounting periods on monitoring. This included ensuring previous internal audit recommendations were fully implemented wherever possible.

The Interim Finance Change Manager said he had been requested to help the Council to move forward and invited Councillor Porter and any other Members of the Committee to visit the office to look at the arrangements that are being put in place.

The Corporate Director of Resources reported on the progress made following the work undertaken by the Interim Finance Change Manager and the Finance Team working under clear guidelines. Improvements had been made and the roles within the team had changed to ensure consistency and continuity.

Councillor Hobbs said that although things were progressing, it was unacceptable to be in this position and suggested that an informal briefing be arranged with the Chair, Vice Chair and Councillor Wood together with the Corporate Director of Resources to review any outstanding items before the next Audit and Governance Committee.

It was agreed that this would be a positive move forward and that a private closed session with KPMG would also be beneficial in future.

Councillor McLellan suggested Members seek clarification once all the arrangements were concluded, to see how much this was costing the Council. The Corporate Director of Resources and Mr. Pennington both confirmed that it is usual practice for the Committee to be informed of Audit Fees, when finalised.

It was agreed that the Corporate Director of Resources provide updates to the Chair of the Committee on progress. Following the special meeting in the new year, the Interim Finance Change Manager and the Corporate Director of Resources would also provide monthly updates by email to the Audit and Governance Committee on the improvements being put in place.

Members thanked KPMG, the Director of Resources, the Interim Finance Change Manager and the Finance Team for the work and appropriate actions undertaken to ensure the audit processes were in place.

**RESOLVED** that an informal briefing with the relevant parties be arranged to consider the outstanding items and a special meeting of the Audit and Governance Committee be arranged when the accounts and audit work is complete.

**33. REVISED INTERNAL AUDIT PLAN 2012/13**

The Group Manager, Audit and Assurance presented the report which provided Members with reasons for, and the details of, the revised Internal Audit Plan 2012/13.

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Members were aware from the previous Internal Audit Plan Monitoring report that there had been a problem with the completion of the Audit Plan due to staff sickness. This was currently still an issue, albeit now with a different member of staff. In addition, Members were aware from the KPMG report presented at the previous meeting that there had been issues identified within Financial Services.

As a result of the issues identified, a revised Internal Audit Plan 2012/13 had been produced for review and approval by Members. The plan had been produced using a risk based approach.

Regular reports on achievement against the Revised Internal Audit Plan, and any significant control issues identified, would be presented to the Audit and Governance Committee.

It was noted that approval had been given by the Corporate Director of Resources, in his capacity as Section 151 Officer to appoint agency staff to assist with the completion of the Revised Plan.

In response to a question from Councillor McLellan, the Group Manager, Audit and Assurance advised that he was investigating a number of issues relating to disciplinary matters and anonymous letters received by the Council. As a result of this he had not included himself in the calculation of available resources to complete the Plan, hence the need to appoint external resources to carry out the audit work.

The Group Manager, Audit and Assurance advised that there was a potential suitable candidate who would be able to start straight away but he would need to speak to the Interim Finance Change Manager and discuss the best time to commence the audits within Financial Services before an appointment is made.

**RESOLVED** that the Revised Internal Audit Plan 2012/13 be approved.

**34. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) - REVIEW OF PROCEDURAL GUIDE**

The Corporate Director of Resources presented a report requesting Members to review and update the procedural guidance on the Regulation of Investigatory Powers Act 2000 (RIPA) in light of the Council's recent Office of Surveillance Commissioners' inspection report and legislative changes to the RIPA process.

It was noted that authority had been delegated by Cabinet to the Group Manager, Legal and Democratic Services in consultation with the relevant Corporate Director to authorise non-Legal Services staff to appear in the Magistrates' Court in connection with applications for judicial approval of RIPA authorisations.

The revisions set out in the draft Procedural Guide and the delegated powers requested were required either to implement the recommendations made by the Office of Surveillance Commissioners' inspection report or to take into account legislative changes effective from 1<sup>st</sup> November 2012.

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The revised procedures would help ensure that the Council used its RIPA powers responsibly and within the legislation and guidance.

The Chair suggested that an annual update of RIPA and the external inspection report was presented to the Audit and Governance Committee each year.

**RESOLVED** that the report and the proposed changes to the Council's RIPA Procedural Guide be noted.

**35. GOVERNANCE ARRANGEMENTS FOR BUSINESS RATES POOLING**

The Corporate Director of Resources presented a report which outlined the final governance arrangements for the operation of the proposed county-wide business rates pool which had been submitted to Central Government for approval.

Members were aware that at the Council meeting on 27<sup>th</sup> September 2012 approval had been given in principle to be part of a Gloucestershire Business Rates Pool, subject to a thorough assessment of risks/rewards and agreement on satisfactory governance arrangements. Delegated authority had been given by Cabinet to the Chief Executive and the Director of Resources, in consultation with the Leader and Deputy Leader to finalise those arrangements.

The Corporate Director of Resources advised that since the meeting, the proposed governance arrangements had been finalised and agreed by each of the six District Councils and the County Council. This sign-off had been made by each Council's Chief Executive and Section 151 Officer. The proposed arrangements had also been endorsed by Leadership Gloucestershire, a forum comprising the Leaders of each of the Councils within Gloucestershire.

In response to a question from Councillor McLellan, the Corporate Director of Resources advised that the Police Authority was not part of the pooling arrangement.

Councillor Hobbs enquired about the annual report. The Corporate Director of Resources said he would build this information into his annual report which would be presented to the Audit and Governance Committee.

**RESOLVED** that the proposed governance arrangements be noted.

**36. EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED** that the press and public be excluded from the meeting during the following items of business on the grounds that it is likely, in view of the nature of business to be transacted or the nature of the proceedings, that if members of the press and public are present during consideration of these items there will be disclosure to them of exempt information as defined in paragraph 3 of Section 1001 of the Local Government Act 1972 as amended.

<b>Minute</b>	<b>Description of Exempt Information</b>
37	) Information relating to the financial or business affairs of

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Any particular person (including the authority holding that information).

**37. MINUTES OF THE PREVIOUS MEETING - EXEMPT ITEMS**

The minutes of the meeting held on 24<sup>th</sup> September 2012 were approved and signed by the Chair as a correct record.

**38. DATE OF NEXT MEETING**

Monday, 18<sup>th</sup> March 2013 at 6.30pm

**Time of commencement: 18:30 hours**

**Time of conclusion: 19:50 hours**

**Chair**

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