Audit and Governance Committee

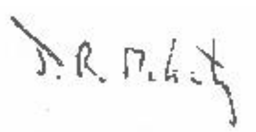
Meeting: Monday, 21st September 2015 at 6.30 pm in Civic Suite, North Warehouse, The Docks, Gloucester, GL1 2EP

Membership:	Cllrs. Llewellyn, Gravells, McLellan, Hobbs, Taylor, Patel and Hampson
Contact:	Lucy Hamilton Democratic and Electoral Services Officer 01452 396192 lucy.hamilton@gloucester.gov.uk

AGENDA

1.	**APOLOGIES** To receive any apologies for absence.
2.	**DECLARATIONS OF INTEREST** 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.
3.	**MINUTES** (Pages 5 - 12) To approve as a correct record the minutes of the meeting held on 1 July 2015.
4.	**PUBLIC QUESTION TIME (15 MINUTES)** To receive any questions from members of the public provided that a question does not relate to: • Matters which are the subject of current or pending legal proceedings, or • Matters relating to employees or former employees of the Council or comments in respect of individual Council Officers
5.	**PETITIONS AND DEPUTATIONS (15 MINUTES)** To receive any petitions and deputations provided that no such petition or deputation is in relation to: • Matters relating to individual Council Officers, or • Matters relating to current or pending legal proceedings
6.	**AUDIT AND GOVERNANCE COMMITTEE ACTION PLAN** (Pages 13 - 16) To consider the Action Plan.

7.	**BENEFIT AUDIT FOLLOW UP ON ACCURACY RATE** (Pages 17 - 24) To receive the report of the Cabinet Member for Performance and Resources.
8.	**STATEMENT OF ACCOUNTS 2014/15** (Pages 25 - 114) To receive the report of the Head of Finance.
9.	**ISA 260 REPORT TO THOSE CHARGED WITH GOVERNANCE** (Pages 115 - 134) To consider the report of KPMG.
10.	**INTERNAL AUDIT PLAN 2015/16- MONITORING REPORT** (Pages 135 - 148) To consider the report of the Audit, Risk and Assurance Manager.
11.	**TREASURY MANAGEMENT PERFORMANCE 2015/16- QUARTER 1** (Pages 149 - 162) To receive the report of the Head of Finance.
12.	**AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME** (Pages 163 - 166) To consider the Work Programme.
13.	**DATE OF NEXT MEETING** Monday, 23 November 2015 at 6:30pm.



Jon McGinty
Managing Director

Date of Publication: Friday, 11 September 2015

NOTES

Disclosable Pecuniary Interests

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

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

Interest	Prescribed description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the Council) made or provided within the previous 12 months (up to and including the date of notification of the interest) in respect of any expenses incurred by you carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between you, your spouse or civil partner or person with whom you are living as a spouse or civil partner (or a body in which you or they have a beneficial interest) and the Council (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged
Land	Any beneficial interest in land which is within the Council's area. For this purpose "land" includes an easement, servitude, interest or right in or over land which does not carry with it a right for you, your spouse, civil partner or person with whom you are living as a spouse or civil partner (alone or jointly with another) to occupy the land or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the Council's area for a month or longer.
Corporate tenancies	Any tenancy where (to your knowledge) – (a) the landlord is the Council; and (b) the tenant is a body in which you, your spouse or civil partner or a person you are living with as a spouse or civil partner has a beneficial interest
Securities	Any beneficial interest in securities of a body where – (a) that body (to your knowledge) has a place of business or land in the Council's area and (b) either – i. The total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or ii. If the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, your spouse or civil partner or person with

whom you are living as a spouse or civil partner has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

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

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

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For further details and enquiries about this meeting please contact Lucy Hamilton, 01452 396192, lucy.hamilton@gloucester.gov.uk.

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

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- 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.

AUDIT AND GOVERNANCE COMMITTEE

MEETING : Wednesday, 1st July 2015

PRESENT : Cllrs. Llewellyn (Chair), McLellan, Taylor, Patel and Hampson

Others in Attendance
Terry Rodway, Audit, Risk and Assurance Manager
Jon Topping, Head of Finance
Sadie Neal, Head of Business Improvement
Mark Foyn, Asset Manager
Sarah Tilling, Senior Client Officer

APOLOGIES : Cllrs. Gravells and Hobbs

1. APPOINTMENT OF CHAIR AND VICE-CHAIR

The appointments of Councillor Llewellyn as Chair and Councillor Gravells as Vice Chair were noted.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES

The minutes of the meeting held on 16 March 2015 were approved and signed by the Chair as a correct record.

4. PUBLIC QUESTION TIME (15 MINUTES)

There were no questions from members of the public.

5. PETITIONS AND DEPUTATIONS (15 MINUTES)

There were no petitions or deputations.

6. AUDIT AND GOVERNANCE COMMITTEE ACTION PLAN

The Committee considered the action plan.

Members of the Committee asked for an update on Minute No. 17 Purchase of software with a modern stock control facility at The Guildhall.

The Head of Finance advised the Committee that the Finance Department and other services were being consulted on the new system at The Guildhall.

Members of the Committee questioned whether the item should still be rated green on the action plan.

The Chair suggested that the rating for the item should be raised to Amber and that a new target date should be included on the action plan.

RESOLVED that the action plan be updated with the suggested amendments.

7. POSITION STATEMENT ON STATEMENT OF ACCOUNTS

The Head of Finance informed the Committee that the Statement of Accounts had been signed on 30th June. He advised the Committee that the Council's auditors would be onsite for 2-4 weeks from the 20th July.

It was noted that following their visit, the Council's auditors would issue an ISA 260 report which would be presented to the Committee at the meeting in September.

RESOLVED that the update be noted.

8. COMBINED HEAT AND POWER INSTALLATION AT GL1

The Committee considered an update from the Asset Manager on the combined heat and power installation at GL1.

The Asset Manager advised the Committee that the installation had made savings of £445,000 many times more than the initial installation cost of £175,000. He informed the Committee that GL1 now buys 57% less electricity from the grid per annum than before the CHP was fitted. The Committee also noted that the installation was saving 750 tonnes of carbon per annum.

The Asset Manager advised the Committee that the system at GL1 had now been optimised and since last April the gas used to generate the electricity and heat had dropped from 37% to 16% higher than the baseline year while the electricity generated had remained constant.

In response to a question from Councillor McLellan, the Asset Manager advised the Committee that the savings quoted had been adjusted to reflect the unit cost of the utilities for each year in question.

RESOLVED that the update be noted and that the item be removed from the action plan.

9. IT PERFORMANCE REPORT

The Head of Finance advised the Committee that a Council IT- Lessons Learned report would be presented at a future meeting.

The Head of Business Improvement advised the Committee that the Council had invested in new systems to reduce the risk of disruption to the Council's IT. She informed the Committee that they had replaced the call switches and were planning to move from Windows XP to Windows 7.

The Committee noted that an action plan had been received following an IT health check.

Councillor Patel queried the cost of investing in new systems. He was advised by the Head of Finance that £200,000 per annum had been allocated for investment in new systems.

Councillor Hampson queried whether any changes had been made to the Council's battery pack system. He was advised by the Head of Business Improvement that the batteries had been replaced and that the main servers should not switch off during a power cut.

RESOLVED that the update be noted.

10. INTERNAL AUDIT PLAN MONITORING REPORT- BENEFITS UPDATE

The Committee received an update from the Senior Client Officer on the benefits error rate.

The Senior Client Officer advised the Committee that the Civica team were working to mitigate the number of benefits errors. She informed the Committee that they had now put in place a joint client service with the Forest of Dean District Council which has increased the number of Quality Assurance Officers to two.

The Senior Client Officer advised the Committee that the error rate for May had been 11.72%. This was compared to an error rate of 9% at the Forest of Dean District Council and an error rate of around 10% at other Councils.

The Chair questioned whether a follow up audit of Benefits would be completed. The Audit, Risk and Assurance Manager stated that he would advise her when this was due to be completed.

Councillor McLellan expressed concern that the error rate was still high and questioned what percentage rate of errors would be considered reasonable.

The Senior Client Officer agreed that the error rate could be improved and advised the Committee that the right processes were now in place to move forward.

Councillor McLellan stated that it would be useful to see the error rate for previous years. The Audit, Risk and Assurance Manager advised the Committee that he would look at the error rate for previous years and provide the information to Members.

Councillor Hampson questioned the costs involved in resolving the errors. He was advised by the Head of Finance that there was a threshold for the error rate and that they were within expected tolerance.

Members of the Committee requested a further update on the error rate at the next Committee meeting.

RESOLVED that the update be noted and that a further update be added to the work programme for the September meeting.

11. PEER REVIEW ACTION PLAN QUARTERLY UPDATE

The Committee received the report of the Head of Business Improvement updating Members on the Peer Review.

The Head of Business Improvement reminded the Committee of the Peer Challenge that took place in December 2013. The Committee noted that following the Peer Review an action plan had been produced detailing areas for improvement. The Head of Business Improvement advised the Committee that officers had been working with various colleagues since December 2013 to address the issues raised in the action plan.

The Committee noted that the Peer Review team would be returning later in the year.

Councillor McLellan advised the Committee that some members of his party had not been consulted on the Peer Review. He also questioned whether some of the points included in the action plan should be marked as completed if there was still ongoing action.

The Head of Business Improvement agreed to change the RAG status of the points within the action plan that contained ongoing action.

RESOLVED that, subject to the suggested amendments, the report and action plan be noted.

12. ANNUAL COMPLAINTS MONITORING REPORT

The Committee considered the report of the Monitoring Officer detailing complaints and compliments received by the Council between April 2014 and March 2015.

The Audit, Risk and Assurance Manager summarised the report and referred to the analysis of complaints received, as detailed in Appendix 2 of the report.

The Committee noted that the report contained details of actions on complaints that had led to a change in Council policy as requested by the Committee in the action plan.

The Audit, Risk and Assurance Manager advised the Committee that the Council's Complaints Policy would be reviewed during the following year instead of during the current year as suggested in the report.

Councillor McLellan questioned whether the explanations given for the increase in complaints relating to Amey were accurate. He advised the Committee that the Christmas collection schedule had not changed during the previous year but the year prior to that.

Members of the Committee requested further analysis of the Amey complaints and clarification as to the cause of the increase in complaints.

The Audit, Risk and Assurance Manager agreed to contact Members of the Committee to provide them with further details of the complaints relating to Amey.

RESOLVED that the report be noted.

13. LOCAL GOVERNMENT OMBUDSMAN DECISIONS

The Committee considered the report of the Monitoring Officer detailing two recent Ombudsman investigations.

The Audit, Risk and Assurance Manager summarised the report and invited Members to provide comments.

Councillor McLellan referred to one of the Ombudsman's investigations and expressed concern that there were still issues with the systems used by the City and County Council in assessing and arranging grant- aided works. He advised the Committee that the report substantiated similar concerns that had been raised in the past.

The Audit, Risk and Assurance Manager agreed to update Members on whether any lessons had been learnt following the investigation.

The Chair referred to the report and noted that the Council would be required to notify the Ombudsman of any action taken within three months of the publication of the report. The Chair questioned the Council's current position regarding this requirement.

The Audit, Risk and Assurance Manager advised the Committee that he would provide them with details of the Council's response to the Ombudsman.

RESOLVED that the report be noted.

14. AUDIT, RISK & ASSURANCE MANAGER'S ANNUAL REPORT 2014/15

The Committee received the report of the Audit, Risk and Assurance Manager detailing the Internal Audit work, compliance with Financial Regulations, Contract Standing Orders, and general probity issues for the financial year ending 31st March 2015.

The Audit, Risk and Assurance Manager advised the Committee that his overall opinion was that a satisfactory level of assurance could be given that there is a generally sound system of internal control.

The Audit, Risk and Assurance Manager advised the Committee that he had not received any completed survey forms which had been issued to auditees following the completion of an audit. He informed the Committee that he would be raising the issue with SMT and also would be looking to produce an electronic version of the questionnaire which would be more convenient to complete and would hopefully increase the response rate.

RESOLVED that Members endorse the assurance from the Audit, Risk and Assurance Manager that a satisfactory level of assurance can be given that there is a generally sound system of internal control, designed to meet the Council's objectives, and that controls are generally being applied consistently.

15. INTERNAL AUDIT PLAN 2014/15 - FINAL MONITORING REPORT

The Committee considered the report of the Audit, Risk and Assurance Manager detailing the remaining audits completed as part of the revised 2014/15 Internal Audit Plan.

The Audit, Risk and Assurance Manager summarised the report and advised the Members of the Committee that the details of the audits completed, together with the resultant audit opinion on the level of assurance, were detailed in Appendix A to the report.

Councillor Taylor asked for further details on the Rank 1 recommendation detailed in the audit of Payroll. He was advised by the Audit, Risk and Assurance Manager that this related to ensuring relevant new starter documentation had been obtained and retained for reference.

In response to a question from Councillor Taylor, the Audit, Risk and Assurance Manager advised Members of the Committee that future reports to Committee would include the management agreed dates for the implementation of audit recommendations.

RESOLVED that Members endorse the audit work undertaken to date, and the assurance given on the adequacy of internal controls operating in the systems audited.

16. REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT (2014-15)

The Committee considered the report of the Head of Finance detailing the outcomes of the review of the effectiveness of Internal Audit.

The Head of Finance highlighted the key points within the report and invited comments from the Members of the Committee.

Councillor McLellan requested an update on the staffing levels within the Audit team. The Audit, Risk and Assurance Manager advised the Committee that previous attempts to recruit to vacant positions had been unsuccessful as there had been no suitable candidates. He also informed the Committee that there was one full time vacant position in Gloucester and a part time position vacant in Stroud.

Councillor McLellan questioned whether the 90% completion target related to the revised or original audit plan. He was advised by the Audit, Risk and Assurance Manager that this target related to the revised audit plan.

Councillor Hampson queried the Person Specification for the vacant positions.

RESOLVED that the review process be approved and the outcome of the review of the effectiveness of Internal Audit be noted.

17. ANNUAL GOVERNANCE STATEMENT 2014/15

The Committee considered the report of the Head of Finance detailing the Annual Governance Statement.

The Head of Finance highlighted the key points within the report and the attached Annual Governance Statement.

RESOLVED that the Annual Governance Statement for 2014-15 be approved.

18. TREASURY MANAGEMENT QUARTER 4 REPORT 2014/15

The Committee considered the report of the Head of Finance detailing treasury management activities for Quarter 4: 1 December 2014 to 31 March 2015.

The Head of Finance advised the Committee that during the quarter no long term borrowing or debt rescheduling had been undertaken.

Members of the Committee noted that during the quarter the Council moved from an under- borrowing position to an over- borrowing position.

RESOLVED that the report be noted.

19. AUDIT & GOVERNANCE COMMITTEE ANNUAL REPORT 2014/15

The Committee considered the Audit & Governance Committee's Annual Report 2014/15 from the Audit, Risk and Assurance Manager.

RESOLVED that the report be noted and recommended to Council for approval.

20. KPMG UPDATE

The Committee considered a written update from the Council's external auditors, KPMG.

RESOLVED that the update be noted.

21. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

The Committee considered the work programme.

The Committee noted that a further update on the benefits error rate would be added to work programme for the meeting in September.

The Committee requested the Council IT- Lessons Learned report be added to the work programme for the meeting in November.

The Chair requested additional Committee meeting dates be added to the work programme.

RESOLVED that, subject to the agreed amendments, the work programme be noted.

22. DATE OF NEXT MEETING

Monday, 21 September 2015 at 6:30pm

Time of commencement: 18:30 hours
Time of conclusion: 20:20 hours

Chair

AUDIT AND GOVERNANCE COMMITTEE – 21 September 2015

ACTION PLAN

MINUTE NO.	MATTER	CURRENT STATUS	RAG	TARGET DATE	OWNER
<u>Actions arising from meeting held on 24 September 2012:</u>					
17	Purchase of software with a modern stock control facility at The Guildhall.	The stock control facility is part of a broader system requirement for the Guildhall operations. A new Manager has now been appointed at the Guildhall, who will review existing processes and systems and develop a business case for a new system as required. This will include stock control functionality. **NB** A review of the Guildhall operations, including IT requirements, is currently being undertaken by Consultants and a cross party working group of Members. A decision on whether to purchase new software has been put on hold pending the results of the consultants' review, the findings from which are due to be reported in early 2015..	**A**	~~31.03.14~~ ~~30.11.14 (revised date)~~ ~~June 2015 (revised date)~~ Implementation date March 2016	~~SG~~ ~~MS~~ ~~MS~~ MS

MINUTE NO.	MATTER	CURRENT STATUS	RAG	TARGET DATE	OWNER
Actions arising from meeting held on 8 September 2014:					
27	Annual Complaints Monitoring	It was agreed that future reports would reflect where action on a complaint had led to a change in a Council policy or procedure.	Action Complete	30.06.15	SM / WJ

MINUTE NO.	MATTER	CURRENT STATUS	RAG	TARGET DATE	OWNER
<u>Actions arising from meeting held on 19 January 2015:</u>					
60	Combined Heat & Power installation at GL1	It was agreed that a further update be added to the Work Programme for the July Committee meeting.	Action Complete	01.07.15	Asset Manager
<u>Actions arising from the meeting held on 16 March 2015:</u>					
74	Internal Audit Plan Monitoring Report- Benefits Update	It was agreed that a report be added to the Work Programme for the July Committee meeting to update Members on the benefits error rate.	Action Complete	01.07.15	Business Improvement Manager

MINUTE NO.	MATTER	CURRENT STATUS	RAG	TARGET DATE	OWNER
<u>Actions arising from meeting held on 1 July 2015:</u>					
10	Internal Audit Plan Monitoring Report- Benefits Update	It was agreed that a further update be added to the Work Programme for the September Committee meeting to update Members on the benefits error rate.	**G**	21.09.15	Head of Business Improvement

<u>PLEASE NOTE:</u> Rolling agenda items requested by the Committee have not been included above but have been included on the Audit and Governance Work Programme.

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Gloucester City Council

Meeting:	**Audit & Governance**	**Date:**	**21 September 2015**
Subject:	**Benefit Audit Follow up on Accuracy Rate**		
Report Of:	**Cabinet Member for Performance and Resources**		
Wards Affected:	**All**		
Key Decision:	**No**	**Budget/Policy Framework:**	**No**
Contact Officer:	**Sarah Tilling, Senior Client Officer**		
	Email: sarah.tilling@gloucester.gov.uk		**Tel: 396014**
Appendices:	**1. Accuracy Process**		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To update Audit and Governance on accuracy rate of Housing Benefits and Council Tax Support assessments and the impact upon customers

2.0 Recommendations

2.1 Audit and Governance is asked to **RESOLVE** that the Housing Benefit accuracy rate as outlined in this report be noted

3.0 Background and Key Issues

3.1 Civica UK Ltd is responsible for administering housing benefit and council tax support on behalf of the Council. Civica were initially awarded the contract in October 2011 and this has recently been extended until 2021.

3.2 The contract with Civica does not include accuracy as part of its performance indicators. However, the contract does allow for timely processing of checks by both parties and this allows for errors to be picked up early and corrected, therefore, preventing on-going incorrect payments to the customer.

3.3 In March 2015 following a Benefit audit, Audit and Governance felt the level of accuracy reported was too high and requested further information as to the types of error and the impact upon customers.

3.4 As part of the monitoring of the Civica contract the Council is required, under the contracting out regulations, to undertake at least 10% quality assurance reviews. These reviews are undertaken to provide assurance that customers are receiving the correct payment of Housing payment or Council Tax support.

3.5 The Local Authority (LA) error and admin delay overpayment is determined by threshold set by the DWP, these thresholds are expressed as a percentage of total correct payments. The thresholds are:

- Lower threshold 0.48%
- Upper threshold 0.54%

DWP fully fund benefit that has been overpaid due to LA error and delay up to the lower threshold and at 40% between the lower and upper threshold. The July Civica performance report confirms the current annual LA error rate is 0.18% and therefore we continue to be well within the threshold set by DWP.

Accuracy checking process

3.6 .Appendix1 shows the checking process for Housing Benefit and Council Tax support decisions.

Approximately 250 benefit decisions are made daily by Civica. The decisions relate to new claims or change of circumstances. The client team select a random sample of the checks, resulting in approximately 25 checks reviewed daily. The cases are reviewed by the client team for accuracy; errors are categorised into two main types, non-financial errors and financial errors.

3.7 A non-financial error is an error that has no financial impact on the claimant. These errors are corrected by the client team. Examples of errors of this type are:

- Letters not sent to the customer
- Dates incorrect, but would have no effect on HB or CTS
- Income incorrect, but has no effect on claim
- Date of birth entered incorrectly

3.8 A Financial error is an error that impacts the customer financially and has a direct effect on his/her housing benefit or council tax support payments. These errors are recorded for correction by Civica. Examples of Financial errors are:

- Income applied to claim incorrectly
- Dates entered incorrectly, where dates have a direct impact upon the payment of HB or CTS
- Wages entered incorrectly, e.g. Car mileage should not be included as income
- Incorrect evidence used, e.g. wages taken from bank statement rather than wage slips and subsequent reviews have shown income incorrect

3.9 Civica and the client team analyse the results monthly to look at error trends. Civica will monitor the errors to refine processes and training and development needs of staff. Recurring errors will result in a ‘benefit briefing note’ to staff to ensure all staff are fully aware of the process.

3.10 Timeliness of client team checks and subsequent checks ensure the impact on the customer is as minimal as possible, by preventing on-going incorrect payments.

What is the performance to date?

3.11 The table below shows the error rates for this financial year

Month	Total number of decisions made	Total number of decisions checked	Number of Non-financial errors	Number of Financial Errors	% Non-Financial error rate	% Financial error rate
April 2015	5578	667	120	118	17.99	17.69
May 2015	5417	674	95	79	14.09	11.72
June 2015	4754	668	123	83	18.41	12.43
July 2015	4601	462	78	67	16.88	14.50

3.12 A percentage error rate does not show the financial impact upon the customer, therefore the client team have worked with Civica to assess this. A sample month of June was analysed and the financial impact of these errors identified. The results for this month were as follows:

Month of June 2015	
Number of decisions checked	668
Number of financial errors recorded: • Council Tax Support • Housing Benefit • Total	 • 40 • 43 • 83
Financial impact: Council Tax support • Over payments amount • Under payments	 • £2,795.48 • £1,504.93
Housing Benefit • Over payments • Under payments	 • £3,651.82 • £1,682.26

It should also be noted that many customers claim both Council Tax and Housing Benefit and one data input error often makes both Housing Benefit and Council Tax support incorrect the number of customer affected is less..

3.13 Approximately £3,596,554 was paid in housing benefits for the month of June. From the sample check the total amount of over payments of £3,367.92. Given we took a larger sample in June (14%) this is sample this equates to 0.67% value error rate. This demonstrates that although the error rate is still higher than is desirable the impact upon the customer is low.

What are we doing to improve the performance?

3.14 Timeliness of client team checks and subsequent corrections by Civica prevent on-going errors in customer benefit. The client team and Civica are ensuring checks are kept up to date to achieve the lowest impact of errors for the customer.

3.15 Civica and the client team analyse the results monthly to look at error trends. Civica will monitor the errors to refine processes and training and development needs of staff. Recurring errors will result in a 'benefit briefing note' to staff to ensure they are fully aware of the process.

3.16 Real Time Information (RTI) is now being provided to us by HMRC/DWP to reduce fraud in benefits. It has been identified that RTI has had an impact on the work load for the team. Civica have to date processed RTI cases 230 this year (and 549 cases in 2014/15). Civica are continuing to monitor the effects of this additional work on the team and providing additional resources to ensure the assessment work does not fall behind.

3.17 Work is ongoing to support the Governments Fraud and Error Initiative Scheme. This scheme looks to target fraud and error within the housing benefit case load and reduce those errors. Six hundred customers have been written to requesting a review of their circumstances; this work will result in extra funding for the Council to ensure we can continue to work towards removing errors from the system.

3.18 Welfare reforms continue to have an impact upon the service, and the introduction of Universal Credit impacted the Council and Civica whilst new processes are bedded in.

3.19 The accuracy rate issues have been raised with Civica at the monthly operations boards and they have put a plan in place to ensure the rate is improved. This will be discussed monthly to ensure continued improvement is achieved.

4.0 Asset Based Community Development (ABCD) Considerations

4.1 This report has been reviewed and it is considered there is no Asset Based Community Development implication in connection with this.

5.0 Alternative Options Considered

5.1 There are no alternative options to this matter.

6.0 Reasons for Recommendations

6.1 To inform Audit and Governance of the current performance.

7.0 Future Work and Conclusions

7.1 These are covered in the body of the report.

8.0 Financial Implications

8.1 There are no financial implications in relation to this report

(Financial Services have been consulted in the preparation of this report)

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9.0 Legal Implications

9.1 This is not applicable as the contents of this report are for information only.

(One legal have been consulted in the preparation of this report)

10.0 Risk & Opportunity Management Implications

10.1 Risk to reputation and lack of transparency

10.2 Analyse current performance and ensure that action is being taken to maintain and improve efficiency.

11.0 People Impact Assessment (PIA):

11.1 This is not applicable as the contents of this report is for information only.

12.0 Other Corporate Implications

<u>Community Safety</u>

12.1 Not applicable

<u>Sustainability</u>

12.2 Not applicable

<u>Staffing & Trade Union</u>

12.3 Not applicable

<u>Press Release drafted/approved</u>

This is not applicable as information in this report is for internal use only.

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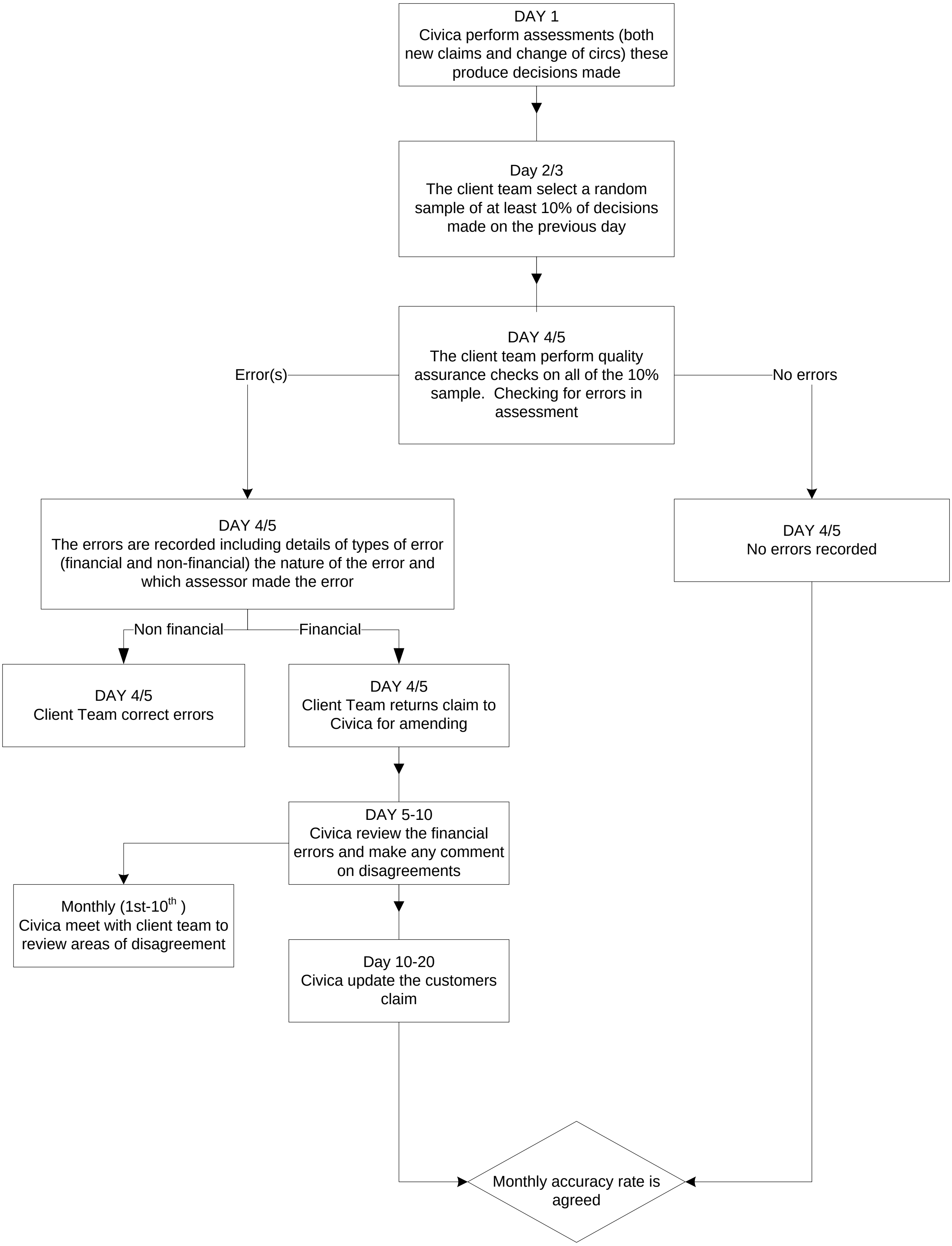
Client Team benefit checking process

Existing Process



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GLOUCESTER CITY COUNCIL
2014/15 STATEMENT OF ACCOUNTS

CONTENTS

INTRODUCTION

Gloucester City Council
Welcome to the Statement of Accounts 2014/15

The financial year 2014/15 was the third year in the span of the Council's corporate plan, 'Transforming your City'. There was no increase in Council tax during the year.

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

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

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

The 2014/15 statement of accounts will be published in September 2015.

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

Jon Topping
Head of Finance (Section 151 Officer)

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

T 01452 396242
F 01452 396212
E financeservices@gloucester.gov.uk
www.gloucester.gov.uk

GLOUCESTER CITY COUNCIL-GENERAL INFORMATION	
Address and Telephone Number	
Address	Herbert Warehouse The Docks Gloucester GL1 2EQ
Telephone	01452 396396
Website	www.gloucester.gov.uk
Mayor and Deputy Mayor in the 2014/15 Municipal Year	
Mayor	Councillor D Llewellyn
Sheriff and Deputy Mayor	Councillor L Noakes
Cabinet in 2014/15	
Leader of the Council	Councillor P James
Deputy Leader of the Council	Councillor J Dallimore
Cabinet Member Performance and Resources	Councillor D Norman MBE
Cabinet Member Regeneration and Culture	Councillor P James
Cabinet Member Communities and Neighbourhoods	Councillor J Dallimore
Cabinet Member Housing, Health and Leisure	Councillor C Organ
Cabinet Member Environment	Councillor J Porter
Chairman of Committees in 2014/15	
Licensing and Enforcement Committee	Councillor T Randle
Overview and Scrutiny Committee	Councillor J Lugg
Organisational Development Committee	Councillor P James
Planning Committee	Councillor G Taylor
Audit and Governance Committee	Councillor D M H Wilson
Chief Officers in 2014/15	
Director of Services and Neighbourhoods	Mr M Shields
Director of Resources (Section 151 Responsible Officer until 9 June 2014)	Mr P Gillett
Corporate Director (from 9 February 2015)	Mr R Cook
Head of Finance (Section 151 Responsible Officer from 9 June 2014)	Mr J Topping
External Auditor in 2014/15	
Appointed Auditor	KPMG LLP
Address	100 Temple Street Bristol BS1 6AG
Bankers in 2014/15	
Bankers	Co-operative Bank & Barclays Bank
Address	23A St Aldates Street, Gloucester, GL1 1RU & 128 High Street, Cheltenham, GL50 1EL

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's responsibilities

The Council is required to:

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

Responsibilities of Head of Finance (Section 151 Officer)

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

In preparing the statement of accounts, the Head of Finance (Section 151 Officer) has:

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

The Statement of Accounts presents a true and fair view of the financial position of Gloucester City Council at 31 March 2015 and its income and expenditure for the year ended on that date.

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

Jon Topping
Head of Finance (Section 151 Officer)

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FOREWORD TO THE ACCOUNTS

FOREWORD TO THE ACCOUNTS

1 Introduction

The Statement of Accounts presents the financial position of the Council for the year ended 31 March 2015. The Accounts are produced in the format stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with best accounting practice. This foreword provides a brief explanation of the financial aspects of the Council's activities and a guide to the significant matters reported in the accounts.

2 The Statement of Accounts

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

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

Comprehensive Income and Expenditure Statement
This statement summarises the resources that have been generated and consumed in providing services and managing the Council during 2014/15. It includes all expenditure and income on an accruals basis, as well as transactions measuring the value of fixed assets consumed, and the real projected value of retirement benefits earned by employees in the year.

Balance Sheet
This shows the Council's financial position on 31 March 2015. It shows the balances and reserves at the Council's disposal at that date, and summarises the fixed and current net assets employed in carrying out the Council's functions.

Cash Flow Statement
This summarises the cash received and payments made by the Council for revenue and capital purposes in 2014/15.

Housing Revenue Account
We are legally obliged to account seperately for housing provision. The Housing Revenue Account shows the major elements of expenditure on Council Houses and how these are met by rents and other income. The Council completed a Housing Stock Transfer on the 16th March 2015, the transfer resulted in the Council housing stock transferring to Gloucester City Homes an independent social landlord. The Housing Revenue Account has been closed as a result of the transfer (Further details on transfer at paragraph 10).

Collection Fund
We are legally obliged to maintain this fund separately from our other funds and accounts. The Collection Fund summarises the income received from council taxpayers and business ratepayers on behalf of the Government and precepting authorities.
The Collection Fund records the income we receive and how this income was distributed between the Council, the County Council and the Police and Crime Commissioner and the Government.

3 Budget Performance - Net Revenue Budget

The budgeted 'Net Expenditure by Service' of the Council for 2014/15 was £15.289 million. The actual net expenditure for the year was £15.863 million, a deficit on budget of £576k. The Council had budgeted to make a surplus of £637k. The surplus achieved of £61k will be transferred to the General Fund.

The net impact on the General Fund balance is an increase of £61k, which results in a closing balance of £1.881 million. The Council's current policy is to hold a General Fund balance of about £1.6m. The current increased balance of £1.881m is in place to provide some one-off cover against the risk of future government funding reductions arising from the Local Government Resource Review changes. This has been maintained to carry forward into 2015/16.

The budget deficit of £576k in 2014/15 is as a result of a variety of budget surpluses and deficits during the year. Some of the key variances are highlighted in the table below:

	Budget (Surplus)/Deficit
	£000's
Guildhall	244
Neighbourhood Management	193
Cem and Crem	(326)
IT	127
Legal and Democratic Services	126
Housing Benefit	320
Markets	50
Human Resources	(51)
Net Other Movements	(107)
	576

4 Impact of the Economic Climate

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

5 Gross Revenue Expenditure

The Comprehensive Income and Expenditure Account shows the gross cost of service provision for 2014/15 which amounts to £174.291 million (2013/14: £117.318 million). This expenditure has been analysed by type as shown below:

	2014/15	2013/14
	£000	£000
Expenditure Type		
Employee Expenses	10,301	10,696
Other Service Expenses	99,028	92,649
Support Service Recharges	(9,634)	(11,550)
Non-distributed costs	1	1
Exceptional items	-	-
Other Operating Expenditure	51,067	446
Capital charges and investment property expenditure	5,902	8,781
Business rates expenditure	17,626	16,295
Gross Cost of Services	**174,291**	**117,318**

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

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

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

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

Business rates expenditure represents the tariff paid by the Council and other expenditure in respect of the Business Rates Retention Scheme which was introduced in the 2014/15 year - refer to note 2 on the Collection Fund on Page 90.

6 Gross Revenue Income

The Council received gross income of £115.095 million (2013/14: £114.937 million) and this is analysed by type as follows:

	2014/15	2013/14
Income Type	**£000**	**£000**
Government Grants	46,155	46,516
Income from Council Tax and non-specific grant income	35,973	34,388
Fees,Charges & Other Service Income	30,949	31,476
Interest and Investment property income and other operating income	2,018	2,557
	115,095	114,937

Government grant income includes £45.824 million towards the cost of Housing Benefits and the administration of the respective payments.

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

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

7 Pension Fund

The Council's share of the assets and liabilities of the Pension Fund is a net liability and has been calculated in accordance with International Accounting Standard 19. The net liability has increased by £3.681 million to £65.088 million. A further explanation can be found in Note 43 to the Core Financial Statements.

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

8 Borrowing

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

9. Capital Expenditure and Source of Funding

Capital expenditure for 2014/15 was £16.110 million (2013/14: £10.337 million). This compares with an estimate of £22.174 million for the year. Where Capital Projects have not been completed funding will be carried forward to finance these items in 2015/16.

A summary of the capital expenditure in 2014/15 is shown below. Of the £16.110 million spend, £15.284 million added to the value of the Council's fixed assets, and the balance was written off in year to the Income and Expenditure Account as revenue expenditure funded from capital under statute. The sources of funding for the Council's capital expenditure in 2014/15 are also shown below:

Capital Expenditure	**£000**
Housing	7,846
Grants (including Disabled Facilities Grants)	672
King's Quarter	5,969
HKP Accommodation review and Reception Upgrade	387
Other including S106, IT and infrastructure	1,236
	16,110

Source of Funding	**£000**
Section 106	131
Usable Capital receipts	2,143
Grants (including Major Repairs Reserve & HRA revenue funding)	7,580
Borrowing	6,256
	16,110

10 Housing Revenue Account

On the 16th March 2015 the Council completed the voluntary stock transfer to Gloucester City Homes (GCH). This brought to conclusion a major project that had started nearly 5 years ago when the Council commenced a comprehensive housing stock options appraisal.

Following the vote by tenants that the housing stock should transfer, both organisations worked diligently to ensure that the Transfer Agreement was put in place. This agreement details all the arrangements, warranties, indemnities and conditions of the contract between the two organisations.

Once the transfer had been completed approval was sought from the Secretary of State for the closure of the HRA under powers conferred by sections 74(3)(d) and 87 of the Local Government and Housing Act 1989. The direction was provided as the Housing Revenue Account (Gloucester City Council) Direction 2015 being effective from 1st April 2015.

The completion of the transfer saw all the assets relating to the council housing stock transferring to GCH, and this was facilitated through a negotiated purchase price between GCH and the Council, with the Department of Communities and Local Government (CLG) contributing to the write off of Public Works Loan Board (PWLB) debt related to the HRA. The transactions below summarise the effect on the Council's accounts as a result of the transfer.

The PWLB debt in relation to the HRA plus related early debt redemption premia were repaid by CLG and totalled £43.33m. The purchase price paid by GCH £19.34m. As a result of the transfer the Council disposed of £125.50m of fixed assets to GCH (see note 11) with £76.17m being received as consideration leaving a loss on disposal of 49.33m.

11 Significant Changes in Accounting Policies

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

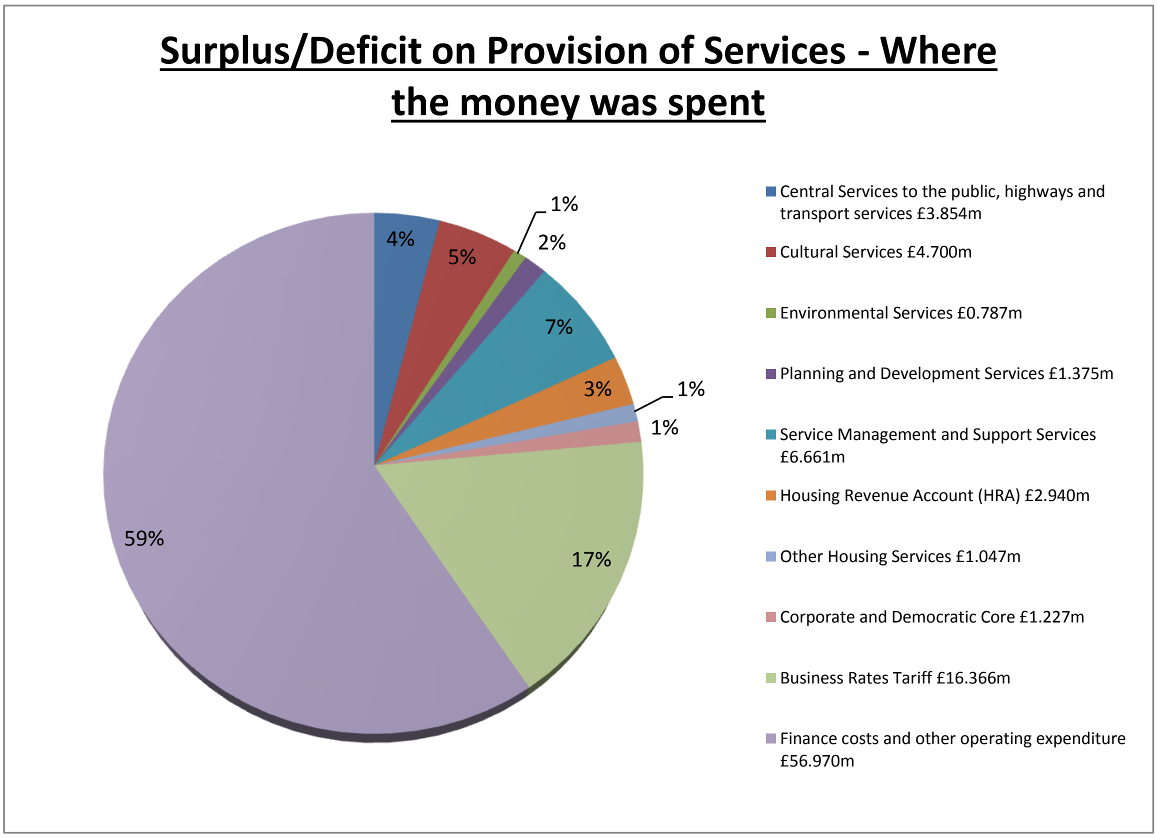
12 Further Information

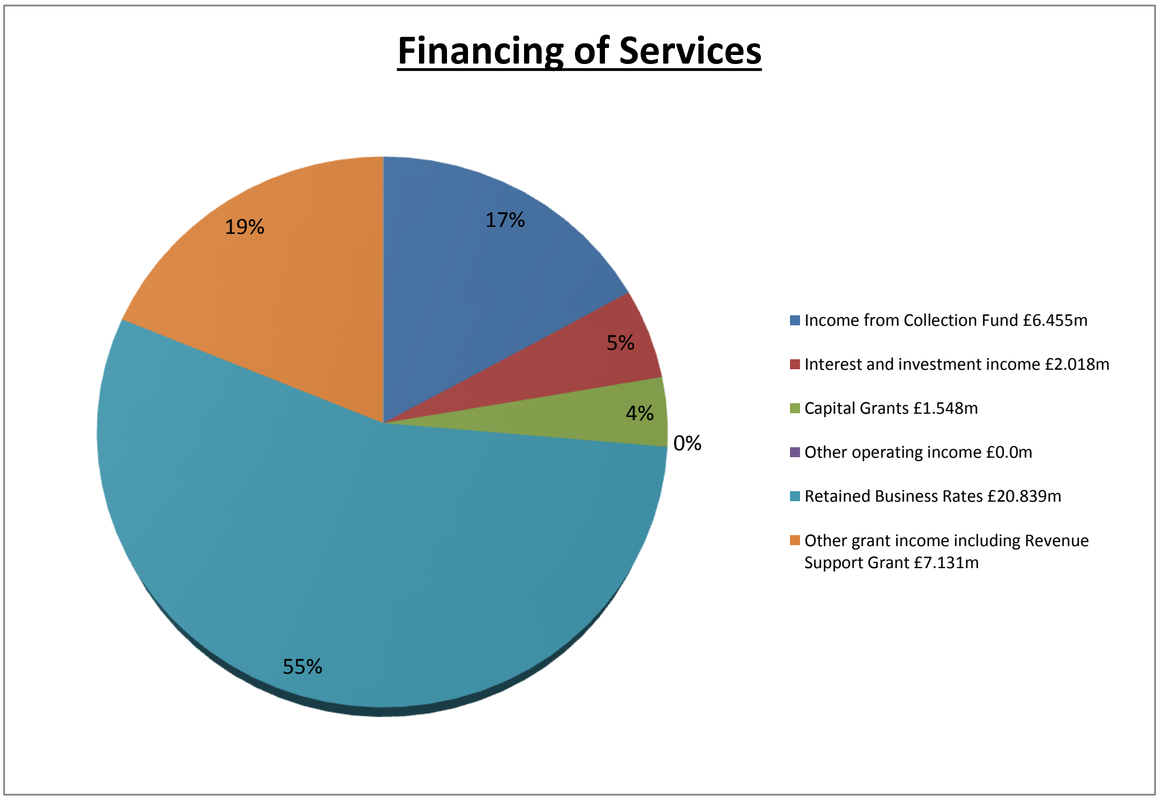
Further details of the accounts can be obtained from the Head of Finance, Herbert Warehouse, The Docks, Gloucester, GL1 2EQ. Tel. (01452) 396242. A statement of the accounting policies used is shown on pages 26 - 34 and a glossary explaining some of the technical terms used is included on pages 91-94.

Jon Topping
Head of Finance(Section 151 Officer)

FOREWORD TO THE ACCOUNTS

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



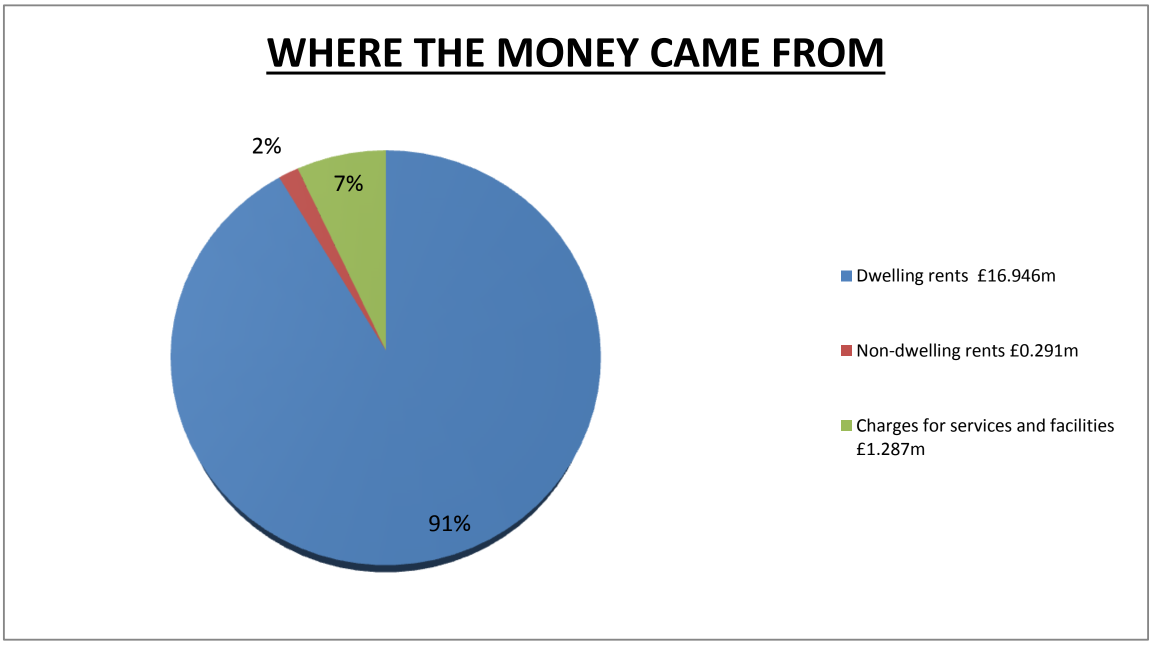


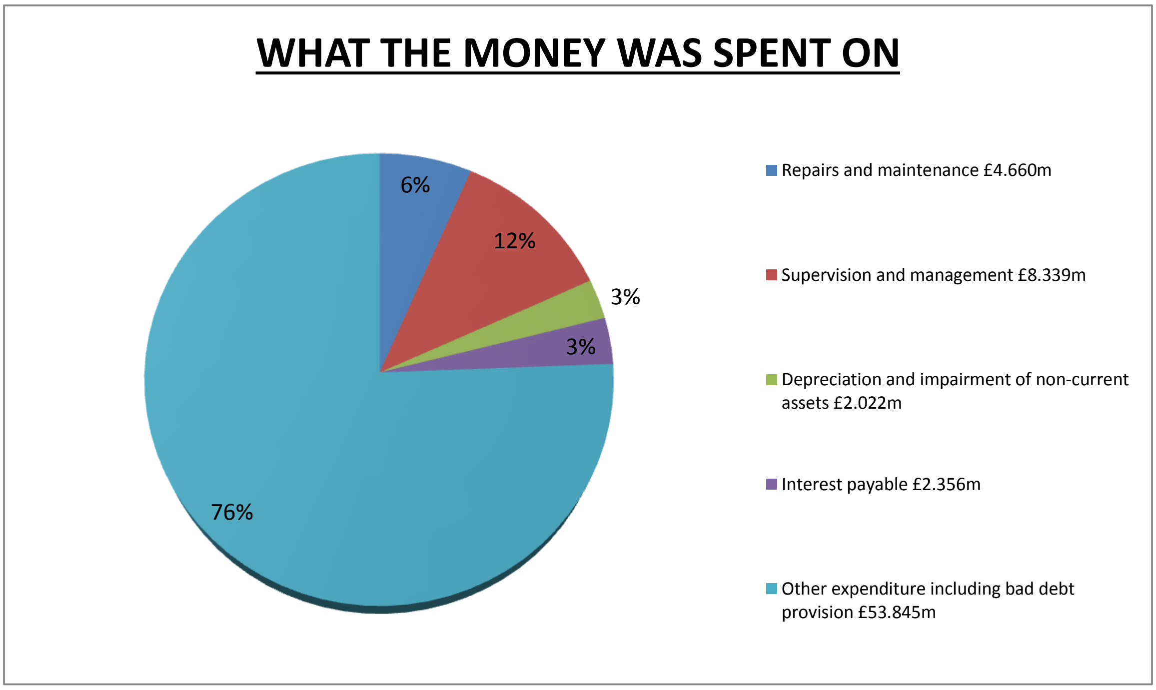
FOREWORD TO THE ACCOUNTS

Housing Revenue Account (HRA)

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

An analysis of the account is shown graphically below:





STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES

1 GENERAL PRINCIPLES

This Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its financial position at 31 March 2015. 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 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

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

2 ACCRUALS OF INCOME AND EXPENDITURE

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

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

3 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

4 EXCEPTIONAL ITEMS

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

5 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made it is applied retrospectively, unless stated otherwise, by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6 CHARGES TO REVENUE AND NON-CURRENT ASSETS

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

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

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

7 EMPLOYEE BENEFITS

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

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

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

Post Employment Benefits - Pensions
Employees of the Council are eligible to be members of the Local Government Pension Scheme (LGPS) administered by Gloucestershire County Council. The Scheme provides defined benefits (retirement lump sums and pensions) to members earned as the employees work for the Council. The cost of retirement benefits is calculated by the Pension Fund Actuary and is recognised in the Income and Expenditure account when these benefits are earned by employees, rather than when lump sums and contributions to the Pension Fund are made.

The LGPS is accounted for as a defined benefit scheme as follows:

- The liabilities of the LGPS attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 3.1% based on the indicative rate of return on the adoption of the AA corporate bond basis. This is at the IAS19 valuation date, subject to removal of recently re-rated bonds from the index.

- The assets of the LGPS attributable to the council are included in the Balance Sheet at their fair value as follows:
    - Quoted securities – current bid price;
    - Unquoted securities – professional estimate;
    - Unitised securities – current bid price; and
    - Property– market value.

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

  Service Cost comprising

    - ***Current service cost*** - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Account to the revenue accounts of services for which the employees worked.
    - ***Past service cost*** - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Account as part of Non Distributed Costs.
    - ***Net interest on the defined benefit liability i.e. net interest expense for the Council*** -the change during the period in the net defined liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement- this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period- taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

  Remeasurements comprising:

    - ***The return on plan assets*** - excluding amounts included in net interest on the net defined liability- credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
    - ***Gains/losses on settlements and curtailments*** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
    - ***Actuarial gains and losses*** - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

7 EMPLOYEE BENEFITS (continued)

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

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

Discretionary Benefits

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

8 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

9 FINANCIAL INSTRUMENTS

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

9 FINANCIAL INSTRUMENTS (continued)

Available-for-Sale Assets

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

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:
- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

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

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

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

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

10 FOREIGN CURRENCY TRANSLATION

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

11 GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:
- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

12 HERITAGE ASSETS

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

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

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

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

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

13 INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure is not capitalised).

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

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

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

14 INTEREST IN COMPANIES AND OTHER ENTITIES

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

15 INVENTORIES AND LONG TERM CONTRACTS

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

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

16 INVESTMENT PROPERTY

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. Revaluation and disposal gains and losses, however, are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are, therefore, reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

17 LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

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

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

17 LEASES (continued)

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

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

The Council as Lessor

Finance Leases

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

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

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

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

Operating Leases
Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

18 OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SERCOP). The total absorption costing of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

19 PROPERTY, PLANT AND EQUIPMENT

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

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

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

19 PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

Assets are then carried in the Balance Sheet using the following measurement bases:
- Infrastructure, community assets and assets under construction – at 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 the revaluation reserve.

Depreciation
Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation on assets acquired commences with effect from 1 April in the next financial year.

Depreciation is calculated on the following bases:
- Dwellings and other buildings – straight-line over the useful life of the properties.
- Vehicles, plant, furniture and equipment – straight-line over the useful lives of the assets.
- Infrastructure and community assets – straight-line over the useful life of the assets.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

19 PROPERTY, PLANT AND EQUIPMENT (continued)

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale), and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

20 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

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

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

Contingent Assets

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

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

21 RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

22 REVENUE AND EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

23 VAT

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

24 GROUP ACCOUNTS

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

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

Basis of Consolidation
The Group Accounts consolidate the Council's accounts with those of Gloucestershire Airport Ltd, in which the Council has a 50% shareholding (the remaining 50% is owned by Cheltenham Borough Council). Gloucester City Homes became a separate organisation in 2014/15 and is no longer considered for group consolidation. 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 have been calculated so as to write off the cost of Property, Plant and Equipment over their expected useful lives using the following rates, which are different to those used by the Council.

	Gloucestershire Airport
(a) Freehold Property	2% per annum of cost
(b) Plant & Machinery	10% per annum of cost
(c) Office Equipment	10% per annum of cost
(d) Motor Vehicles	10% per annum of cost
(e) Computer Equipment	20% per annum of cost
(f) Taxiway / Runway	4% per annum of cost

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL MOVEMENT IN RESERVES STATEMENT
For the years ended 31 March 2014 & 2015

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

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2013	**2,116**	**112**	**3,517**	**4,247**	**-**	**1,795**	**11,787**	**72,384**	**84,171**
Movement in Reserves during 2013/14									
Surplus/(deficit) on the provision of services-as restated	(7,805)	-	5,424	-	-	-	**(2,381)**	-	**(2,381)**
Other Comprehensive Income and Expenditure-as restated	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(3,367)	**(3,367)**
Total Comprehensive Income and Expenditure	**(7,805)**	**-**	**5,424**	**-**	**-**	**-**	**(2,381)**	**(3,367)**	**(5,748)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	7,509	-	(1,330)	(783)	-	102	**5,498**	(5,498)	**-**
Net Increase/(Decrease) before transfers (to)/from Earmarked Reserves	**(296)**	**-**	**4,094**	**(783)**	**-**	**102**	**3,117**	**(8,865)**	**(5,748)**
Transfers (to)/from Earmarked Reserves (Note 7)	-	-	-	-	-	-	**-**	-	**-**
Increase/(Decrease) in 2013/14	**(296)**	**-**	**4,094**	**(783)**	**-**	**102**	**3,117**	**(8,865)**	**(5,748)**
Balance at 31 March 2014	**1,820**	**112**	**7,611**	**3,464**	**-**	**1,897**	**14,904**	**63,519**	**78,423**
Movement in Reserves during 2014/15									
(Deficit)/Surplus on the provision of services	(6,498)	-	(52,698)	-	-	-	**(59,196)**	-	**(59,196)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	**-**	(4,339)	**(4,339)**
Total Comprehensive Income and Expenditure	**(6,498)**	**-**	**(52,698)**	**-**	**-**	**-**	**(59,196)**	**(4,339)**	**(63,535)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	7,009	-	46,646	6,308	-	642	**60,605**	(60,605)	**-**
Net (Decrease)/Increase before Transfers to Earmarked Reserves	**511**	**-**	**(6,052)**	**6,308**	**-**	**642**	**1,409**	**(64,944)**	**(63,535)**
Transfers from HRA	1,559	-	(1,559)	-	-	-	**-**	-	**-**
Transfers from/(to) Earmarked Reserves (Note 7)	(2,009)	2,009		-	-	-	**-**	-	**-**
Net (Decrease)/Increase in 2014/15	**61**	**2,009**	**(7,611)**	**6,308**	**-**	**642**	**1,409**	**(64,944)**	**(63,535)**
Balance at 31 March 2015	**1,881**	**2,121**	**-**	**9,772**	**-**	**2,539**	**16,313**	**(1,425)**	**14,888**

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP MOVEMENT IN RESERVES STATEMENT
For the years ended 31 March 2014 & 2015

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

	Usable Reserves			Unusable Reserves			
	Council	Council's Share of Subsidiaries, Joint Ventures and Associates	Total Group	Council	Council's Share of Subsidiaries, Joint Ventures and Associates	Total Group	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2013	11,787	3,458	**15,245**	72,384	12,399	**84,783**	**100,028**
Movement in Reserves during 2013/14							
Surplus or (deficit) on the provision of services	(2,381)	109	**(2,272)**	-	-	**-**	**(2,272)**
Adjustment in respect of group share of prior year reserves for subsidiary no longer included in group accounts (Refer to Note 47)	-	-	**-**	-	-	**-**	**-**
Adjustment in respect of group share of prior year reserves for associates no longer included in group accounts	-	-	**-**	-	-	**-**	**-**
Other Comprehensive Income and Expenditure	-	-	**-**	(3,367)	(317)	**(3,684)**	**(3,684)**
Total Comprehensive Income and Expenditure	**(2,381)**	**109**	**(2,272)**	**(3,367)**	**(317)**	**(3,684)**	**(5,956)**
Adjustments between Group Accounts and GCC Account - Note 47	-	262	**262**	-	(262)	**(262)**	**-**
Net Increase/(Decrease) before Transfers	**(2,381)**	**371**	**(2,010)**	**(3,367)**	**(579)**	**(3,946)**	**(5,956)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	5,498	-	**5,498**	(5,498)	-	**(5,498)**	**-**
Increase/(Decrease) in 2013/14	**3,117**	**371**	**3,488**	**(8,865)**	**(579)**	**(9,444)**	**(5,956)**
Balance at 1 April 2014	**14,904**	**3,829**	**18,733**	**63,519**	**11,820**	**75,339**	**94,072**
Movement in Reserves during 2014/15							
Surplus or (deficit) on the provision of services	(59,196)	119	**(59,077)**	**-**	**-**	**-**	**(59,077)**
Adjustment in respect of group share of prior year reserves for subsidiary no longer included in group accounts (Refer to Note 47)	-	532	**532**	**-**	**-**	**-**	**532**
Other Comprehensive Income and Expenditure	**-**	**-**	**-**	(4,339)	(1,241)	**(5,580)**	**(5,580)**
Total Comprehensive Income and Expenditure	**(59,196)**	**651**	**(58,545)**	**(4,339)**	**(1,241)**	**(5,580)**	**(64,125)**
Adjustments between Group Accounts and GCC Account (Note 47)	**-**	(3,620)	**(3,620)**	-	3,620	**3,620**	**-**
Net Increase/(Decrease) before Transfers	(59,196)	(2,969)	**(62,165)**	(4,339)	2,379	**(1,960)**	**(64,125)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	60,605	**-**	**60,605**	(60,605)	-	**(60,605)**	**-**
Increase/(Decrease) in 2014/15	**1,409**	**(2,969)**	**(1,560)**	**(64,944)**	**2,379**	**(62,565)**	**(64,125)**
Balance at 31 March 2015	**16,313**	**860**	**17,173**	**(1,425)**	**14,199**	**12,774**	**29,947**

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
For the year ended 31 March 2015

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

Description	2014/15 Gross Expenditure	2014/15 Gross Income	2014/15 Net Expenditure	2013/14 Net Expenditure
	£000	£000	£000	£000
Central Services to the public	5,659	1,720	3,939	3,311
Cultural, environmental, regulatory and planning services				
Cultural Services	5,941	1,241	4,700	4,951
Environmental Services	3,854	3,067	787	1,137
Planning and Development Services	2,778	1,403	1,375	1,306
Service Management and Support Services	8,034	1,373	6,661	7,403
Highways and transport services	2,455	2,540	(85)	(144)
Other Housing Services	48,062	47,015	1,047	1,186
Corporate and Democratic Core	1,403	176	1,227	1,657
Non distributed costs	1	-	1	1
Exceptional Items	-	-	-	-
Deficit on Operations	**78,187**	**58,535**	**19,652**	**20,808**
Other Operating Expenditure (Note 8)	51,067	-	51,067	(249)
Financing and investment income and expenditure (Note 9)	5,902	2,018	3,884	6,919
(Surplus) / Deficit on discontinued operations (Note 30)	21,509	18,569	2,940	(7,004)
Taxation and Non-specific Grant Income (Note 10)	17,626	35,973	(18,347)	(18,093)
Deficit on Provision of Services	**174,291**	**115,095**	**59,196**	**2,381**
Items that will not be reclassified to the (surplus) or deficit on the provision for services				
(Gains) / Losses on revaluation of Property, Plant and Equipment assets	(238)	-	(238)	-
Re-measurement of the net defined benefit liability (Note 24)	4,577	-	4,577	3,367
Other Comprehensive Income and Expenditure	**4,339**	**-**	**4,339**	**3,367**
Total Comprehensive Income and Expenditure	**178,630**	**115,095**	**63,535**	**5,748**

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT For the year ended 31 March 2015				
This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.				
Description	**2014/15**			**2013/14**
	Gross Expenditure	**Gross Income**	**Net Expenditure**	**Net Expenditure**
	£000	**£000**	**£000**	**£000**
Central Services to the public	5,659	1,720	3,939	3,311
Cultural, environmental, regulatory and planning services				
Cultural Services	5,941	1,241	4,700	4,951
Environmental Services	3,854	3,067	787	1,137
Planning and Development Services	2,778	1,403	1,375	1,306
Service Management and Support Services	8,034	1,373	6,661	7,403
Highways and transport services	2,455	2,540	(85)	(144)
Other Housing Services	48,062	47,015	1,047	1,186
Corporate and Democratic Core	1,403	176	1,227	1,657
Non distributed costs	1	-	1	1
Exceptional Items	-	-	-	-
(Surplus)/Deficit on Operations	**78,187**	**58,535**	**19,652**	**20,808**
Other Operating Expenditure (Note 8)	51,067	-	51,067	(249)
Financing and investment income and expenditure (Note 9)	5,986	2,023	3,963	6,977
(Surplus) / Deficit on discontinued operations (Note 30)	21,005	18,183	2,822	(7,183)
Taxation and Non-specific Grant Income (Note 10)	17,626	35,973	(18,347)	(18,093)
Deficit on Provision of Services	**173,871**	**114,714**	**59,157**	**2,260**
Share of the (Surplus)/Deficit on the provision of Services				
Joint Ventures			(103)	(3)
Associates			-	-
Share of Tax Expenses				
Joint Ventures			23	15
Associates			-	-
Subsidiary			-	-
Group Deficit			**59,077**	**2,272**
Items that will not be reclassified to the (surplus) or deficit on the provision for services				
(Gains) / Losses on revaluation of Property, Plant and Equipment assets			(238)	-
Actuarial losses on pension assets / liabilities			5,583	3,665
Share of Other Comprehensive Income and Expenditure				
Joint Ventures			236	20
Associates			-	-
Group Other Comprehensive Income and Expenditure			**5,581**	**3,685**
Total Comprehensive Income and Expenditure			**64,658**	**5,957**

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL BALANCE SHEET
As at 31 March 2015

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

	Notes	31/03/2015 £000	31/03/2014 £000
Property, Plant & Equipment	11	55,204	170,465
Investment Property	12	24,729	28,364
Heritage Assets	13	6,222	6,106
Intangible Assets	14	1,081	1,505
Long Term Investments	15,46	495	495
Long Term Debtors	15,19(i)	1,199	1,363
Long Term Assets		**88,930**	**208,298**
Short Term Investments	15	8,139	132
Assets held for Sale	16	129	79
Inventories	17	100	184
Short Term Debtors	15,19	9,289	10,537
Cash and Cash Equivalents	20	26,556	2,183
Current Assets		**44,213**	**13,115**
Total Assets		**133,143**	**221,413**
Short Term Borrowing	15,21(i)	(13,997)	(15,543)
Short Term Creditors	15,21	(5,572)	(7,848)
Provisions (<1yr)	22	(866)	(83)
Current Liabilities		**(20,435)**	**(23,474)**
Provisions	22	(233)	(214)
Long Term Borrowing	15,21(ii)	(30,000)	(55,599)
Capital Grants Received in Advance	36	(2,499)	(2,296)
Other Long Term Liabilities	43	(65,088)	(61,407)
Long Term Liabilities		**(97,820)**	**(119,516)**
Net Assets		**14,888**	**78,423**
Usable Reserves	23	16,313	14,904
Unusable Reserves	24	(1,425)	63,519
Total Reserves		**14,888**	**78,423**

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP BALANCE SHEET
As at 31 March 2015

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), with the net assets of the Council. The accounts for Aspire Sports and Cultural Trust and Marketing Gloucester have not been included in the group accounts for the current year.
As a Joint Venture, the Council's share of the net assets and liabilities in Gloucestershire Airport Limited has been included as long-term investment, eliminating the share capital and also includes the revalued airport land and buildings.

	Note	31/03/2015 £000	31/03/2014 £000
Property, Plant & Equipment	48	55,204	170,780
Investment Property	12	24,729	28,364
Heritage Assets	13	6,222	6,106
Intangible Assets	49	1,081	1,879
Long Term Investments	15,46	60	60
Long Term Debtors	15,19(i)	1,199	1,363
Investment in Joint Venture		15,494	15,650
Long Term Assets		**103,989**	**224,202**
Short Term Investments	15	8,139	132
Assets held for Sale	16	129	79
Inventories	17	100	184
Short Term Debtors	15,19	9,289	10,870
Cash and Cash Equivalents	20	26,556	2,204
Current Assets		**44,213**	**13,469**
Total Assets		**148,202**	**237,671**
Short Term Borrowing	15, 21(i)	(13,997)	(12,092)
Short Term Creditors	15,21	(5,572)	(9,349)
Provisions (<1yr)	22	(866)	(83)
Current Liabilities		**(20,435)**	**(21,524)**
Provisions	22	(233)	(214)
Long Term Borrowing	15,21(ii)	(30,000)	(55,599)
Capital Grants Received in Advance	36	(2,499)	(2,296)
Other Long Term Liabilities	43	(65,088)	(63,966)
Long Term Liabilities		**(97,820)**	**(122,075)**
Net Assets		**29,947**	**94,072**
Usable Reserves	23	17,173	18,733
Unusable Reserves	24	12,774	75,339
Total Reserves		**29,947**	**94,072**

GLOUCESTER CITY COUNCIL CASH FLOW STATEMENT
For the year ended 31 March 2015

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.

	Notes	2014/15 £000	2013/14 £000
Deficit on the provision of services		**(59,196)**	**(2,381)**
Adjustments in respect of non-cash movements		133,237	12,851
Adjustments in respect of items that are investing and financing activities		(72,979)	(2,200)
Net Cash Flows from Operating Activities	**25**	**1,062**	**8,270**
Net Cash Flows from Investing Activities	**26**	**13,507**	**(1,709)**
Net Cash Flows from Financing Activities	**27**	**9,804**	**(5,790)**
Net Increase/(Decrease) in cash and cash equivalents		24,373	771
Cash and cash equivalents at the beginning of the year		2,183	1,412
Cash and cash equivalents at the end of the year		**26,556**	**2,183**

The Balance of Cash and Cash Equivalents and Bank Overdraft		**2014/15 £000**	**2013/14 £000**
Cash and Cash Equivalents		26,556	2,183
Balance at 31st March		**26,556**	**2,183**

GLOUCESTER CITY COUNCIL GROUP CASH FLOW STATEMENT
For the year ended 31 March 2015

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.

	Notes	2014/15 £000	2013/14 £000
Deficit on the provision of services		**(59,157)**	**(2,260)**
Adjustments in respect of non-cash movements		133,187	14,330
Adjustments in respect of items that are investing and financing activities		(72,979)	(2,200)
Net Cash flows from operating Activities	**25**	**1,051**	**9,870**
Net Cash Flows from Investing Activities	**26**	**13,507**	**(2,083)**
Net Cash Flows from Financing Activities	**27**	**9,804**	**(7,112)**
Net Increase/(Decrease) in cash and cash equivalents		**24,362**	**675**
Cash and cash equivalents at the beginning of the year		2,204	1,529
Cash and cash equivalents at the end of the year		**26,566**	**2,204**

The Balance of Cash and Cash Equivalents and Bank Overdraft		2014/15 £000	2013/14 £000
Cash and Cash Equivalents		26,556	2,204
Balance at 31st March		**26,556**	**2,204**

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTES TO THE CORE FINANCIAL STATEMENTS

1 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT ADOPTED

For 2014/15 the following accounting standards have been issued but not yet adopted:

IFRS 13 Fair Value Measurement (Effective date May 2011)

The Code of Practice requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. It is considered that these standards will not have a material impact on the financial statements of Gloucester City Council, so no further disclosure is required in these accounts for the 2014/15 year.

2 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING PRINCIPLES

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

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

ii The Council had invested an amount of £2 million with Heritable Bank which is in administration.

The administrators have issued a number of reports and an impairment of £628k was recognised in the 2008/09 accounts based on LAAP Bulletin 82. Based on the latest report in March 2015 the Council has estimated that it will receive in excess of 97% of the deposit and, as a result, the impairment has remained unchanged at 3% of the total debt including interest of £62k. The current balance of £0.058 million in respect of this deposit, net of an impairment of £0.062 million, is recognised in the balance sheet as a long term investment.

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 2015 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 £63k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects of the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £12.748 million. The assumptions, however, interact in complex ways. During 2014/15 the Council's actuaries advised that the the net pensions liability had increased by £11.791 million as a direct result of changes to the financial assumptions in the previous year.
Provision for Business Rates Appeals	The Council maintains a provision for outstanding business rates appeals. The provision has been calculated based on the current list of live appeals, using analysis of historical rates of successful appeals and percentage reduction in rateable value.	The Council has calculated the appeals provision based on the possible reduction in rates received. If the % of appeals which were successful increased by 1% across all classes of property, an additional £41k would have to be set aside.
Arrears	At 31 March 2015, the Council had a balance of sundry debtors of £2.081 million. A review of the aged debt profile and recovery percentages suggested that a provision for doubtful debts of approximately 19.44% is appropriate. In the current economic climate, however, it is not certain that such a provision would be sufficient.	If collection rates were to deteriorate, the provision made for doubtful debts would need to increase based on the actual levels of recovery achieved. It is estimated that a 1% increase in the required provision would result in an increase in the bad debt provision of £21k.

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 include gains and losses arising on asset revaluations and the pensions deficit.

The net revaluation losses and impairments arising from the revaluation of the Council's assets, including investment property, amounted to £3.082 million. The net deficit includes £3.320 million recognised in the surplus/(deficit) in the provision of services.

Refer to notes 11, 12 and 16 for details of the revaluation of property, plant and equipment assets.

Details of the pension deficit are included in note 43.

5 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Council's Audit Committee on 21 September 2015. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

As at 21 September 2015 (Audit Committee approval) no post balance sheet events have been identified.

6 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER THE REGULATIONS

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

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

General Fund Balance

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

Housing Revenue Account Balance

The Housing Revenue Account balance represents the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part V1 of the Local Government and Housing Act 1989. The Council completed a Housing Stock Transfer on the 16th March 2015, the transfer resulted in the Council housing stock transferring to Gloucester City Homes an independent social landlord. The Housing Revenue Account has been closed as a result of the transfer.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in Housing Revenue Account assets or the financing of historical capital expenditure by the Housing Revenue Account. As a result of the closure of the Housing Revenue Account, the Council is no longer required to hold a Major Repairs Reserve which has also been closed.

Capital Receipts Reserve

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

Capital Grants Unapplied

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

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

2014/15 Information

	Usable Reserves £'000					£'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:						
Charges for depreciation of non-current assets	(2,817)	(2,022)	-	-	-	4,839
Revaluation losses on Property Plant and Equipment and assets held for sale	(2,943)		-	-	-	2,943
Net gains/(losses) from fair value adjustments to investment property	(377)	-	-	-	-	377
Amortisation of intangible assets	(449)	-	-	-	-	449
Revenue expenditure funded from capital under statute	(661)	(720)	-	-	-	1,381
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,617)	(123,884)	-	-	-	125,501
Amortisation of premiums and discounts		(6,382)	6,382			-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:						
Direct Revenue Financing		4,783				(4,783)
HRA Revenue for prior year CFR		1,035				(1,035)
Statutory provision for the financing of capital investment	510	-	-	-	-	(510)
Adjustments primarily involving the Capital Grants Unapplied Account:				-	-	
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,548	-	-	-	(1,548)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	906	(906)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the sale of non-current assets	1,331	76,482	(77,813)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	2,142	-	-	(2,142)
Capital Receipts applied to HRA CFR			62,750			(62,750)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	(31)	31	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(209)	-	209	-	-	-
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash			(9)			9
Adjustment primarily involving the Deferred Capital Receipts Reserve:						
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	2,022	-	(2,022)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-		-	2,022	-	(2,022)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	100	30	-	-	-	(130)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 43)	(3,860)	-	-	-	-	3,860
Employer's pensions contributions and direct payments to pensioners payable in the year	2,715	2,041	-	-	-	(4,756)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which Council Tax and Non-Domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non-Domestic rates income calculated for the year in accordance with statutory requirements	(251)	-	-	-	-	251
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(29)	-	-	-	-	29
Total Adjustments	**(7,009)**	**(46,646)**	**(6,308)**	**-**	**(642)**	**60,605**

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

2013/14 Information

	Usable Reserves £'000					£'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:						
Charges for depreciation and impairment of non-current assets	(2,948)	(1,936)	-	-	-	4,884
Revaluation losses on Property Plant and Equipment	(5)		-	-	-	5
Movements in the market value of Investment Properties	(3,131)	-	-	-	-	3,131
Amortisation of intangible assets	(395)	-	-	-	-	395
Revenue expenditure funded from capital under statute	(1,083)	-	-	-	-	1,083
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(701)	(782)	-	-	-	1,483
Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:						
Statutory provision for the financing of capital investment	464	-	-	-	-	(464)
Adjustments primarily involving the Capital Grants Unapplied Account:				-	-	
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	926	-	-	-	(926)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	824	(824)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the sale of non-current assets	777	1,401	(2,178)	-	-	-
Discounts repaid transferred to capital receipts reserve	-	28	(28)	-	-	
Grants repaid transferred to capital receipts reserve	54	-	(54)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	2,774	-	-	(2,774)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	(33)	33	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(245)	-	245	-	-	-
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash			(9)			9
Adjustment primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-		-	-	-
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	2,100	-	(2,100)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-		-	2,100	-	(2,100)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	4	4	-	-	-	(8)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 43)	(3,932)	-	-	-	-	3,932
Employer's pensions contributions and direct payments to pensioners payable in the year	2,830	548	-	-	-	(3,378)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(150)	-	-	-	-	150
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	26	-	-	-	-	(26)
Total Adjustments	**(7,509)**	**1,330**	**783**	**0**	**(102)**	**5,498**

NOTES TO THE CORE FINANCIAL STATEMENTS

7 TRANSFERS TO/(FROM) EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15.

Reserve No.		Balance at 31/03/2014	Transfers Out 2014/15	Transfers In 2014/15	Balance at 31/03/2015	Balance at 31/03/2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31/03/2014
		£000	£000	£000	£000	£000	£000	£000	£000
	General Fund:								
1	3 Choirs Reserve	0	-	5	5	-	-	-	-
2	Historic Buildings Reserve	63	10	-	53	46	-	17	63
3	Portfolio Reserves	10		12	22	10	-	-	10
4	Members Allocation Reserve	-	-	14	14	-	-	-	-
5	Shopmobility Reserve	29	-	-	29	29	-	-	29
6	Regeneration Reserve	-	-	313	313	-	-	-	-
7	Insurance Reserve	10	-	-	10	27	17	-	10
8	Pension Contingency	-		275	275	-	-	-	-
9	Environmental Reserve	-		1,000	1,000	-	-	-	-
10	Repairs Reserve			400	400				
		-			-				
					-				
	Total	**112**	**10**	**2,019**	**2,121**	**112**	**17**	**17**	**112**

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

1 **3 Choirs Reserve**
The City hosts the festival every 3 years and this is the contribution from 2014/15 to the final cost of the festival.

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 and will fund an agreed award to the Llanthony Priory Trust.

3 **Portfolio Reserves**
This represents an annual sum put in reserve for surveys undertaken every 3 to 4 years.

4 **Members Allocation Reserve**
For the delivery of member projects.

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

6 **Regeneration Reserve**
The reserve is intended for the delivery of key regeneration priorities.

7 **Insurance Reserve**
This reserve is intended to cover possible insurance claims not able to be met from the Insurance Provision (see note 22, page 59).

8 **Pension Contigency Reserve**
This reserve is intended to cover known and future pension liabilities .

9 **Environmental Reserve**
The Council has ongoing potential environmental liabilities from the stock transfer, including potential asbestos work liability.

10 **Repairs Reserve**
The council has significant exposure to major repairs which are currently unbudgeted and could be a significant risk. This reserve is intended to assist in offsetting potential future liabilities.

NOTES TO THE CORE FINANCIAL STATEMENTS

8 OTHER OPERATING INCOME AND EXPENDITURE

	GCC 2014/15 £000	GCC 2013/14 £000	Group 2014/15 £000	Group 2013/14 £000
(Gains) / Losses on the disposal of HRA Assets	47,351	(619)	47,351	(619)
Precepts and Grants paid to parish councils	227	196	227	196
Contribution to Housing Pooled Receipts	209	245	209	245
Repayment of capital grants	(8)	-	(8)	-
Reversal of impairment on long-term investment	-	-	-	-
(Gains) / Losses on disposal of non current assets	345	(76)	345	(76)
Revaluation losses arising on revaluation of non-current assets	2,943	5	2,943	5
Total	**51,067**	**(249)**	**51,067**	**(249)**

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	GCC 2014/15 £000	GCC 2013/14 £000	Group 2014/15 £000	Group 2013/14 £000
Interest payable and similar charges	2,599	2,540	2,577	2,504
Interest and Investment property income	(2,018)	(1,862)	(2,023)	(1,862)
Pensions Interest and Expected Return on pensions assets	2,475	2,541	2,581	2,635
Expenditure on investment properties	451	569	451	569
Changes fair value of investment properties	377	3,131	377	3,131
Total	**3,884**	**6,919**	**3,963**	**6,977**

10 TAXATION AND NON-SPECIFIC GRANT INCOME

	GCC 2014/15 £000	GCC 2013/14 £000	Group 2014/15 £000	Group 2013/14 £000
Income from the collection fund - Council Tax income	(6,455)	(6,401)	(6,455)	(6,401)
Collection Fund (Surplus) / Deficit	251	-	251	-
Business rates tariff	16,366	16,295	16,366	16,295
Business rates levy	1,009	-	1,009	-
Retained Business Rates	(20,839)	(19,690)	(20,839)	(19,690)
Revenue Support Grant (RSG)	(3,800)	(4,864)	(3,800)	(4,864)
Council tax freeze	(74)	(73)	(74)	(73)
New homes bonus	(2,543)	(2,054)	(2,543)	(2,054)
Business rates Section 31 grant	(691)	(342)	(691)	(342)
Business support grant	-	(35)	-	(35)
Other Grants	(23)	(3)	(23)	(3)
Capital Grants	(1,548)	(926)	(1,548)	(926)
Total	**(18,347)**	**(18,093)**	**(18,347)**	**(18,093)**

11 PROPERTY, PLANT AND EQUIPMENT
Movements on Balances

Movements in 2014/15	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation						
At 1 April 2014	**136,196**	**43,184**	**6,791**	**12,346**	**8,494**	**207,011**
Additions	7,126	6,358	221	500	281	**14,486**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	238	-	-	-	**238**
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	-	(2,903)	-	-	-	**(2,903)**
Derecognition – Disposals*	(127,749)		-		-	**(127,749)**
Assets reclassified as held for sale			-	-	-	**-**
Other reclassifications	-	1,584	-			**1,584**
Other movements in cost or valuation	(15,239)	5,050	108	13	3	**(10,065)**
At 31 March 2015	**334**	**53,511**	**7,120**	**12,859**	**8,778**	**82,602**
Accumulated Depreciation and Impairment						
At 1 April 2014	**17,152**	**9,284**	**4,672**	**4,310**	**1,128**	**36,546**
Depreciation Charge	2,014	1,572	447	441	365	**4,839**
Derecognition – Disposals	(3,915)		-	-	-	**(3,915)**
Assets reclassified as held for sale			-	-	-	**-**
Other reclassifications		(7)	-			**(7)**
Other movements in cost or valuation	(15,239)	5,050	108	13	3	**(10,065)**
At 31 March 2015	**12**	**15,899**	**5,227**	**4,764**	**1,496**	**27,398**
Net book value as at 31 March 2015	**322**	**37,612**	**1,893**	**8,095**	**7,282**	**55,204**
Net book value as at 1 April 2014	**119,044**	**33,900**	**2,119**	**8,036**	**7,366**	**170,465**

* Council Dwelling disposal figure includes £125.5m assets transferred to Gloucester City Homes as part of the stock transfer. The figure also includes the disposals prior to the stock transfer.

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

Comparative Figures 2013/14

Movements in 2013/14	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation						
At 1 April 2013	**130,910**	**50,425**	**6,592**	**19,915**	**166**	**208,008**
Additions	6,049	1,222	199	663	5	**8,138**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-	**-**
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	-	-	-	-	-	**-**
Derecognition – Disposals	(783)	(337)	-	(4)	-	**(1,124)**
Assets reclassified as held for sale	20	(74)	-	-	-	**(54)**
Other movements in cost or valuation	-	(8,052)	-	(8,228)	8,323	**(7,957)**
At 31 March 2014	**136,196**	**43,184**	**6,791**	**12,346**	**8,494**	**207,011**
Accumulated Depreciation and Impairment						
At 1 April 2013	**15,239**	**7,845**	**4,315**	**4,623**	**26**	**32,048**
Depreciation Charge	1,928	1,813	357	774	12	**4,884**
Derecognition - Disposals	(15)	(6)	-	-	-	**(21)**
Assets reclassified as held for sale	-	(25)	-	(1,087)	1,090	**(22)**
Other reclassifications		(343)				**(343)**
At 31 March 2014	**17,152**	**9,284**	**4,672**	**4,310**	**1,128**	**36,546**
Net book value as at 31 March 2014	**119,044**	**33,900**	**2,119**	**8,036**	**7,366**	**170,465**

NOTES TO THE CORE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:
- Council Dwellings – 60 years straight-line
- Other Land and Buildings – 8-60 years straight-line
- Vehicles, Plant, Furniture & Equipment – 5-10 years straight-line
- Infrastructure and Community Assets – 30-95 years straight-line

The following is a list of the major fixed assets owned by the Council at 31 March 2015.
All assets are owned freehold unless otherwise stated.

Operational assets	Non-operational assets
Other Operational land and buildings	**Investment properties**
Gloucester Leisure Centre	Eastgate market and shopping centre
2 Cemeteries and 1 Crematorium	Bearland Lodge
North Warehouse	Kings' Square / Kings' Walk
HKP warehouses (leasehold)	Kings' Theatre
Guildhall	Bus station
City and Folk Museums	Gala Club
2 Multi-storey Car Parks (1 leasehold)	16 Shops
13 Surface Car Parks (2 leasehold)	75/81 Eastgate Street (subject to sale and leaseback)
Tourist Information Centre (leased)	16 Sports Clubs facilities (mixed tenure)
Oxstalls Tennis Centre	50% of Gloucestershire Airport (freehold)
Hempsted Market	The Docks Headlease area including No.3 Albion Cottage(leasehold)
	Barbican Land Ladybellgate Street
	Former Spartans Club House Site
Community & Heritage assets	Depot at Eastern Avenue
Various Parks and open spaces	Bentinck House and Bruton Way
The Fleece Hotel	Blackfriars Inn
Works of art	Barbican House, Commercial Road
Museum Exhibits	Various on Commercial Road (leasehold)
Civic regalia	Grosvenor House
	Kings House
Vehicles plant and equipment	Land Northgate Street
Vehicles and items of plant	
Computer equipment	
Sports and playground facilities in parks	
Infrastructure assets	
Street furniture	
5 Public Conveniences (1 leasehold)	

Component accounting

Component accounting thresholds have been set as the lower of:

* Component assets over £350,000 (2013/14 £350,000) in value; or
* Component assets value at least 20% of the overall asset value.

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

The 2014/15 valuation identified no assets meeting the component accounting thresholds. The same position was found for 2013/14.

Capital Commitments

At 31 March 2015 the Council did not have any outstanding commitments with regards to capital contracts.

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

Revaluations

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

	Operational				Non Operational					
	Council Dwellings £'000	Other land and buildings £'000	Vehicles plant and equipment £'000	Infrastructure assets £'000	Community Assets £'000	Heritage Assets £'000	Investment properties £'000	Surplus assets held for disposal £'000	Under Construction £'000	TOTAL £'000
Carried at historical cost	-	-	-	-	-	-	-	-	-	-
Valued at fair value as at:										
31 March 2015	322	37,612	1,893	8,095	7,282	6,222	24,729	129	-	86,284
31 March 2014	119,044	33,900	2,119	8,036	7,366	6,106	28,364	79	-	205,014
31 March 2013	115,671	42,580	2,277	15,292	140	6,280	22,875	400	-	205,515
31 March 2012	115,671	42,580	2,277	-	140	5,375	19,455	-	-	185,498
31 March 2011	211,375	42,483	2,187	-	-	-	20,992	401	1	277,439
Total Cost or Valuation	**322**	**37,612**	**1,893**	**8,095**	**7,282**	**6,222**	**24,729**	**129**	**-**	**86,284**

12 INVESTMENT PROPERTIES

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

	GCC and Group	
	2014/15	2013/14
	£000	£000
Rental income from investment property	(1,961)	(1,736)
Direct operating expenses arising from investment property	451	569
Net gain	(1,510)	(1,167)

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	
	2014/15	2013/14
	£000	£000
Balance at beginning of the year	**28,364**	**22,875**
Additions:		
- Purchases	51	731
- Subsequent expenditure	-	-
Net gains/(losses) from fair value adjustments	(377)	(3,131)
Adjustment		
Transfers:		
- To/From Property, Plant and Equipment	(1,592)	7,617
- From Heritage Assets	-	307
- To assets for sale	(100)	(35)
Disposals	(1,617)	-
Balance at end of the year	**24,729**	**28,364**

13 Heritage Assets

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

Details of the Council's heritage assets at 31 March 2015 are as follows:

	GCC and Group	
	2014/15 £'000	**2013/14 £'000**
Oil paintings	1,178	1,178
Coins	247	247
Archaeology	976	976
Silver	648	648
Domestic life exhibits	314	314
Furniture	273	273
Working life exhibits	187	187
Blackfriars Inn	-	-
Miscellaneous items	2,399	2,283
Total	**6,222**	**6,106**
At valuation	5,958	5,842
At cost	264	264
Total	**6,222**	**6,106**

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

	GCC and Group			
	2014/15	**2013/14**	**2012/13**	**2011/12**
	£000	**£000**	**£000**	**£000**
Balance at beginning of the year	**6,106**	**6,280**	**5,415**	**5,375**
Revaluation surplus/(deficit)	(40)	-	**467**	-
Reclassified to investment property	-	(307)	**-**	-
Additions	156	133	398	40
Balance at end of the year	**6,222**	**6,106**	**6,280**	**5,415**

14 INTANGIBLE ASSETS

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

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

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

Movements in intangible assets during the year are shown below:

	Computer Software	
	2014/15 £'000	2013/14 £'000
Gross book value at the beginning of the year	**3,949**	**3,697**
Additions	25	252
Gross book value at the end of the year	**3,974**	**3,949**
Amortisation at the beginning of the year	**2,444**	**2,049**
Amortised during year	449	395
Amortisation at the end of the year	**2,893**	**2,444**
Net book value at the end of the year	**1,081**	**1,505**

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

	Internally Generated Assets £000	Other Assets £000	2014/15 Total £000	Internally Generated Assets £000	Other Assets £000	2013/14 Total £000
Balance at the beginning of the year:						
- Gross carrying amounts	883	3,066	3,949	735	2,962	3,697
- Accumulated amortisation	60	2,384	2,444	40	2,009	2,049
- Net carrying amount	823	682	1,505	695	953	1,648
Movement in 2014/15						
Additions:						
- Internal development	25	-	25	148	-	148
- Purchases	-	-	-	-	104	104
Amortisation for the period	20	429	449	20	375	395
Net carrying amount at the end of the year	**828**	**253**	**1,081**	**823**	**682**	**1,505**
Comprising:						
- Gross carrying amounts	908	3,066	3,974	883	3,066	3,949
- Accumulated amortisation	80	2,813	2,893	60	2,384	2,444
	828	**253**	**1,081**	**823**	**682**	**1,505**

15 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	GCC				GROUP			
	Long-term		Current		Long-term		Current	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000	£000	£000	£000	£000
Investments								
Loans and receivables	495	495	8,139	132	60	60	8,139	132
Available-for-sale financial assets	-	`	-	-	-	-	-	-
Unquoted equity investment at cost	-	-	-	-	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-	-
Total Investments	495	495	8,139	132	60	60	8,139	132
Debtors								
Loans and receivables	1,199	1,363	9,289	10,537	1,199	1,363	9,289	10,870
Financial assets carried at contract amounts	-	-	-	-	-	-	-	-
Total Debtors	1,199	1,363	9,289	10,537	1,199	1,363	9,289	10,870
Borrowings								
Financial liabilities at amortised cost	(30,000)	(55,599)	(13,997)	(15,543)	(30,000)	(55,599)	(13,997)	(12,092)
Total borrowings	(30,000)	(55,599)	(13,997)	(15,543)	(30,000)	(55,599)	(13,997)	(12,092)
Creditors								
Financial liabilities at amortised cost	-	-	(5,572)	(7,848)	-	-	(5,572)	(9,349)
Financial liabilities carried at contract amount	-	-	-	-	-	-	-	-
Total creditors	-	-	(5,572)	(7,848)	-	-	(5,572)	(9,349)

Income, Expenses, Gains and Losses-GCC

	2014/15					2013/14				
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair value through Profit and Loss	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair value through Profit and Loss	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	2,599	-	-	-	2,599	2,540	-	-	-	2,540
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Increases/(Reductions) in fair value	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Fee expense	-	-	-	-	-	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	**2,599**	**-**	**-**	**-**	**2,599**	**2,540**	**-**	**-**	**-**	**2,540**
Interest income	-	57	-	-	57	-	126	-	-	126
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-	-	-
Increases/(Reductions) in fair value	-	-	-	-	-	-	-	-	-	-
Gains on derecognition	-	-	-	-	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-	-	-
Total Income in Surplus or Deficit on the Provision of Services	**-**	**57**	**-**	**-**	**57**	**-**	**126**	**-**	**-**	**126**
Gains on revaluation	-	-	-	-	-	-	-	-	-	-
Losses on revaluation	-	-	-	-	-	-	-	-	-	-
Net gain/(loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

15 FINANCIAL INSTRUMENTS (Continued)

Fair Values of Assets and Liabilities

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

- Estimated ranges of interest rates at 31 March 2015 are 3.23% to 3.66% for loans based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	2014/15		2013/14	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities				
Long-term Borrowings	(30,000)	(34,535)	(55,599)	(58,112)
Short-term Borrowings	(13,997)	(13,997)	(15,543)	(15,543)
Short-term Creditors	(5,572)	(5,572)	(7,848)	(7,848)

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.

	2014/15		2013/14	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Assets				
Long-term Investments	495	495	495	495
Short-term Investments	8,139	10,983	132	132
Long-term Debtors	1,199	1,199	1,363	1,363
Short-term Debtors	9,289	9,289	10,537	10,537

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

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

16 ASSETS HELD FOR SALE (GCC and Group)

	Current		Non-Current	
	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000
Balance at the beginning of the year	79	400	-	-
Transfer to Council dwellings	-	(20)	-	-
Disposals	(50)	(380)	-	-
Loss on revaluation	-	(5)	-	-
Assets newly classified as held for sale				
-Council dwellings	-	-	-	-
-Other land and buildings	-	49	-	-
-Investment property	100	35	-	-
Balance at the end of the year	129	79	-	-

NOTES TO THE CORE FINANCIAL STATEMENTS

17 INVENTORIES

	GCC and Group	
	2014/15	2013/14
	£000	£000
Consumable stores		
Balance outstanding at start of year	184	161
Purchased	54	23
Consumed	(138)	-
Balance outstanding at year-end	**100**	**184**

18 CONSTRUCTION CONTRACTS

At 31 March 2015 the Council and Group had no construction contracts in progress.

19 DEBTORS

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

	GCC		Group	
	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000
Central government bodies	640	939	640	939
Other Local authorities	1,763	3,030	1,763	3,030
NHS bodies	-	-	-	-
Public corporations and trading funds	-	-	-	-
Other entities and individuals	6,886	6,568	6,886	6,901
Total debtors	**9,289**	**10,537**	**9,289**	**10,870**

19(i) Long Term Debtors

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

	GCC and Group	
	2014/15	2013/14
	£'000	£'000
Mortgages to former tenants	-	2
Mortgages to private persons	-	-
Loans to vulnerable people for house renovations	88	84
Staff loans	1	-
Loans to Gloucestershire Airport Ltd-see below	1,004	1,187
Other loans	106	90
Total	**1,199**	**1,363**

Gloucestershire Airport loan details :-

	Current Interest Rate (%)	GCC and Group	
		2014/15	2013/14
		£'000	£'000
10 Year loan			
Balance at 31 March	1.8	977	1,089
Less:Amount repayable within twelve months included in short-term debtors		(113)	(112)
		864	977
The loan bears interest at 1.8% and is repayable in 6-monthly instalments of £65,831 including interest.			
5 Year loan			
Balance at 31 March	1.5	210	280
Less:Amount repayable within twelve months included in short-term debtors		(70)	(70)
		140	210
The loan bears interest at 1% above base rate and is repayable in monthly instalments of £5,833 per month excluding interest.			
Indefinite period loan	1.5	-	-
Total		**1,004**	**1,187**

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

20 CASH AND CASH EQUIVALENTS

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

	GCC		Group	
	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000
Cash held by the Council	6	5	6	5
Bank current accounts	7,550	2,178	7,550	2,182
Cash in Transit	-	-	-	17
Short-term deposits with building societies	19,000	-	19,000	-
Total Cash and Cash Equivalents	**26,556**	**2,183**	**26,556**	**2,204**

NOTES TO THE CORE FINANCIAL STATEMENTS

21 SHORT-TERM CREDITORS

	GCC		Group	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Central Government Bodies	852	1,864	852	2,082
Other Local Authorities	1,241	998	1,241	998
Other Entities & Individuals	14	0	14	0
Council Taxpayers	134	1,290	134	1,290
Business Ratepayers	357	0	357	0
Sundry creditors	2,974	3,696	2,974	4,979
Total	**5,572**	**7,848**	**5,572**	**9,349**

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

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

21(i) Short Term Borrowings

	GCC		Group	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000
Gloucester City Homes Limited - short-term loan	-	3,451	-	-
Aspire Sports and Cultural Trust	3	3	3	3
Charity deposits	199	197	199	197
Short-term borrowings with other local authorities	13,500	11,700	13,500	11,700
Accrued interest on short-term and long-term borrowings	295	192	295	192
PWLB loans repayable within one year	-	-	-	-
	13,997	**15,543**	**13,997**	**12,092**

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

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

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

An analysis of loans by lender is as follows:

	Interest Rate (%)	2014/15 Amortised Cost £000	2014/15 Fair Value £000	2013/14 Amortised Cost £000	2013/14 Fair Value £000
PWLB	-	-	-	25,599	29,659
Less: Amount repayable within twelve months included in short-term borrowings (Refer to note 21(i))		-	-	-	-
		-	-	25,599	29,659
Barclays	3.89 - 3.99	20,000	22,986	20,000	18,858
BAE Systems	3.95 - 4.00	10,000	11,549	10,000	9,595
Total		**30,000**	**34,535**	**55,599**	**58,112**

The loans are reflected in the balance sheet at amortised cost. The fair value of the Barclays and BAE Systems loans are the cost of settling the liabilities at the balance sheet date 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.

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

	2014/15 £000	2013/14 £000
Between 1 and 2 years	-	4,000
Between 2 and 5 years	-	6,000
Between 5 and 10 years	-	2,500
More than 10 years	30,000	43,099
	30,000	**55,599**

The 2015 amounts have been calculated by reference to the premature repayment set of interest rates in force on 31 March 2015 (Source: Public Works Loan Board).

Barclays details

Loan No.	Loan Amount	Start Date	Interest Rate	End Date	Lender Option Borrower Option(LOBO) Details
1	£5,000,000	07/05/2010	3.89%	07/05/2040	LOBO effective 08/05/2022 & 10 yearly thereafter
2	£5,000,000	10/05/2010	3.99%	10/05/2040	LOBO effective 10/05/2022 & 10 yearly thereafter
3	£5,000,000	11/05/2010	3.89%	11/05/2040	LOBO effective 11/05/2022 & 10 yearly thereafter
4	£5,000,000	12/05/2010	3.99%	12/05/2040	LOBO effective 13/05/2022 & 10 yearly thereafter

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

NOTES TO THE CORE FINANCIAL STATEMENTS

22 PROVISIONS (GCC and Group)

Provisions more than 1 year

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

	GCC and Group	
	Injury and Damage Compensation Claims	**Total**
	£000	**£000**
Balance at 1 April 2014	214	214
Additional provisions made in 2014/15	216	216
Amounts utilised in 2014/15	(197)	(197)
Balance at 31 March 2015	**233**	**233**
Consists of:		
Insurance claims provision	233	233
Balance at 31 March 2015	**233**	**233**

Insurance and Injury Compensation Claims Provision

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

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

Provisions less than 1 Year

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

	GCC and Group		
	NNDR Appeals	**Other Provisions**	**Total**
		£000	**£000**
Balance at 1 April 2014	433	83	516
Additional provisions made in 2014/15	550	347	897
Amounts used in 2014/15	(464)	(83)	(547)
Balance at 31 March 2015	**519**	**347**	**866**
Consists of:			
NNDR Appeals	519	-	519
Pension Provision	-	77	77
Legal Services provision	-	158	158
Accumulated Absence provision	-	112	112
Balance at 31 March 2015	**519**	**347**	**866**

Legal Service Provision

The Legal Services provision relates to ongoing litigation claims against the Council, these are likely to be resolved within 1 year.

Accumulated Absences Provision

This is the value of holiday and flexi outstanding at 31 March 2015. This is a short term provision for less than a year.

NNDR Appeals Provision

This provision covers the estimated cost to the Council resulting from appeals by ratepayers against their rateable value.

Pension Provision

This provision relates to costs associated with staff who transferred to Gloucester City Homes where the Council retains liability.

23 USABLE RESERVES

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

24 UNUSABLE RESERVES

	GCC 2014/15 £000	Group 2014/15 £000	GCC 2013/14 £000	Group 2013/14 £000
Revaluation Reserve	20,401	29,478	21,131	30,208
Pensions Reserve	(65,088)	(66,253)	(61,407)	(64,951)
Capital Adjustment Account	44,139	50,426	104,513	110,800
Deferred Capital Receipts Reserve	76	76	85	85
Financial Instruments Adjustment Account	(413)	(413)	(543)	(543)
Collection Fund Adjustment Account	(428)	(428)	(177)	(177)
Short-term Accumulating Compensated Absences Account	(112)	(112)	(83)	(83)
Total Unusable Reserves	**(1,425)**	**12,774**	**63,519**	**75,339**

(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.

	2014/15 £000 General	2014/15 £000 HRA	2014/15 £000 Total	2013/14 £000 General	2013/14 £000 HRA	2013/14 £000 Total
Balance at 1 April	**20,474**	**657**	**21,131**	**21,020**	**657**	**21,677**
Upward revaluation of assets	242	-	**242**	-	-	-
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(4)	-	**(4)**	-	-	-
Surplus on revaluation of assets	**20,712**	**657**	**21,369**	**21,020**	**657**	**21,677**
Difference between fair value depreciation and historical cost depreciation	(509)	(8)	**(517)**	-	**-**	**-**
Accumulated gains on assets sold or scrapped	-	(451)	**(451)**	(483)	**-**	**(483)**
Amount written off to the Capital Adjustment Account	-	-	**-**	(63)	-	**(63)**
Transferred as a result of the stock transfer	198	(198)	**-**	-	-	-
Balance at 31 March	**20,401**	**0**	**20,401**	**20,474**	**657**	**21,131**

(ii) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Notes 6 & 7 provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	GCC Only	
	2014/15 £000	2013/14 £000
Balance at 1 April	**104,513**	**108,786**
Reversal of items relating to capital expenditure debited or credited to the CIES		
Charges for depreciation and impairment of non current assets	(4,839)	(4,884)
Revaluation losses on Property, Plant and Equipment and assets held for sale	(2,943)	(5)
Amortisation of intangible assets	(449)	(395)
Revenue expenditure funded from capital under statute	(1,381)	(1,083)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(125,501)	(1,483)
	(30,600)	**100,936**
Adjusting amounts written out of the Revaluation Reserve	968	546
Net written out amount of the cost of non-current assets consumed in the year	**(29,632)**	**101,482**
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	2,142	2,774
Capital Receipts applied to HRA CFR	62,750	
HRA Revenue for prior year CFR	1,035	
Use of the Major Repairs Reserve to finance new capital expenditure	2,022	2,100
Capital grants and contributions credited to the CIES that have been applied to capital financing and application of grants to capital financing from the Capital Grants Unapplied Account	906	824
Direct Revenue Financing	4,783	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	510	464
	44,516	**107,644**
Movements in the market value of Investment Properties debited or credited to the CIES	(377)	(3,131)
Balance at 31 March	**44,139**	**104,513**

24 UNUSABLE RESERVES (CONTINUED)

(iii) Financial Instruments Adjustment Account

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

	2014/15 £000	2013/14 £000
Balance at 1 April	**(543)**	**(551)**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	130	8
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	130	8
Balance at 31 March	**(413)**	**(543)**

(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.

	2014/15 £000	2013/14 £000
Balance at 1 April	**(61,407)**	**(57,486)**
Re-measurement of the net defined benefit liability	(4,577)	(3,367)
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	(3,860)	(3,932)
Employer's pensions contributions and direct payments to pensioners payable in the year	4,756	3,378
Balance at 31 March	**(65,088)**	**(61,407)**

24 UNUSABLE RESERVES (CONTINUED)

(v) Deferred Capital Receipts Reserve

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

	2014/15 £000	2013/14 £000
Balance at 1 April	**85**	**94**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Transfer to the Capital Receipts Reserve upon receipt of cash	(9)	(9)
Balance at 31 March	**76**	**85**

(vi) Collection Fund Adjustment Account

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

	2014/15 £000	2013/14 £000
Balance at 1 April	**(177)**	**(27)**
Amount by which Council Tax and Non-Domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non-Domestic rates income calculated for the year in accordance with statutory requirements	(251)	(150)
Balance at 31 March	**(428)**	**(177)**

(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.

	2014/15 £000	2013/14 £000
Balance at 1 April	**(83)**	**(109)**
Settlement or Cancellation of Accrual made at the end of the preceding year	83	109
Amounts accrued at the end of the current year	(112)	(83)
Balance at 31 March	**(112)**	**(83)**

25 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	Council 2014/15 £000	Group 2014/15 £000	Council 2013/14 £000	Group 2013/14 £000
(Deficit)/surplus on Provision of Services	**(59,196)**	**(59,157)**	**(2,381)**	**(2,260)**
Adjustments in respect of non-cash movements				
Share of surplus/(deficit) on provision of services of associates and joint ventures	-	(80)	-	(12)
Share of other comprehensive loss/(income) of associates and joint ventures	-		-	(20)
Depreciation of property, plant and equipment	4,839	4,872	4,884	4,899
Revaluation losses charged to net cost of services	3,320	3,320	3,136	3,136
Amortisation of intangible assets	449	449	395	510
Balances removed by disposal of subsidiary		1,167		
Decrease/(Increase) in short-term debtors	1,248	1,580	1,972	2,267
Increase in short-term creditors	(2,275)	(3,777)	199	1,019
Decrease/(Increase) in long-term debtors	164	164	335	335
(Increase)/decrease in inventories	84	84	(23)	(23)
(Decrease) in provisions	802	802	(83)	(83)
Carrying amount of non-current assets and non-current assets held for sale sold	125,501	125,501	1,482	1,482
Net book value of property, plant and equipment of subsidiary de-consolidated			-	-
Adjustment in respect of pension fund deficit	(895)	(895)	554	820
	133,237	**133,187**	**12,851**	**14,330**
Adjustment for items that are investing and financing activities				
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(71,431)	(71,431)	(2,178)	(2,178)
Capital Grants credited to CIES	(1,548)	(1,548)	(22)	(22)
	(72,979)	**(72,979)**	**(2,200)**	**(2,200)**
Net Cash flows from Operating Activities	**1,062**	**1,051**	**8,270**	**9,870**
The cash flows from operating activities include the following items:				
Interest received	49	76	126	126
Interest paid	(2,505)	(2,505)	(3,252)	(3,216)

26 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	Council 2014/15 £000	Group 2014/15 £000	Council 2013/14 £000	Group 2013/14 £000
Purchase of property, plant and equipment, investment property and intangible assets	(14,719)	(14,719)	(9,254)	(9,660)
Purchase of short-term and long-term investments	-	-	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	34,482	34,482	2,178	2,179
Proceeds from short-term and long-term investments	(8,007)	(8,007)	5,367	5,398
Capital Grants Received	1,751	1,751	-	-
Net cash flows from investing activities	**13,507**	**13,507**	**(1,709)**	**(2,083)**

27 CASH FLOW STATEMENT – FINANCING ACTIVITIES

	Council 2014/15 £000	Group 2014/15 £000	Council 2013/14 £000	Group 2013/14 £000
Cash receipts of short- and long-term borrowing	24,955	24,955	-	-
Repayments of short- and long-term borrowing	(15,151)	(15,151)	(5,790)	(7,112)
Net cash flows from financing activities	**9,804**	**9,804**	**(5,790)**	**(7,112)**

28 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

(i) Directorate Income and Expenditure 2014/15

	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	(176)	(1,613)	(7,053)	(2,540)	(18,569)	(998)	(30,949)
Government grants	-	(108)	(29)	-	-	(46,018)	(46,155)
Total Income	**(176)**	**(1,721)**	**(7,082)**	**(2,540)**	**(18,569)**	**(47,016)**	**(77,104)**
Employee expenses	794	3,329	4,841	200	133	1,004	10,301
Other service expenses	1,391	9,597	17,273	2,255	21,345	47,167	99,028
Support service recharges	(782)	(7,266)	(1,509)	-	31	(108)	(9,634)
Total Expenditure	**1,403**	**5,660**	**20,605**	**2,455**	**21,509**	**48,063**	**99,695**
Net Expenditure	**1,227**	**3,939**	**13,523**	**(85)**	**2,940**	**1,047**	**22,591**

(ii) Directorate Income and Expenditure 2013/14

	CORPORATE AND DEMOCRATIC CORE	CENTRAL SERVICES	CULTURAL, ENVIRON, PLAN SERVICES	HIGHWAYS, ROADS, TRANS SERVICES	HOUSING REVENUE ACCOUNT	HOUSING SERVICES	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(144)	(1,461)	(6,436)	(2,837)	(19,710)	(888)	**(31,476)**
Government grants	-	(104)	(51)	-	-	(46,361)	**(46,516)**
Total Income	**(144)**	**(1,565)**	**(6,487)**	**(2,837)**	**(19,710)**	**(47,249)**	**(77,992)**
Employee expenses	1,088	3,551	4,941	156	12	948	**10,696**
Other service expenses	1,594	9,959	18,208	2,571	12,694	47,623	**92,649**
Support service recharges	(881)	(8,634)	(1,865)	(34)	-	(136)	**(11,550)**
Total Expenditure	**1,801**	**4,876**	**21,284**	**2,693**	**12,706**	**48,435**	**91,795**
Net Expenditure	**1,657**	**3,311**	**14,797**	**(144)**	**(7,004)**	**1,186**	**13,803**

(iii) Group Income and Expenditure 2014/15

	Directorate Analysis	Subsidiaries Analysis	Group Total
	£000	£000	£000
Fees, charges & other service income	(30,949)	386	**(30,563)**
Government grants	(46,155)	-	**(46,155)**
Total Income	**(77,104)**	**386**	**(76,718)**
Employee expenses	10,301	3,656	**13,957**
Other service expenses	99,028	(4,160)	**94,868**
Support service recharges	(9,634)	-	**(9,634)**
Total Expenditure	**99,695**	**(504)**	**99,191**
Net Expenditure	**22,591**	**(118)**	**22,473**

(iv) Group Income and Expenditure 2013/14

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

28 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)

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

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

	31/03/2015 £000	31/03/2014 £000
Net expenditure in the Directorate Analysis	22,591	13,803
Add Services not included in main analysis	1	1
Add amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	36,604	(11,423)
Less amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-	-
Cost of Services in Comprehensive Income and Expenditure Statement	**59,196**	**2,381**

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

	31/03/2015 £000	31/03/2014 £000
Net expenditure in the Group Analysis	22,473	13,624
Add Services not included in Group Analysis	1	1
Add amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	36,683	(11,365)
Less amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-	-
Cost of Services in Comprehensive Income and Expenditure Statement	**59,157**	**2,260**

29 RECONCILIATION TO SUBJECTIVE ANALYSIS

29 (i) Reconciliation to Subjective Analysis-Council

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

2014/15	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(30,949)	-	-	-	-	(30,949)	-	(30,949)
Interest and investment income	-	-	-	-	-	-	(1,567)	(1,567)
Income from council tax,	-	-	-	-	-	-	(6,455)	(6,455)
Government grants and contributions	(46,155)	-	-	-	-	(46,155)	(11,892)	(58,047)
Total Income	**(77,104)**	**-**	**-**	**-**	**-**	**(77,104)**	**(19,914)**	**(97,018)**
Employee expenses	10,301	-	-	-	-	10,301	-	10,301
Other service expenses	99,028	-	-	-	-	99,028	1	99,029
Support service recharges	(9,634)	-	-	-	-	(9,634)	-	(9,634)
Losses arising on revaluation of non-current assets	-	-	-	-	-	-	3,320	3,320
Repayment of capital grants	-	-	-	-	-	-	(8)	(8)
Interest payments	-	-	-	-	-	-	5,074	5,074
Precepts & Levies	-	-	-	-	-	-	227	227
Payment to housing capital receipts pool	-	-	-	-	-	-	209	209
Gain or Loss on disposal of non-current assets	-	-	-	-	-	-	345	345
Gain or Loss on disposal of HRA assets	-	-	-	-	-	-	47,351	47,351
Total expenditure	**99,695**	**-**	**-**	**-**	**-**	**99,695**	**56,519**	**156,214**
Surplus or deficit on the provision of services	**22,591**	**-**	**-**	**-**	**-**	**22,591**	**36,605**	**59,196**

2013/14 Comparative Figures

2013/14	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(31,476)	-	-	-	-	(31,476)	-	(31,476)
Interest and investment income	-	-	-	-	-	-	(1,293)	(1,293)
Income from council tax,	-	-	-	-	-	-	(6,401)	(6,401)
Government grants and contributions	(46,516)	-	-	-	-	(46,516)	(11,692)	(58,208)
Total Income	**(77,992)**	**-**	**-**	**-**	**-**	**(77,992)**	**(19,386)**	**(97,378)**
Employee expenses	10,696	-	-	-	-	10,696	-	10,696
Other service expenses	92,649	-	-	-	-	92,649	1	92,650
Support service recharges	(11,550)	-	-	-	-	(11,550)	-	(11,550)
Impairments arising on revaluation of non-current assets	-	-	-	-	-	-	3,136	3,136
Interest payments	-	-	-	-	-	-	5,081	5,081
Precepts & Levies	-	-	-	-	-	-	196	196
Payment to housing capital receipts pool	-	-	-	-	-	-	245	245
Gain or Loss on disposal of non-current assets	-	-	-	-	-	-	(76)	(76)
Gain or Loss on disposal of HRA assets	-	-	-	-	-	-	(619)	(619)
Total expenditure	**91,795**	**-**	**-**	**-**	**-**	**91,795**	**7,964**	**99,759**
Surplus or Deficit on the Provision of Services	**13,803**	**-**	**-**	**-**	**-**	**13,803**	**(11,422)**	**2,381**

29 RECONCILIATION TO SUBJECTIVE ANALYSIS (Continued)

29 (ii) Reconciliation to Subjective Analysis - Group

2014/15	Directorate Analysis	Subsidiaries Analysis	Total
	£000	£000	£000
Fees, Charges & Other Service income	(30,949)	386	(30,563)
Interest and Investment income	(1,567)	(5)	(1,572)
Income from council tax	(6,455)	-	(6,455)
Government Grants and Contributions	(58,047)	-	(58,047)
Total Income	**(97,018)**	**381**	**(96,637)**
Employee expenses	10,301	3,656	13,957
Other service expenses	99,029	(4,160)	94,869
Support service recharges	(9,634)	-	(9,634)
Losses arising on revaluation of non-current assets	3,320	-	3,320
Repayment of capital grants	(8)	-	(8)
Interest Payments	5,074	84	5,158
Precepts & Levies	227	-	227
Payments to Housing Capital Receipts Pool	209	-	209
Gain or Loss on Disposal of non-current assets	345	-	345
Gain or Loss on disposal of HRA assets	47,351	-	47,351
Total expenditure	**156,214**	**(420)**	**155,794**
Surplus or deficit on the provision of services	**59,196**	**(39)**	**59,157**

2013/14 Comparative Figures

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

30 ACQUIRED, DISCONTINUED AND TRANSFERRED OPERATIONS

The Authority transferred its council housing stock and related functions in March 2015 to Gloucester City Homes. The operations transferred are reported through supplementary statements and notes per pages 85 to 87 to the Accounts.

31 TRADING OPERATIONS

The council operates a number of services on a trading basis including the commercial estates and markets. The income and expenditure relating to these operations are shown below.

	2014/15			2013/14		
	£000	£000	£000	£000	£000	£000
	Income	Expenditure	Net	Income	Expenditure	Net
City Estates	1,584	212	(1,372)	1,471	923	(548)
St.Oswald's Park	10	-	(10)	11	6	(5)
Eastgate Market	353	194	(159)	363	289	(74)
Other markets	100	73	(27)	34	12	(22)
Lettings & Catering Services	317	225	(92)	86	873	787
Legal & Office Services	-	-	-	107	248	141
Total	**2,364**	**704**	**(1,660)**	**2,072**	**2,351**	**279**

The expenditure of these operations is allocated or recharged to headings in the Comprehensive Income and Expenditure Statement.

	2014/15 £000	2013/14 £000
Net Deficit/(surplus) on Trading Operations	(1,660)	279
Services to the public included in Expenditure of Continuing Operations	-	-
Support services recharged to Expenditure of Continuing Operations	346	263
Net Deficit credited to Other Operating Expenditure	**(1,314)**	**542**

32 AGENCY SERVICES

The Council provides creditor services for Aspire Sports and Cultural Trust. Charges are made based on a service level agreement.

	2014/15 £000	2013/14 £000
Expenditure incurred in providing creditor services to Aspire Sports and Cultural Trust	14	14
Management fee payable by Aspire	(14)	(14)
Net Surplus arising on the agency arrangement	-	-

33 MEMBERS' ALLOWANCES

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

	2014/15 £000	2013/14 £000
Allowances	290	290
Expenses	1	2
Total	**291**	**292**

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

34 OFFICERS' REMUNERATION

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

Senior Officer	Chief Executive		Corporate Director of Services & Neighbourhoods		Corporate Director (from March 2015)	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
Salary, fees & allowances	-	£113,630	£94,109	£78,255	£6,702	-
Bonuses	-	-	-	-	-	-
Expenses allowance	-	-	-	-	-	-
Compensation for loss of employment	-	£121,278	-	-	-	-
Employer's pension contribution	-	£17,044	£14,116	£11,738	£1,005	-
Any other emoluments	-	-	-	-	.	-
Total	**£0**	**£251,952**	**£108,225**	**£89,993**	**£7,708**	**£0**

Senior Officer continued	Corporate Director of Resources Section 151 Officer (until June 2014)		Head of Finance - Section 151 Officer (from June 2014)	
	2014/15	2013/14	2014/15	2013/14
Salary, fees & allowances	£22,523	£78,255	£55,476	-
Bonuses	-	-	-	-
Expenses allowance	-	-	-	-
Compensation for loss of employment	-	-	-	-
Employer's pension contribution	£3,778	£11,738	£8,321	-
Any other emoluments	-	-	-	-
Total	**£26,301**	**£89,993**	**£63,798**	**£0**

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

Remuneration Band	Number of Employees	
	2014/15	2013/14
£50,000 to £54,999	1	3
£55,000 to £59,999	2	-
£60,000 to £64,999	-	-
£65,000 to £69,999	1	-
£70,000 to £74,999	1	1

35 EXTERNAL AUDIT COSTS

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

	2014/15 £'000	2013/14 £'000
Fees payable to the Audit Commission (KPMG LLP) for		
- External audit services	86	128
- Certification of grant claims and returns	9	15
- Additional audit services	1	
Total audit fees	**96**	**143**

36 GRANT INCOME (GCC and Group)

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

	2014/15 £'000	2013/14 £'000
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant	(3,800)	(4,864)
Capital Grants	(1,560)	(926)
Council Tax Freeze	(74)	(73)
New Homes Bonus	(2,543)	(2,054)
Business Rates Section 31 Grant	(691)	(342)
Business Support Grant	-	(35)
Transparency Grant	(6)	(3)
	(8,674)	(8,297)
Credited to Services		
Homelessness and other housing	(26)	(230)
Mandatory Rent Allowances, Council Tax Benefits and Administration	(34,455)	(34,562)
Rent Rebates	(11,563)	(11,647)
Community Grants	(68)	(59)
Other	(135)	(155)
	(46,247)	(46,653)
Total grants	**(54,921)**	**(54,950)**

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

Long-term Liabilities

	31/03/2015 £'000	31/03/2014 £'000
Capital Grants Received in Advance (GCC and Group)		
Bodium Avenue	35	-
Coney Hill South	56	56
Cotswold View	271	259
Flood income	25	-
Green Farm	81	74
48 The Wheatridge	-	337
British Energy	150	150
Hempsted Grange	143	143
Hammersons	90	55
Railway Triangle	2	-
St Oswalds	95	-
Travis Perkins	451	451
Tolsey Gardens	31	-
Linden Homes	-	44
Open Space	-	40
Davies & Partners	375	-
Other contributions	694	687
Total	**2,499**	**2,296**

There are no capital grants received in advance that are classified as current liabilities. At 31 March 2015 revenue grants received in advance were £167k and these are included in short-term creditors.

37 RELATED PARTIES

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

Central Government
Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits etc.). Grants received from Government departments are set out in the subjective analysis in Note 29 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2015 are shown in Note 36.

Members
Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 33. During 2014/15 works and services to the value of £18.732 million (2013/14:£17.172 million) were commissioned from companies in which 10 members had an interest.
Contracts were entered into in full compliance with the Council's standing orders and the relevant members did not take part in any discussion or decision relating to the these transactions. Details of all these transactions are recorded in the Register of Members' Interests which is open to public inspection at the North Warehouse during office hours.

Officers
During 2014/15 works and services to the value of £17.761 million (2013/14: £16.664 million) were commissioned from companies in which 2 officers had an interest. Those entities include Gloucester City Homes and Marketing Gloucester (detailed in the table below).

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

	2014/15			2013/14		
	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	-	(3,800)	1	-	(4,864)
Other Government grants	1	-	(3,463)	1	-	(2,689)
Council Tax and Housing Benefit grants	1	-	(46,005)	1		(46,256)
NNDR	1	25,885	-	1	24,800	-
Other Local and Police Authorities						
Precepts	2	50,191	-	2	49,472	-
Gloucestershire County Council						
Pension Fund contributions	7	4,756	-	6	3,378	-
Gloucestershire Airport Limited						
Loan interest and rents	5	-	(48)	4	-	(38)
Quedgeley Parish Council	1	227	-	1	196	-
Others						
Gloucester Law Centre	1	103		3	127	-
Abbeydale Community Association	1	-	-	2	1	-
GL Communities	-	-	-	2	32	-
Citizens Advice Bureau	-	-	-	2	144	-
Gloucester City Homes	6	17,557	(223)	6	15,698	(303)
Marketing Gloucester Limited	2	204	-	1	204	-
Aspire Sports and Cultural Trust	2	868	(497)	3	966	(527)

Amounts due to or from related parties included in debtors and creditors as at 31 March 2015:

	2014/15 £'000	2013/14 £'000
Short-term Debtors	2,832	2,879
Short-term Investments	97	97
Long-term Debtors	1,074	1,187
Short-term Creditors	2,926	4,277
Short-term Borrowings	13,503	15,154

38 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2014/15	2013/14
	£000	£000
Opening Capital Financing Requirement	**80,875**	**76,700**
Capital investment		
- Property, Plant and Equipment and heritage assets	14,643	8,271
- Investment Properties	51	731
- Intangible Assets	25	252
- Long Term Loans	10	-
- Revenue Expenditure Funded from Capital under Statute (REFCUS)	1,381	1,083
	96,985	**87,037**
Sources of finance		
- Usable Capital Receipts	(2,142)	(2,774)
- Capital Grants and Contributions	(906)	(824)
- Major Repairs Reserve	(2,022)	(2,100)
- Revenue Financing	(4,783)	-
Housing Stock Transfer	(62,750)	-
Capital receipts to repay prior year HRA CFR	(1,035)	-
Revenue Provision (including Minimum Revenue Provision)	(510)	(464)
Closing Capital Financing Requirement	**22,837**	**80,875**
Explanation of movements in year		
Increase in underlying need to borrow for capital investment:		
- Supported by Government financial assistance	-	-
- Unsupported by Government financial assistance	6,257	4,639
Amounts 'set aside' for debt repayment	(1,545)	(464)
Housing Stock Transfer	(62,750)	-
Increase in Capital Financing Requirement	**(58,038)**	**4,175**

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

39 LEASES

(i) GCC as Lessor

Finance Leases

The Council has two finance leases. The rental for both leases was paid at inception with the exception of an annual rental of £1 per annum. Accordingly there are no minimum lease payments outstanding at 31 March 2015.

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

Operating Leases

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

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

Rentals received during the year and included in the net cost of services were £1.536 million (2013/14:£1.507 million). The future minimum lease payments receivable under non-cancellable leases in future years are as follows:

	2014/15	2013/14
	£'000	£'000
Not later than 1 year	1,657	1,589
Later than 1 year and not later than 5 years	5,615	5,831
Later than 5 years	170,466	168,709
Total	**177,738**	**176,129**

39 LEASES (Continued)

(ii) GCC as Lessee

Operating Leases

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

Total lease payments were £0.500 million in 2014/15 (2013/14 :£0.579 million) made up as follows:

	2014/15	2013/14
	£'000	£'000
Minimum lease payments	500	579
Contingent rentals	-	-
Sub-lease payments receivable	-	-
Total	**500**	**579**

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

	2014/15	2013/14
	£'000	£'000
Not later than 1 year	492	472
Later than 1 year and not later than 5 years	1,770	1,800
Later than 5 years	32,922	33,344
Total	**35,185**	**35,616**

Finance Leases

The Council does not have any finance leases as lessee.

40 REVALUATION LOSSES

The Code requires disclosure by class of assets of the amounts for revaluation losses and reversals charged or credited to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 11,12, 13 and 14 reconciling the movement over the year in the Property, Plant and Equipment, Investment Property, Heritage assets and Intangible Asset balances.

41 CAPITALISATION OF BORROWING COSTS

No borrowing costs were capitalised during the year.

42 TERMINATION BENEFITS

Details of termination benefits paid in 2014/15 are as follows:

	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	Number	Number	Number	Number	Number	Number	£'000	£'000
Less than £20,000	-	-	2	7	2	7	20	68
Between £20,000 and £40,000	2	-	3	7	5	7	134	196
Between £40,000 and £60,000	-	-		-	-	-		-
Between £60,000 and £80,000	-	-	1	-	1	-	62	-
Between £80,000 and £100,000	-	-		-	-	-		-
Between £100,000 and £150,000	-	-		1	-	1		121
Total	2	-	6	15	8	15	216	385

43 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

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

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

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

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions, however, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Account	**2014/15 £000**	**2013/14 £000**
Net Cost of Services :		
Current service cost (apportioned across services)	1,543	1,391
Effects of settlements	(131)	
Settlements and Curtailments (included in Non-Distributed costs)	-	-
Financing and Investment Income and Expenditure		
Net interest expense	2,448	2,541
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3,860	3,932
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
-Return on plan assets (excluding the amount included in the net interest expense)	7,077	(1,501)
-Actuarial gains/(losses) arising from changes in demographic assumptions	-	(2,005)
-Actuarial gains/(losses) arising from business combination and disposal	(1,214)	-
-Actuarial gains/(losses) arising from changes in financial assumptions	(11,791)	(2,844)
-Other	1,351	2,983
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(717)	565
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(3,860)	(3,932)
Actual amount charged against the General Fund Balance for pensions in the year:		
- employer's contributions payable by the general fund to the scheme	4,756	3,378
- retirement benefits payable to pensioners	-	-
	179	**11**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2015 is a net deficit of £45.552 million (2013/14 :£42.189 million).

Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded liabilities: Local Government Pension Scheme	
	2014/15 £000	**2013/14 £000**
Opening balance at 1 April	**128,297**	**124,523**
Current service cost	1,543	1,391
Effect of Settlements	(639)	-
Interest cost	5,164	5,519
Contributions by scheme participants	405	406
Effects of business combinations and disposals	4,941	-
Remeasurement gains and losses:		
-Actuarial (gains)/losses arising from changes in demographic assumptions	-	2,005
-Actuarial (gains)/losses arising from changes in financial assumptions	11,791	2,844
-Other	(1,351)	(2,983)
Losses/(gains) on curtailments	-	-
Benefits paid	(5,745)	(5,408)
Closing balance at 31 March	**144,406**	**128,297**

43 DEFINED BENEFIT PENSION SCHEMES (Continued)

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

	2014/15 £000	2013/14 £000
Opening balance at 1 April	**66,890**	**67,037**
Interest income	2,716	2,978
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	7,077	(1,501)
Effect of Settlements	(508)	-
Effect of business combinations and disposals	3,727	-
Employer contributions	4,756	3,378
Contributions by scheme participants	405	406
Benefits paid	(5,745)	(5,408)
Closing balance at 31 March	**79,318**	**66,890**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Scheme History

	31-Mar-15 £'000	31-Mar-14 £'000
Present value of liabilities:		
Local Government Pension Scheme	(144,406)	(128,297)
Fair value of assets:		
Local Government Pension Scheme	79,318	66,890
Deficit in the scheme	**(65,088)**	**(61,407)**

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 £65.088 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 2015 was £4.756 million (2013/14: £3.378 million).

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

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2015.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2014/15	**2013/14**
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	22.5 years	22.5 years
- Women	24.6 years	24.6 years
Longevity at 65 for future pensioners:		
- Men	24.4 years	24.4 years
- Women	27 years	27 years
Rate of increase in salaries	3.50%	3.90%
Rate of increase in pensions	2.10%	2.60%
Rate for discounting scheme liabilities	3.10%	4.10%
Take-up of option to convert annual pension into Retirement lump sum	75%	75%

43 DEFINED BENEFIT PENSION SCHEMES (Continued)

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

	Impact on the Defined Benefit Obligation	
	Approximate % Increase in Liability	Approximate Monetary Amount £000
0.5% Decrease in real discount rate	9%	12,784
1 year increase in member life expectancy	3%	4,332
0.5% Increase in the salary increase rate	2%	2,532
0.5% Increase in the pension increase rate	7%	10,128

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

Asset Category	2014/15				2013/14			
	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets %	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets %
Equity Securities								
Consumer	4,256	-	4,256	5%	3,839	-	3,839	5.74%
Manufacturing	1,892	-	1,892	2%	1,606	-	1,606	2.40%
Energy & Utilities	2,012	-	2,012	3%	2,202	-	2,202	3.29%
Financial Institutions	3,766	-	3,766	5%	3,340	-	3,340	4.99%
Health & Care	754	-	754	1%	748	-	748	1.12%
Information Technology	-	-	-	0%	104	-	104	0.16%
Other	1,902	-	1,902	2%	2,481	-	2,481	3.71%
Debt Securities								
Corporate Bonds (investment grade)	4,027	-	4,027	5%	3,201	-	3,201	4.79%
Corporate Bonds (non-investment grade)	303	-	303	0%	213	-	213	0.32%
UK Government	7,467	-	7,467	9%	6,003	-	6,003	8.97%
Other	1,299	-	1,299	2%	486	-	486	0.73%
Private Equity								
All	-	237	237	0%	-	224	224	0.33%
Real Estate								
UK Property	3,934	1,362	5,295	7%	3,033	697	3,730	5.58%
Overseas Property		408	408	1%	-	233	233	0.35%
Investment Funds and Unit Trusts								
Equities	2,619	34,608	37,227	47%	2,148	29,135	31,283	46.77%
Bonds	3,439	211	3,649	5%	2,884	67	2,952	4.41%
Hedge Funds	-	-	-	0%	-	-	0	0.00%
Commodities	-	-	-	0%	-	-	0	0.00%
Infrastructure	-	-	-	0%	-	-	0	0.00%
Other	-	3,630	3,630	5%	-	3,105	3,105	4.64%
Derivatives			0					
Inflation	-	-	-	0%	-	-	0	0.00%
Interest Rate	-	-	-	0%	-	-	0	0.00%
Foreign Exchange	-	-	-	0%	12	-	12	0.02%
Other	(5)	-	(5)	0%	(3)	-	(3)	-0.01%
Cash and Cash Equivalents								
All	1,200		1,200	1%	1,133	-	1,133	1.69%
Totals	**38,864**	**40,454**	**79,318**	**100.00%**	**33,428**	**33,461**	**66,890**	**100.00%**

43 DEFINED BENEFIT PENSION SCHEMES (Continued)

Impact on the Council's Cash Flows

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

The Council is anticipated to pay £3.583m contributions to the scheme in 2015/16.

The weighted average duration of the defined benefit obligation for scheme members is 16.2 years for 2014/15.

44 CONTINGENT LIABILITIES

At 31 March 2015, the Council had one material contingent liability:

Liability for pensions shortfall for staff transferred

During 2005/06 and 2006/07 City Council staff were transferred to 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.

45 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council’s activities expose it to a variety of financial risks:

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

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

Credit Risk

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

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

The Council's maximum exposure to credit risk in relation to its short-term investments and deposits with banks and other financial institutions of £34.689million (2013/14:£2.310 million) cannot be assessed generally as the risk of any insitution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments and, along with short-term investments with other public sector bodies, are considered to have a low credit risk.

Full details of long-term investments are disclosed in note 46 including the recoverability of the investment with Heritable Bank. Long-term debtors, as detailed in note 19(i), include the loans to Gloucestershire Airport Limited totalling £1.004 million (2013/14:£1.369 million) and are considered to have a low credit risk.

The Council does not generally allow credit for customers and £1.476 million, of the debtors balance of £9.289 million (see Note 15) is past its due date for payment as follows:

	£'000
Less than 4 months	476
4 months- 1 year	529
More than 1 year	471
Total	**1,476**

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. The maturity analysis of financial liabilities is as follows:

Long term loans - period until repayment	**Maximum**	**Actual 31/03/2015**
	%	**%**
Less than 1 year	20	0%
1 - 2 years	20	0%
2 - 5 years	50	0%
5 - 10 years	75	0%
Over 10 years	100	100%
		100%

Full details of the maturity analysis in respect of long-term borrowings are included in note 21(ii). All trade and other payables and short-term borrowings are due to be paid in less than one year.

Market Risk

Interest Rate Risk

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

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

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

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

The Council has a number of strategies for managing interest rate risk.
During periods of falling interest rates and, where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.
The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.
According to this assessment strategy, at 31 March 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	Average amount Outstanding	Actual Interest rate	Actual Interest Paid/(Receivable)	Projected Interest Rate	Projected Interest Paid/Receivable	Variation
	£000s	%	£000s	%	£000s	£000s
Borrowings						
Long-term-fixed rate	42,800	5.92%	2,535	6.92%	2,963	428
Short-term-variable	14,770	0.26%	39	1.26%	187	148
	57,570		2,574			576
Investments						
Short-term-variable	4,136	0.73%	(30)	1.73%	(71)	(41)
Net loss/(gain) on deficit/(surplus) for the year						**535**

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

Price Risk
The Council does not invest in quoted shares and the shares it owns are not carried at fair value. As a result the Council is not exposed to movements in market prices. For the impact on the pension scheme, see Note 43.

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

46 LONG-TERM INVESTMENTS

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

	GCC		Group	
	31-Mar-15 £'000	31-Mar-14 £'000	31-Mar-15 £'000	31-Mar-14 £'000
Share capital - Gloucestershire Airport Ltd	435	435	435	-
Government Stock	2	2	2	2
Heritable Bank	58	58	58	58
Total	**495**	**495**	**495**	**60**

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 £15.6m. The net asset value has been determined after taking into account the revaluation of the assets of Gloucestershire Airport Limited at 31 March 2012.

The Government stock is held on behalf of John Ward Charity and represents external investment of part of the money deposited by the Trust with the Council.

The investment with Heritable Bank was initially a short term investment and is now subject to a long term arrangement for repayment following the collapse of the Icelandic Banks in October 2008. The Council made an initial investment in February 2008 with Heritable Bank with an interest rate of 5.67% per annum.
Heritable Bank is a UK registered bank under Scottish law and the company was placed in administration on 7 October 2008. The current position on actual payments received is as shown in the table below:

Date	Repayment
Received prior to 31 March 2014	94.02%
August 2014	0.00%
Received to 31 March 2015	94.02%

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-15 £'000	31-Mar-14 £'000
Initial investment	2,000	2,000
Interest accrued to 31 March 2014	66	66
Payments received	(1,946)	(1,946)
Impairment	(62)	(62)
Balance at 31 March	**58**	**58**

The Council has previously received 94p in the £ from the Administrators of Heritable Bank and as at 31st March 2015, no further dividends were anticipated. The Council has since been notified than an additional dividend in respect of Heritable Bank is anticipated to be declared and paid in August 2015. A prudent estimate is that a sum in the region of 4p in the £ (amounting to £0.082m in total) is likely to be received. Due to the current uncertainty over the timing and the amount of the dividend to be received, there has been no adjustment made to the 2014/15 Accounts and Balance Sheet position, and any amount received will be recorded in the 2015/16 Accounts.

47 NOTES TO THE GROUP ACCOUNTS

The Council's group accounts combine the Council's accounts with those of Gloucestershire Airport Limited in which the Council has a 50% shareholding (the remaining 50% of the shares are owned by Cheltenham Borough Council). The Council ownership of Gloucester City Homes was transfered as part of the Housing Stock transfer on the 16th March 2015. At the year end the Council had 0% ownership, Gloucester City Homes Limited is no longer a group member. Gloucestershire Airport is accounted for as a joint venture.

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

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

		Council Share
GL1 Sports Limited	Dormant company	100%
Marketing Gloucester Limited		100%
Gloucester Law Centre		36%
Linking Communities		29%
Race Equality Council for Gloucesterhire		31%

Gloucester City Homes was a subsidiary company of Gloucester City Council until the 16th March 2015, their interests have been consolidated in accordance with IAS 27 up to this date.

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

The Group Balance Sheet does not combine Gloucester City Homes' assets and liabilities with those of the Council. Gloucester City Homes became a separate organisation in 2014/15 and is no longer considered for group consolidation at the 31st March 2015.

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

Gloucestershire Airport Limited (GAL)

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

The registered name of the airport company is Gloucestershire Airport Ltd (Registered Number 2774189). The draft accounts of the company for the year ended 31 March 2015 reflected the following:

	2014/15 £000	**2013/14 £000**
After tax operating (loss)/profit	144	(24)
Net assets	244	571

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.

47 NOTES TO THE GROUP ACCOUNTS (continued)

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

- Operational assets added at leasehold existing use value (50% share) total £9.468 million (31 March 2014:£9.468million).

- Non-operational assets added at leasehold market value (50% share) total £6.556 million (31 March 2014:£6.556 million).

This upward revaluation results in an increase in Unusable Reserves compared to the Council's own accounts of £15.051 million, of which £9.5 million relates to operational property (so included in the Revaluation Reserve) and £6.5 million investment property (so included in the Capital Adjustment Account). If the Airport charged depreciation on the operational element of the re-valued assets the charge would be around £0.5 million, based on a life of 30 years.

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

In the autumn of 2009, the Council agreed to facilitate borrowing to finance the runway safety project at Gloucestershire Airport, to provide a safer runway with a computerised instrument landing system (ILS) which was completed in the 2012/13 financial year. The Council loaned £1.550million (2013/14:£1.550m) to the Airport to help fund this project. In 2013/14 the loan was converted from an indefinite period loan to two interest-bearing loans, one for £350k repayable over 5 years and one for £1.2m repayable over 10 years.
(Refer to note 19(i) for details).

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

	Gloucestershire Airport Limited £ 2014/15 £000	Gloucester City Council's Share £ 2014/15 £000	Gloucestershire Airport Limited £ 2013/14 £000	Gloucester City Council's Share £ 2013/14 £000
Turnover	4,651	2,326	4,526	2,263
Profit on ordinary activities before taxation	205	103	5	3
Tax on profit on ordinary activities	(45)	(23)	-	0
Profit for the financial year after taxation	160	80	5	3
Fixed Assets	4,986	2,493	5,170	2,585
Current Assets	860	430	778	389
Liabilities due within one year	1,170	585	952	476
Liabilities due after one year	2,005	1,003	2,374	1,187
Net pension liability	2,329	1,165	1,970	985

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

The Airport did not pay any dividend for the year ended 31st March 2015 (2014:£Nil).

The accounts of GAL for the year ending 31 March 2015 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) became the Registered Social Landlord on 16th March 2015 at this point the housing stock was transferred to Gloucester City Homes and the company was removed for the Council Group.

The Company's draft accounts reflected the following transaction up to the point of transfer:

	2014/15 £000	2013/14 £000
Gross income	17,372	15,480
Net profit after tax	39	121

47 NOTES TO THE GROUP ACCOUNTS (continued)

ADJUSTMENTS BETWEEN GROUP ACCOUNTS AND GCC ACCOUNTS

Long term Investments

The group long term investment amount differs from that reflected in the Council's single-entity accounts by the investment in shares in Gloucestershire Airport Limited of £0.435 million which has been replaced in the group accounts by an investment in joint ventures of £15.486 million.

Adjusting for Intra-group Transactions and Balances

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

Usable and Unusable Reserves

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

NOTES TO THE CORE FINANCIAL STATEMENTS

48 GROUP PROPERTY, PLANT AND EQUIPMENT

Movements in 2014/15	**Council Dwellings £'000**	**Other Land and Buildings £'000**	**Vehicles, Plant, Furniture and Equipment £'000**	**Infrastructure Assets £'000**	**Community Assets £'000**	**Total Property, Plant and Equipment £'000**
Cost or Valuation						
At 1 April 2014	**136,196**	**43,531**	**6,848**	**12,346**	**8,494**	**207,415**
Additions	**7,126**	**6,358**	**221**	**500**	**281**	**14,486**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	**-**	**238**	**-**	**-**	**-**	**238**
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	**-**	**(2,903)**	**-**	**-**	**-**	**(2,903)**
Derecognition – Disposals	**(127,749)**	**(347)**	**(57)**	**-**	**-**	**(128,153)**
Assets reclassified as held for sale	**-**	**-**	**-**	**-**	**-**	**-**
Other reclassifications	**-**	**1,584**	**-**	**-**	**-**	**1,584**
Other movements in cost or valuation	**(15,239)**	**5,050**	**108**	**13**	**3**	**(10,065)**
At 31 March 2015	**334**	**53,511**	**7,120**	**12,859**	**8,778**	**82,602**
Accumulated Depreciation and Impairment						**-**
At 1 April 2014	**17,152**	**9,335**	**4,710**	**4,310**	**1,128**	**36,635**
Depreciation Charge	2,014	1,572	447	441	365	**4,839**
Derecognition – Disposals	(3,915)	(51)	(38)	-	-	**(4,004)**
Assets reclassified as held for sale	-	-	-			**-**
Other reclassifications	-	(7)	-	-	-	**(7)**
Other movements in cost or valuation	(15,239)	5,050	108	13	3	**(10,065)**
At 31 March 2015	**12**	**15,899**	**5,227**	**4,764**	**1,496**	**27,398**
Net book value as at 31 March 2015	**322**	**37,612**	**1,893**	**8,095**	**7,282**	**55,204**
Net book value as at 31 March 2014	**119,044**	**34,196**	**2,138**	**8,036**	**7,366**	**170,780**

Comparative figures 2013/14

Movements in 2013/14	**Council Dwellings £'000**	**Other Land and Buildings £'000**	**Vehicles, Plant, Furniture and Equipment £'000**	**Infrastructure Assets £'000**	**Community Assets £'000**	**Total Property, Plant and Equipment £'000**
Cost of Valuation						
At 1 April 2013	**130,910**	**50,480**	**6,655**	**19,915**	**166**	**208,126**
Additions	6,049	1,514	199	663	5	**8,430**
Derecognition following de-consolidation of subsidiary	-	-	-	-	-	**-**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-	**-**
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	-	-	-	-	-	**-**
Derecognition – Disposals	(783)	(337)	(6)	(4)	-	**(1,130)**
Assets reclassified as held for sale	20	(74)	-	-	-	**(54)**
Other movements in cost or valuation	-	(8,052)	-	(8,228)	8,323	**(7,957)**
At 31 March 2013	**136,196**	**43,531**	**6,848**	**12,346**	**8,494**	**207,415**
Accumulated Depreciation and Impairment						
At 1 April 2013	**15,239**	**7,894**	**4,346**	**4,623**	**26**	**32,128**
Depreciation Charge	1,928	1,815	370	774	12	**4,899**
Derecognition following de-consolidation of subsidiary	-	(6)	(6)	-	-	**(12)**
Derecognition-disposals	(15)	-	-	-	-	**(15)**
Assets reclassified as held for sale	-	(25)	-	(1,087)	1,090	**(22)**
Other movements in cost or valuation	-	(343)	-	-	-	**(343)**
At 31 March 2014	17,152	9,335	4,710	4,310	1,128	**36,635**
						-
Net book value as at 31 March 2014	**119,044**	**34,196**	**2,138**	**8,036**	**7,366**	**170,780**

49 GROUP INTANGIBLE ASSETS

Movements in 2014/15	Computer Software: Internally Generated Assets	Computer Software: Other Assets	Goodwill	2014/15 Total
	£000	£000	£000	£000
Balance at start of year:				
- Gross carrying amounts	883	3,970	-	4,853
- Accumulated amortisation	60	2,914	-	2,974
Net carrying amount at start of year	823	1,056	-	1,879
Additions:				
- Internal development	25	-	-	25
- Purchases	-	-	-	-
Amortisation for the period	20	429	-	449
Disposal on derecognition		374		374
Net carrying amount at end of year	**828**	**253**	**-**	**1,081**
Comprising:				
- Gross carrying amounts	908	3,066	-	3,974
- Accumulated amortisation	80	2,813	-	2,893
	828	**253**	**-**	**1,081**

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

SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT

HOUSING REVENUE ACCOUNT COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT For the year ended 31 March 2015						
2013/14				2014/15		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Description	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			Expenditure			
3,940	-	3,940	Repairs & Maintenance	4,660	-	4,660
6,497	-	6,497	Management & Supervision	8,339	-	8,339
124	-	124	Rents, rates, taxes and other charges	62	-	62
-	-	-	Housing Subsidy payable	-	-	-
1,936	-	1,936	Depreciation and Impairment of fixed assets	2,022	-	2,022
28	-	28	Debt Management costs	6,382	-	6,382
181	-	181	Increase in provision for bad/doubtful debts	-	-	-
			Income			
-	(17,874)	(17,874)	Dwelling Rents	-	(16,946)	(16,946)
-	(324)	(324)	Non-Dwelling Rents	-	(291)	(291)
-	(1,512)	(1,512)	Charges for Services and facilities	-	(1,287)	(1,287)
12,706	**(19,710)**	**(7,004)**	**Net Cost of HRA Services**	**21,465**	**(18,524)**	**2,941**
			Exceptional items			
-	-	-	Revaluation losses on property, plant and equipment	-	-	-
			Other Operating Income and Expenditure			
-	(619)	(619)	Losses/(gains) on the disposal of HRA Assets	47,401	-	47,401
			Financing and Investment Income and expenditure			
-	(77)	(77)	Interest and Investment Income	-	-	-
2,276	-	2,276	Interest payable and similar charges	2,356	-	2,356
-	-	-	Surplus or deficit of discontinued operations	-	-	-
-	-	-	Taxation and non-specific grant income	-	-	-
14,982	**(20,406)**	**(5,424)**	**(Surplus) or Deficit on Provision of services**	**71,222**	**(18,524)**	**52,698**
-	-	-	Surplus or deficit on revaluation of Property, Plant and Equipment assets	-	-	-
-	-	-	Surplus or deficit on revaluation of available for sale financial assets	-	-	-
-	-	-	Actuarial gains/losses on pension assets/liabilities	-	-	-
-	-	-	***Other Comprehensive Income and Expenditure***	-	-	-
14,982	**(20,406)**	**(5,424)**	**(Surplus) or deficit for the year on HRA services**	**71,222**	**(18,524)**	**52,698**

The Housing Revenue Account fulfils a statutory obligation to account separately for local authority housing provision, as defined in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of expenditure on council houses - maintenance, administration and depreciation costs - and how these are met by rents and other income. The accounts are included in the Comprehensive Income and Expenditure account (page 37) and balance sheet (page 39).

Movement on the HRA Statement

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

2013/14 £'000		2014/15 £'000	2014/15 £'000
(3,517)	**Balance on the HRA at end of the previous year**		**(7,611)**
(5,424)	**(Surplus) or deficit for the year on the HRA Income and Expenditure Statement**	52,698	
1,330	**Adjustments between accounting basis and funding basis and funding basis under statute**	(46,647)	
(4,094)	**Net (increase) or decrease before transfers to or from reserves**	6,051	
-	**Transfers to or (from) reserves**	-	
(4,094)	**(Increase) or decrease in year on the HRA**		6,051
-	**Transfer to reserves and closure of HRA**		1,560
(7,611)	**Balance on the HRA at the end of the current year**		-

HOUSING REVENUE ACCOUNT

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

	2014/15 £'000	2013/14 £'000
Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Statement		
Capital expenditure financed by revenue	(5,817)	-
Amortisation of premiums and discounts	6,352	(4)
Depreciation	2,022	1,936
Revaluation losses on property, plant and equipment	-	-
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	123,884	782
Transfer of sale proceeds credited as part of the sale of non-current assets	(76,482)	(1,401)
Transfer to major repairs reserve	(2,022)	(2,100)
Discounts repaid transferred to capital receipts reserve	-	(28)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	31	33
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Revenue expenditure charged to capital under statute	720	-
Pension contributions	(2,041)	(548)
	46,647	**(1,330)**
Items not included in the HRA Income and Expenditure Account but included in the Movement on the HRA Statement	-	-
Net adjustments between accounting basis and funding basis under regulations	**46,647**	**(1,330)**

2 THE HOUSING REVENUE ACCOUNT (HRA)

The housing revenue account fulfils a statutory obligation to account separately for local authority housing provision, as defined in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of expenditure on council houses - maintenance, administration and depreciation costs - and how these are met by rents and other income. The account is included within the Council's Comprehensive Income and Expenditure account (page 37) and balance sheet (page 39).

3 REPAIRS AND MAINTENANCE

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

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

4 MANAGEMENT AND SUPERVISION

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

With effect from 12 December 2005 these services have been provided by Gloucester City Homes Ltd (GCH), a wholly owned arm's length management company of the Council (see Note 48 on page 80).

5 DEPRECIATION AND REVALUATION LOSSES ON PROPERTY, PLANT AND EQUIPMENT

The depreciation charged to dwellings in 2014/15 is equal to the Major Repairs Allowance, which represents a measure of the 'wearing out' of the HRA's operational assets during the year. The depreciation is credited to the Major Repairs Reserve (see note 9), which is used to finance HRA capital expenditure.

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

Type of Tangible fixed asset	2014/15 £'000	2013/14 £'000
Dwellings	2,014	1,928
Other Land & Buildings	-	-
Vehicles, Plant and Equipment	8	8
Total Depreciation	**2,022**	**1,936**

Dwellings were not valued in the current year with the result that there was no charge (2013/14: no charge) to the Comprehensive Income and Expenditure Statement in respect of revaluation losses.

6 BAD OR DOUBTFUL DEBTS

As part of the agreement for the transfer of the Council's housing stock, current and former tenant arrears, leaseholder arrears and periodic arrears were assigned to Gloucester City Homes. Any remaining arrears, net of the bad debt provision in the balance sheet, were written off to the HRA in 2014/15.

7 DWELLING RENTS

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

8 INTEREST PAYABLE AND AMORTISATION OF PREMIUMS AND DISCOUNTS

Both these charges are calculated in accordance with statutory determinations.

9 MAJOR REPAIRS RESERVE (MRR)

The authority has a duty to keep a Major Repairs Reserve. In 2014/15 a sum of £2.022 million was credited to this account. Subsequently £2.022 million was used to finance capital expenditure.
The balance on the Major Repairs Reserve at the beginning and end of the year was nil.

10 HRA BALANCE

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

	Balance at 1 April £'000	Approp'ns to balance in year £'000	Approp'ns from balance in year £'000	Balance at 31 March £'000
Unallocated balance				
Total 2014/15	**7,611**	**(7,611)**	**-**	**-**
Total 2013/14	**3,517**	**4,094**	**-**	**7,611**

The Secretary of State under section 74(4) of the Local Government and Housing Act 1989 agreed to the closure of the Housing Revenue Account with effect from 31 March 2015. The balance at 31st March 2015 is the closing HRA balance.

11 CAPITAL EXPENDITURE

Total capital expenditure on HRA assets during the year was £7.126 million, £7.1 million of which was spent on improvements and modernisations to dwellings, and £0.026 million on property acquisitions.

Capital expenditure requiring financing was £7.126 million, which was financed by £4.783 million revenue financing, £2.022 million from the Major Repairs Reserve and £0.321 million of Capital Receipts.

12 NON-CURRENT ASSETS

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

13 COUNCIL HOUSING STOCK AND VALUE

	Number of dwellings	
Analysis by Type	**2014/15**	**2013/14**
Houses	-	2,300
Flats	-	2,164
Shared ownership (whole equivalents)	-	24
Total Stock	**-**	**4,488**
Age Analysis		
Pre 1919	-	51
1919 - 1944	-	678
1945 - 1964	-	2,229
1964 onwards	-	1,530
Total Stock	**-**	**4,488**

The Council housing stock was transferred to Gloucester City Homes on the 16th March 2015, as a result of the stock transfer the Council does not hold any Council housing stock as at 31st March 2015.

14 PENSIONS

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

COLLECTION FUND

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT For the year ended 31 March 2014					
	Note	2014/15			2013/2014
		£'000	£'000	£'000	£'000
		Council Tax	Business Rates	Total	Total
INCOME					
Non Domestic Rates					
Collectable from Business Ratepayers	2,4	-	(51,558)	(51,558)	(51,011)
Council Tax					
Collectable from Council Tax Payers	1	(52,548)	-	(52,548)	(51,287)
Council Tax benefits		-	-	-	
		(52,548)	**(51,558)**	**(104,105)**	**(102,298)**
EXPENDITURE					
Non-Domestic Rates					
Payment To National Pool		-	-	-	0
Payment to Gloucester City Council		-	20,708	20,708	19,840
Payment to Central Government		-	25,885	25,885	24,800
Payment to Gloucestershire County Council		-	5,177	5,177	4,960
Council Tax Precepts					
Gloucester City Council		6,455	-	6,455	6,401
Gloucestershire County Council		37,811	-	37,811	37,507
Police and Crime Commissioner for Gloucestershire		7,203	-	7,203	7,005
Write-Offs		86	1,563	1,649	304
Change in bad debt provisions		306	(1,600)	(1,294)	591
Change in Provision for NNDR Appeals		-	213	213	1,083
Cost of NNDR Collection		-	179	179	180
Distribution of previous years' estimated Collection Fund surplus/(defict)		(187)	328	141	0
		51,674	**52,452**	**104,126**	**102,671**
(Increase)/Decrease in Fund		**(873)**	**894**	**21**	**373**
Balance of Fund at beginning of year		212	375	587	214
Balance of Fund at 31 March		**(661)**	**1,269**	**608**	**587**

COLLECTION FUND

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

1 COUNCIL TAX

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

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

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

Band	Estimated No. of taxable properties after effect of discounts	Ratio	Band D equivalent dwellings
A	64	5/9	36
A	13,613	6/9	9,075
B	13,670	7/9	10,632
C	11,735	8/9	10,431
D	5,158	9/9	5,158
E	3,273	11/9	4,000
F	783	13/9	1,131
G	139	15/9	232
H	2	18/9	4
Total	**48,437**		**40,699**
Less: Council Tax Support Scheme			(5,705)
Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, disabled persons relief and exempt properties (1.25% of total band D equivalent dwellings)			(437)
Add contributions in lieu of government properties			116
Council Tax Base for 2014/15			**34,673**
Council Tax Base for 2013/14			**34,394**

The Council Tax Base for 2014/15 multiplied by the Average Band D Council Tax Charge gives the Total of Precepts and Demands for the Year:

Tax Base	34,673
	X
Average Band D Charge	1478.65
Precepts and Demands (£000s)	51,270

Properties within the boundaries of Quedgeley Parish Council pay an additional Council Tax sum to fund the activities of the Parish Council. For the 2014/15 year this was as follows.

Tax Base	5,562
	X
Average Band D Charge	35.9
Precept	200

COLLECTION FUND

2 INCOME FROM BUSINESS RATEPAYERS

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

The total non-domestic rateable value at 31 March 2015 was £127.02 million (£124.32 million at 31 March 2014) and the national non-domestic multiplier for 2014/15 was 48.2p (2013/14 :47.1p), resulting in net income after transitional, small property, empty property and mandatory reliefs of £51.558 million.

The Business Rates Retention scheme splits rate income between central government and local authorities according to a set percentage split in each area. For the Gloucester City Council area 50% of income goes to Central Government, 40% to Gloucester City Council and 10% to Gloucestershire County Council. The Collection Fund Statement shows the sums received by each organisation for Business Rates in 2015/16.

As part of the scheme Central Government established a baseline funding level for every authority. A system of tariffs, paid by authorities who have gained, and top ups, paid to those who have lost out, ensures that each authority receives their baseline funding. The tariff paid by Gloucester City Council from its general fund in 2014/15 was £16.37 million.

3 FUND BALANCE

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

This Council Tax balance is shared by the City and County Councils and Gloucestershire Police Authority according to the proportion that their precept constitutes of the total for precepts for that year.

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

The closing surplus for 2014/15 is £0.661 million (2013/14 deficit £0.212 million). This is apportioned as follows:

	2014/15 £'000	2013/14 £'000
Gloucestershire County Council	(488)	156
Police and Crime Commissioner for Gloucestershire	(93)	29
Gloucester City Council	(80)	27
Total	**(661)**	**212**

The fund surplus is to be partly distributed to the repective parties in 2015/16 as a surplus of £0.397 million was declared in January 2015.

Any balance on the collection fund for NNDR is shared between Central Government, The City Council and the County Council in the proportions of 50%, 40% and 10% respectively. As with Council Tax, the County Council and Police Authority share is carried as a creditor and the Council's share was debited to the Comprehensive Income and Expenditure Statement. The Collection Fund Adjustment Account is used to reconcile the net debit made to the Comprehensive Income and Expenditure Account for NNDR to the statutory amount in the Movement in Reserves Statement.

The collection fund relating to NNDR recorded an in year deficit of £0.894 million in 2014/15 (£0.375 million in 2013/14). The closing deficit is apportioned between the relevant bodies as follows.

Apportionment of Net Deficit relating to NNDR	2014/15 £'000	2013/14 £'000
Gloucestershire County Council	127	37
Central Government	635	188
Gloucester City Council	508	150
Total	**1,269**	**375**

The fund deficit is to be largely recovered from the respective parties in 2015/16 as a deficit of £1.086 million was declared in January 2015.

4 NON-DOMESTIC RATES APPEALS

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

This will include amounts that were paid over to Central Government in respect of 2014/15 and prior years. Previously, such amounts would not have been recognised as income by the local authorities, but would have been transferred to DCLG.

The new arrangements give rise to the need to make a provision for the future cost of these appeals. The estimate made for the likely future value of appeals as at 31 March 2015 was £1.296 million. This has been split amongst the three recipients of Business Rates Income according to their respective share.

	2014/15 £'000	2013/14 £'000
Central Government	648	542
Gloucester City Council	518	433
Gloucestershire County Council	130	108
Total	**1,296**	**1,083**

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

see Auditors electronic report - word document

To be added following the receipt of the report from the audit Commission

Report to those charged with governance (ISA 260) 2014/15

Gloucester City Council

September 2015

Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

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

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Section one
Introduction

This document summarises:

- **the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for the Authority; and**
- **our assessment of the Authority's arrangements to secure value for money.**

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Scope of this report

This report summarises the key findings arising from:

- our audit work at Gloucester City Council ('the Authority') in relation to the Authority's 2014/15 financial statements; and
- the work to support our 2014/15 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2014/15*, presented to you in March 2015, set out the four stages of our financial statements audit process.

We previously reported on our work on the first two stages in our *Interim Audit Letter 2014/15* issued in June 2015.

This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during July and August 2015.

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

VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work. We have now completed the work to support our 2014/15 VFM conclusion. This included:

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

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2014/15 financial statements of the Authority.
- Section 4 outlines our key findings from our work on the VFM conclusion.

We have also reviewed your progress in implementing prior recommendations and are pleased to report that all prior year recommendations have been fully implemented.

Acknowledgements

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

Headlines

This table summarises the headline messages for the Authority. The remainder of this report provides further details on each area.

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Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	We identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2014/15 ('the Code')*. The Authority has addressed these where significant, notably to separate out income and expenditure on housing as a discontinued operation on the face of the Comprehensive Income & Expenditure Account, following the transfer of the Council's housing stock to Gloucester City Homes in Mach 2015.
Key financial statements audit risks	We identified the following key financial statements audit risk in our 2014/15 External audit plan issued in March 2015. ▪ Housing stock transfer to Gloucester City Homes - The Authority completed the transfer of its housing assets to Gloucester City Homes Ltd in March 2015. As part of this transfer, the Authority needed to correctly account for the repayment of long term borrowing previously taken out to finance these assets and the removal of these assets from the Authority's asset register. This was a potentially complex area and there was consequently an increased risk of error. We have worked with officers throughout the year to discuss this key risk and our detailed findings are reported in section 3 of this report. There are no matters of any significance arising as a result of our audit work in this key risk area.
Accounts production and audit process	The Authority has continued to improve the processes in place for the production of the accounts and supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales. The Authority has implemented all of the recommendations in our *ISA 260 Report 2013/14* relating to the financial statements.
Completion	At the date of this report our audit of the financial statements is substantially complete, subject to final review processes and clearance of a small number of queries and tasks. Before we can issue our opinion we require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Headlines (continued)

This table summarises the headline messages for the Authority. The remainder of this report provides further details on each area.

VFM conclusion and risk areas	We identified the following VFM risk in our External Audit plan 2014/15 issued in March 2015. ▪ Achievement of the savings plan. We have worked with officers throughout the year to discuss this VFM risk and our detailed findings are reported in section 4 of this report. There are no matters of any significance arising as result of our audit work in this VFM risk areas. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2015.

Financial Statements (continued)
Proposed opinion and audit differences

We anticipate issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2015.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007

We have not identified any issues in the course of the audit that are considered to be material.

Proposed audit opinion

We anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit & Governance Committee on 21 September 2015.

Audit differences

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

The final materiality (see Appendix 3 for more information on materiality) level for this year's audit was set at £1.95 million. Audit differences below £95k are not considered significant.

We did not identify any material misstatements. We identified a small number of non-material adjustments that have been amended by management.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code')*. We understand that the Authority will be addressing these where significant.

Controls testing

Our testing identified two control weaknesses: one related to the lack of counter signing by the Human Resources section for 3 of the 25 payroll amendment forms reviewed; the other related to the lack of appropriate approval for 2 of the 25 manual journals tested.

These weaknesses were also identified and reported by Internal Audit so we have not repeated their recommendations in this report.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

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

Financial Statements (continued)
Significant risks and key areas of audit focus

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus

This section sets out our detailed findings on those risks

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In our *External Audit Plan 2014/15*, presented to you in March 2015, we identified the significant risks affecting the Authority's 2014/15 financial statements. We have now completed our testing of these areas and set out our evaluation following our substantive work.

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

Significant audit risk	Issue	Findings
Housing stock transfer	The Authority completed the transfer of its housing assets to Gloucester City Homes Ltd in March 2015. As part of this transfer, the Authority needed to correctly account for the repayment of long term borrowing previously taken out to finance these assets and the removal of these assets from the Authority's asset register. This was a potentially complex area and there was consequently an increased risk of error.	We have reviewed the accounting treatment against the requirements of the Code and guidance from CIPFA and DCLG and confirmed that the accounting entries are correct. We have agreed the figures reported in the financial statements to supporting documentation and communication with lenders to confirm that the correct sums are being repaid. We have agreed the value of assets transferred to Gloucester City Homes Ltd to signed transfer documents, valuer's certificates and other supporting documentation and confirmed that these assets have been correctly removed from the Authority's Balance Sheet and accounting records. We did identify that additional disclosure should be made in the accounts to recognise that the transfer represents a discontinued operation for the Council. The additional disclosures were presentational only and did not have a financial impact.

Financial Statements (continued)
Significant risks and key areas of audit focus

In our *External Audit Plan 2014/15* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk		Summary of findings
Management override of controls	Audit areas affected ■ All areas	Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit. In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual. There are no matters arising from this work that we need to bring to your attention.
Fraud risk of revenue recognition	Audit areas affected ■ None	Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In our External Audit Plan 2014/15 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue. This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Financial Statements (continued)
Accounts production and audit process

The Authority has continued to improve the processes in place for the production of the accounts and supporting working papers

Officers dealt promptly and efficiently with audit queries and the audit process was completed within the planned timescales.

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Accounts production and audit process

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

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority continues to improve the financial reporting process and produces statements of accounts to a good standard. There is still scope to further improve the presentation of the financial statements so it is readable to a user of the accounts. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 30 June 2015. The Authority have made a small number of presentational changes to the accounts presented for audit, notably to present the stock transfer and closure of the HRA as a discontinued operation, however there have been no changes which we consider to be fundamental.
Quality of supporting working papers	The quality of working papers provided was good and met the standards specified in our *Accounts Audit Protocol*.
Response to audit queries	Officers resolved all audit queries in a timely manner.

Element	Commentary
Group audit	To gain assurance over the Authority's group accounts, we have performed specific audit procedures for both Gloucester City Homes Ltd and Gloucestershire Airport Ltd. There are no specific matters which we need to bring to your attention.

Prior year recommendations

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

The Authority has implemented all of the recommendations in our *ISA 260 Report 2013/14*.

Financial Statements (continued)
Completion

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

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

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

Declaration of independence and objectivity

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

In relation to the audit of the financial statements of Gloucester City Council for the year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Gloucester City Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 2 in accordance with ISA 260.

Management representations

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

Other matters

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

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report.

VFM conclusion

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

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

Background

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

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

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

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

Work completed

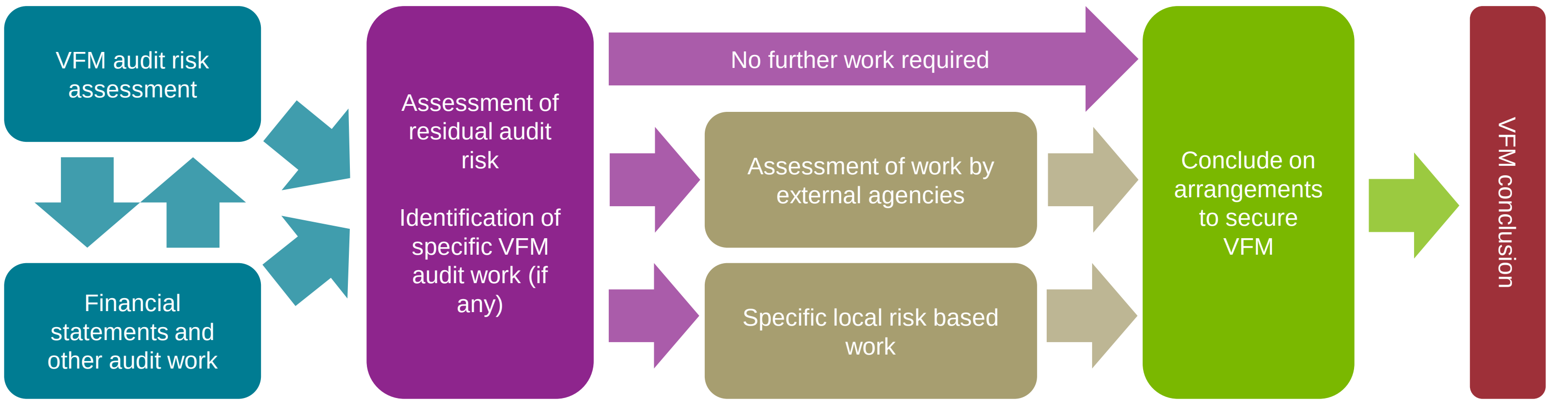
We performed a risk assessment earlier in the year and have reviewed this throughout the year.

The following page includes further details of our VFM risk assessment and our specific risk-based work.

Conclusion

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

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



Specific VFM risks

Our planning procedures identified a residual VFM risk that required us to undertake specific work.

Work completed

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

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

Key findings

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

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

Key VFM risk	Risk description and link to VFM conclusion	Assessment
Achievement of the savings plan	The Authority was required to make savings of £1.4m in 2014/15. The current forecast shows that £870k has been achieved or is in progress, with the remaining £530k at risk or unlikely to be achieved. The Authority currently estimates that £1.4m in savings will need to be achieved during 2015/16. We are aware the Authority is in the process of developing and agreeing proposals with Members for these savings. Further significant savings will be required in 2016/17 and 2017/18 to principally address future reductions to local authority funding alongside service cost and demand pressures. The need for savings will continue to have a significant impact on the Authority's financial resilience.	We have review the Council's Money Plan, which sets out the Council's strategic approach to the management of its finances and presents indicative budgets and Council Tax levels for the medium term. We have confirmed that the Money Plan accurately reflects the annual budget agreed by Council and that the funding assumptions are consistent with those used by other authorities in the region. Appendix 2 of the Money Plan identifies the key cost pressures faced by the Council. The vast majority of the pressures are expected to be felt in 15/16, with just 13% of the cost pressures continuing into 16/17. In the past five years, the Council has delivered savings of £8.9m, and in general, where a saving is targeted it is usually met in full within two years. We have concluded that the MTFP is based on appropriate assumptions and savings plans are achievable.

Appendix 1: Audit differences

This appendix sets out the audit differences.

The financial statements have been amended for all of the errors identified through the audit process.

There is no net impact on the General Fund and HRA as a result of the amendments.

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

Uncorrected audit differences

We are pleased to report that there are no uncorrected audit differences.

Corrected audit differences

Our audit identified a small number of non-material errors in the financial statements. These have been discussed with management and the financial statements have been amended for all of them.

Appendix 2: Declaration of independence and objectivity

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

Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the *Code of Audit Practice* (the 'Code') which states that:

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

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

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

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

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

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

General procedures to safeguard independence and objectivity

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

Appendix 2: Declaration of independence and objectivity (continued)

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

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

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

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

Auditor declaration

In relation to the audit of the financial statements of Gloucester City Council for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Gloucester City Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Appendix 3: Materiality and reporting of audit differences

For 2014/15 our materiality was £1.95 million for the Authority's standalone accounts, and £2m for the group accounts.

Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We reassessed materiality for the Authority at the start of the final accounts audit based on the figures in the financial statements presented for audit.

Materiality was set at £1.95 million for the Authority's standalone accounts, and at £2 million for the group accounts, which in both cases equates to approximately 2 percent of gross expenditure.

Reporting to the Audit & Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit & Governance Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £95k for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit & Governance Committee to assist it in fulfilling its governance responsibilities.

Appendix 4: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

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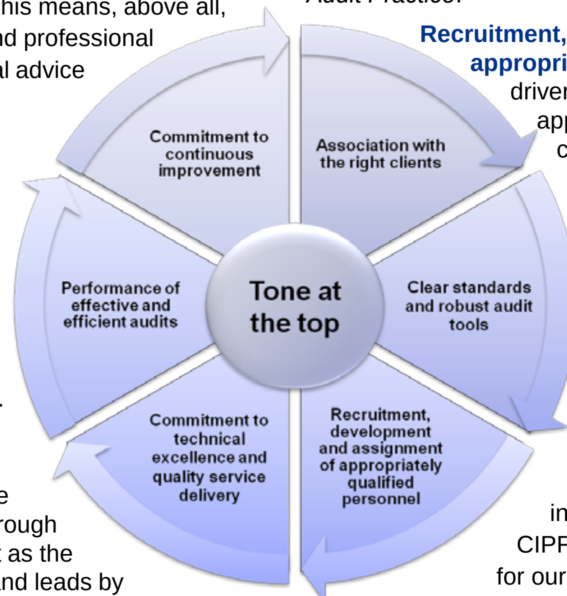
At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.



KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Darren Gilbert as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

Appendix 4: KPMG Audit Quality Framework (continued)

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery: Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (http://www.psaa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/).

The latest Annual Regulatory Compliance and Quality Report (issued June 2015) showed that we are meeting the overall audit quality and regulatory compliance requirements.

cutting through complexity™

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Gloucester City Council

Meeting:	**Audit & Governance Committee**	**Date:**	**21 September 2015**
Subject:	**Internal Audit Plan 2015/16 – Monitoring Report**		
Report Of:	**Audit, Risk & Assurance Manager**		
Wards Affected:	**Not applicable**		
Key Decision:	**No**	**Budget/Policy Framework:**	**No**
Contact Officer:	**Terry Rodway, Audit, Risk & Assurance Manager**		
	Email: Terry.Rodway@gloucester.gov.uk	**Tel: 396430**	
Appendices:	**1: List of the audits completed as part of the 2015/16 Internal Audit Plan : April 2015 – August 2015**		

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 To inform Members of the audits completed as part of the agreed Internal Audit Plan 2015/16.

2.0 Recommendations

2.1 Audit & Governance Committee is asked to **RESOLVE** that Members endorse the audit work undertaken to date, and the assurance given on the adequacy of internal controls operating in the systems audited.

3.0 Background and Key Issues

3.1 At the Audit & Governance Committee meeting held on 16th March 2015, Members approved the Internal Audit Plan 2015/16. In accordance with the Public Sector Internal Audit Standards, this report details the outcomes of internal audit work carried out in accordance with the approved Plan.

3.2 This report includes details of the audits completed during the period April 2015 to August 2015. The performance monitoring information is based on the number of completed audits vs. the number of planned audits (i.e. an output measure). The indicator for the 5 month period April to August 2015 is 80% (8 out of 10 planned audits completed) compared to a target of 90% (9 out of 10 planned audits completed).

3.3 Details of the audits completed, together with the overall conclusion reached on each audit, have been provided in **Appendix 1**. This should provide

Members with a view on the adequacy of the controls operating within each area audited.

4.0 Results from Follow-Up Audits

4.1 It has previously been agreed that Members would be notified of all 'Rank 1 Fundamental' recommendations that have not been fully implemented within the agreed timescale. There were none identified during the period covered by this report.

5.0 NFI Data Matching Exercise

5.1 On a cyclical basis the Audit Commission has undertaken a data-matching exercise known as the National Fraud Initiative (NFI). Data from a wide range of public sector organisations is matched, with the primary intention of discovering cases of fraud. Organisations from which data is collected for matching purposes include:

- Local authorities
- NHS bodies
- Police authorities
- Central Government departments and agencies

5.2 **Data types used in the matching exercise include:**

- Housing Benefit
- Payroll
- Creditor payments
- Housing rents
- Licensing
- Insurance claims

5.3 The latest NFI exercise produced a total of 31 'High Quality' reports for GCC, of which 14 related to Housing Benefit matches. A 'High Quality' report includes data matches with matching National Insurance Numbers, or the same name, date of birth, and address.

5.4 Report details:-

- 14 reports related to Housing Benefit – the matches included examples of claimants who are on the payroll of different organisations; claimants in receipt of benefits from more than one authority; claimants who may be ineligible for Housing Benefit as they are in receipt of a student loan, claimants in receipt of a pension, and, claimants who are a licence holder. These matches are currently being investigated by a Civica Investigations Officer.
- 4 reports related to Housing Tenancies – the matches included individuals who appeared to be resident at two different addresses. The cases were investigated by Internal Audit. In the majority of cases there was a short period of overlap between two tenancies for which

valid reasons were provided. For the remaining cases, testing identified that these were a result of an incorrect National Insurance Number being recorded within the housing system for which assurances have been provided that actions have now been taken to rectify these inaccuracies.

- 2 reports related to Payroll – the matches included individuals paid by GCC via the payroll and the creditors system, employees with more than one post on the payroll, and, individuals paid by two organisations. All cases were investigated by Internal Audit and no evidence of fraud identified.
- 10 reports related to Creditors – the matches included duplicate creditor details, possible duplicate payments to the same creditor, and, possible VAT overpayments. Testing on a sample basis was carried out by Internal Audit with no evidence of fraud identified.
- 1 report related to Licences - the match identified an individual who may not have been entitled to a licence because of their immigration status. Confirmation was received from the Home Office that the individual had an 'unrestricted right to work in the UK'.

5.5 Following the abolition of the Audit Commission, the Cabinet Office NFI Team is continuing to operate the NFI data matching service.

6.0 Alternative Options Considered

6.1 No other options have been considered as the purpose of the report is to inform the Committee of the audit work undertaken to date, and the assurance given on the adequacy of internal controls operating in the systems audited.

7.0 Reasons for Recommendations

7.1 The Public Sector Internal Audit Standards state that the Audit, Risk & Assurance Manager should report on the outcomes of internal audit work, in sufficient detail, to allow the Committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address.

7.2 The Standards also require the Audit, Risk & Assurance Manager to communicate the impact of resource limitations on the Internal Audit Plan to senior management and the Audit & Governance Committee.

8.0 Future Work and Conclusions

8.1 The role of the Audit & Assurance service is to examine, evaluate and report upon the adequacy of internal controls. Where weaknesses have been identified, recommendations have been made to improve the level of control.

9.0 Financial Implications

9.1 By providing assurance on the correct operation of controls across the Council the Internal Audit function serves as a management tool to minimise financial risk where possible.

9.2 If data matching on housing benefits uncovers any examples of overpayments the Council will look to recover any overpayments.

(Financial Services have been consulted in the preparation this report).

10.0 Legal Implications

10.1 Legal services will assist officers to address the Limited and Unsatisfactory levels of assurance indicated in the audits, particularly:

- Community Support Grants- reviewing the Service Level Agreements and grant conditions;
- Licences- Fees and Charges;
- Choice Based Lettings- Data Protection and information security issues

(One Legal have been consulted in the preparation this report).

11.0 Risk & Opportunity Management Implications

11.1 Delays in response to acceptance/implementation of audit recommendations lead to weaknesses continuing to exist in systems, which has the potential for fraud and error to occur.

12.0 People Impact Assessment (PIA):

12.1 A requirement of the Accounts & Audit Regulations 2011 is for the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control. The internal audit service is delivered by the in house team. Equality in service delivery is demonstrated by the team being subject to, and complying with, the Council's equality policies.

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

13.0 Other Corporate Implications

<u>Community Safety</u>

13.1 There are no community safety implications arising out of the recommendations in this report.

<u>Sustainability</u>

13.2 There are no sustainability implications arising out of the recommendations in this report.

Staffing & Trade Union

13.3 There are no staffing and trade union implications arising out of the recommendations in this report.

Background Documents:

Internal Audit Plan 2015/16
Public Sector Internal Audit Standards

Appendix 1: List of the audits completed as part of the 2015/16 Internal Audit Plan

Audit	Comments	Level of Assurance
Council Tax Opening Debit	<u>Audit Objective</u> The objective of the audit was to ensure the following controls are in place and operating effectively:- • The Council Tax Base has been correctly calculated; • Charges for each band have been correctly apportioned; • Charges have been appropriately authorised • Charges have been accurately input into the billing system <u>Period of Audit</u> The audit covered the setting of the charges for the 2015/16 financial year. <u>Audit Opinion</u> On the basis of the work carried out during this audit review, the audit opinion is that there is a **Good** level of assurance on the adequacy and operating effectiveness of controls in place for all areas covered by the audit.	Good
Non-Domestic Rates Opening Debit	<u>Audit Objective</u> The objective of the audit was to ensure the following controls are in place and operating effectively:- • Appropriate notifications have been received advising of the NDR multipliers and transitional relief rates for the current financial year; • The advised NDR multipliers and transitional relief rates have been accurately input into the billing system. <u>Audit Opinion</u> On the basis of the work carried out during this audit review, the audit opinion is that there is a **Good** level of assurance on the adequacy and operating effectiveness of controls in place for all areas covered by the audit. <u>Period of Audit</u> The audit covered the setting of the charges for the 2015/16 financial year.	Good

Audit	**Comments**	**Level of Assurance**
Disabled Facility Grants	<u>Audit Objective</u> The objective of the audit was to ensure the following controls are in place and operating effectively:- • Clear and up to date guidelines are available and followed for the award of each type of grant available. • Appropriate documentation exists in respect of each grant application. • Where applicable, agreed contributions have been received from applicants and any such payments are monitored. • Officers involved with grant applications have declared any interest as per Council policy. <u>Period of Audit</u> The period of the audit covered transactions undertaken between April 2014 and May 2015. <u>Audit Opinion</u> On the basis of the work carried out during this audit review, the audit opinion is that there is a **Good** level of assurance on the adequacy and operating effectiveness of controls in place for all areas covered by the audit.	Good
Members Allowances	<u>Audit Objective</u> The objective of the audit was to ensure the following controls are in place and operating effectively:- • The Members Allowance Scheme is appropriately updated and approved; • Payments to Members are in line with the current Scheme, in correct amounts and at the proper frequencies; • Travelling and subsistence claim payments are made only for proper duties, for correct amounts and in a timely manner; • Members' Allowances are published on the Council website and the published data is complete, accurate & up to date; • Budgetary responsibility is assigned for Members' Allowances and satisfactory budgetary control is exercised <u>Period of Audit</u> The period of the audit covered the period April 2015 to July 2015.	Satisfactory

Audit	Comments	Level of Assurance
	Audit Opinion On the basis of the work carried out during this audit review, and the number and classification of recommendations identified through audit testing the audit opinion is that there is a **Satisfactory** level of assurance on the adequacy and operating effectiveness of controls in place for all areas covered by the audit. The main areas of weakness identified, for which three Rank 2 'Medium Priority' recommendations have been made, relate to:- • Relevant Members should be notified where incorrect Annual Allowance Statements have been issued – to confirm the identified discrepancy; • The identified expenses overpayment should be corrected through payroll; • Payroll should be re-notified of the dependents care expenses claim process, to prevent further duplicate claim payments. In addition, dependents care expenses processed within June 2015 should be reviewed to ensure that payment duplication has not occurred. The recommendations made as a result of this audit have been agreed by management with the latest implementation date for the Rank 2 recommendations being August 2015.	
Community Support Grants	Audit Objective The objective of the audit was to ensure the following controls are in place and operating effectively:- • There is an up to date strategy is in place for the Community Support Grants scheme; • Suitable guidance is available to assist with making grant applications; • Eligibility criteria has been set and is verified; • The assessment process can be readily demonstrated; • Payments are in line with the grant awards; • Expected performance is defined and monitored; • Budgets are monitored. Period of Audit The period of audit covered awards made for the 2014-15 and 2015-16 financial years	Good/ Satisfactory/ Limited

Audit	Comments	Level of Assurance
	<u>Audit Opinion</u> On the basis of the work carried out during this audit review, and the number and classification of recommendations identified through audit testing the audit opinion is that there is a **Good** level of assurance on the adequacy and operating effectiveness of controls in place for 'strategy and guidance'; there is a **Satisfactory** level of assurance on the adequacy and operating effectiveness of controls in place for 'eligibility', 'payments', 'monitoring of grant conditions', and 'budget monitoring'. There is a **Limited'** level of assurance on the adequacy and operating effectiveness of controls in place for 'assessment and award process'. The main areas of weakness identified, for which ten Rank 2 'Medium Priority' recommendations have been made, relate to:- • Consideration should be given to verifying an applicant's compliance with all elements of the Community Grants eligibility criteria during the assessment process in order to ensure that awards are only made to eligible applications. • Documentation demonstrating compliance with the 'Eligibility' criteria is to be retained and stored in a way that facilitates ease of retrieval. • Award notification letters require proofing prior to issue in order to ensure that they are an accurate representation of the award decision. • Actions are required to ensure that all records are an accurate reflection of the award values. • Documentation demonstrating compliance with the 'Assessment' criteria should be retained and stored in a location which facilitates ease of retrieval. • The Service Level Agreements require review and proofing prior to issue in order to ensure that they are an accurate representation of the agreement. • Actions are required to ensure that payments are requested from the correct cost centre and account code. • The grant conditions document is to be reviewed and updated as required prior to the next round of Community Grant applications. • Consideration should be given to tailoring the monitoring of SLA's based upon the award value and the risk of non-achievement of targets. • The Youth Grant Budget will require review and	

Audit	Comments	Level of Assurance
	amendment as required to ensure that the 2014-15 payment allocation error does not adversely affect the 2014-16 two year budget. The recommendations made as a result of this audit have been agreed by management with the latest implementation date being October 2015.	
Licences	<u>Audit Objective</u> The objective of the audit was to ensure the following controls are in place and operating effectively:- • Guidance – Confirm that guidance has been compiled to assist with the completion and processing of licence applications and that it is in accord with regulatory provision • Fees – Confirm the fees applicable to the current licences and that set process for calculating and agreeing these fees has been applied. • Applications – Confirm that applications have been handled, processed, and issued in line with current process. • Income – Confirm that income has been appropriately accounted for from receipt through to banking, with receipts being provided as required. • Processing times – Confirm that processing times are being adhered to • Complaints – Confirm that complaints are dealt with in a timely and appropriate manner and to establish whether entries within the complaints module in Uniform are linked to the Licences module for ease of reference. • Declaration of interests – Confirm that Officers are declaring any financial or relationship interests which could be seen as conflicting with Council interests <u>Period of Audit</u> The period of the audit covered activity relating to the 2014/15 and 2015/16 financial years <u>Audit Opinion</u> On the basis of the work carried out during this audit review, and the number and classification of recommendations identified through audit testing the audit opinion is that there is a **Good** level of assurance on the adequacy and operating effectiveness of controls in place for all areas covered by the audit except for the controls relating to 'Declaration of	Good/ Satisfactory/ Limited

<table>
<tr><th>Audit</th><th>Comments</th><th>Level of Assurance</th></tr>
<tr><td></td><td>Interests' for which a Satisfactory level of assurance has been provided, and the controls relating to 'Fees' for which a Limited' level of assurance has been provided.

The main areas of weakness identified, for which three Rank 2 'Medium Priority' recommendations have been made, relate to:-

• The Fees & Charges shown on the Licences & Permits section of the GCC website require review and amendment in order to ensure that they are in line with the 2015/16 Fees & Charges document and / or regulatory provision should there have been any amendments since the Fees & Charges document was agreed;
• Actions are required to ensure that all renewal forms advise the applicant of the correct value in line with the agreed charge within the 2015/16 Fees & Charges document and / or regulatory provision should there have been any amendments since the Fees & Charges document was agreed;
• The identified instances where the 2015/16 Fees & Charges document contains double entries for licences where the values are not aligned, are to be relayed to the team with clarification being provided as to which are the agreed current charges.

The recommendations made as a result of this audit have been agreed by management with the latest implementation date being September 2015.</td><td></td></tr>
<tr><td>Choice Based Lettings (CBL)</td><td><u>Audit Objective</u>
The objective of the audit was to ensure the following controls are in place and operating effectively:-
• Duplicate applications are detected and cancelled;
• Applications are processed by the appropriate local authority within the Gloucestershire Home-seeker scheme;
• Applicants are correctly assessed and banded in accordance with the Gloucestershire Home-seeker Policy;
• Suspended applications are monitored and appropriate action taken;
• Applications 'awaiting decision' are allocated to the relevant officers, and this is monitored;
• Letting decisions are made appropriately and</td><td>Satisfactory/ Unsatisfactory</td></tr>
</table>

Audit	Comments	Level of Assurance
	communicated to applicants; • Gloucestershire Home-seeker decision review requests are completed in line with the Gloucestershire Home-seeker Policy; • Access and privilege rights to the CBL system are appropriately restricted and designated; • Local scheme performance is monitored against the aims of the Policy and the Council. Period of Audit The period of the audit covered a review of the processes and controls in place for the 2015/16 financial year up to the point of audit. The audit work was completed in July 2015. Audit Opinion On the basis of the work carried out during this audit review, and the number and classification of recommendations identified through audit testing the audit opinion is that there is a **Satisfactory** level of assurance on the adequacy and operating effectiveness of controls in place for the ‘Application and Decision process’ and ‘Performance Management’, but an **Unsatisfactory** level of assurance has been provided on the adequacy and operating effectiveness of the controls relating to ‘access and privilege rights’. The main areas of weakness identified, for which three Rank 1 ‘High Priority’ recommendations, and eight Rank 2 ‘Medium Priority’ recommendations have been made, relate to:- • CBL system access should be immediately disabled for the 8 leaver cases identified within the audit review; • The Homelessness & Housing Advice Service Manager (H&HASM) should ensure that strengthening of the CBL system user access controls is required by the Management Board and Operations Group when update of the CBL system is completed; • Until a new CBL system is procured, the H&HASM should complete a regular review (e.g. monthly) of Gloucester system user accounts to ensure that users are appropriate current officers; • The H&HASM should consider improvement of controls over new user set up – including a new user set up form requiring authorisation, to ensure	

Audit	Comments	Level of Assurance
	that only relevant authorised officers are given appropriate access within the CBL system and have signed up to relevant Data Protection/Information Security requirements; • The H&HASM should raise at an appropriate Partnership level that new user set up and leaver de-registration controls should be considered for implementation Partnership wide, to reduce the risk of inappropriate release of GCC applicant data; • CBL assessing officers should be reminded that assessment and banding letters should be formally issued, following completion of assessment & banding; • Training of Homelessness team officers should be completed to ensure that the Gloucestershire Home-seeker Policy criteria for application suspension, annual renewal and cancellation is understood and appropriately applied; • The H&HASM should ensure that all stage 1 decision review requests are processed in line with the Gloucestershire Home-seeker Policy and Appeals Process guidance. Where the H&HASM is aware that additional review time will be required (due to workload/backlog), the applicant should be contacted within the initial 14 days review criteria to be informed of the Council position and expected timing for decision; • CBL targets for housed applicants should be reviewed in line with the agreed criteria (and updated where required) to ensure that the target percentages are reasonable, based on current housing supply and demand within Gloucester, and able to support the goal of balanced communities. The review should be evidenced by appropriate, authorised audit trail; • The H&HASM should ensure that data and document retention and destruction are considered by the Management Board and Operations Group when update of the CBL system is completed i.e. ensure that the system supports destruction of an applicant's core information and supporting documentation, where applicable and permitted, while maintaining key performance audit trail within the system; • At a service level, the Council's CBL data retention and destruction policy should be reviewed and updated to ensure that it is in line with regulatory and operational requirements.	

Audit	Comments	Level of Assurance
	The recommendations made as a result of this audit have been agreed by management with the latest implementation date being October 2015, except for the recommendations relating to data retention, as management have stated that this is linked to the procurement of a new system which is due to be completed within 2015/16 for 2016/17 implementation.	

The report includes an audit opinion on the adequacy of controls in the area that has been audited, classified in accordance with the following descriptions:-

CONTROL LEVEL	DESCRIPTION
Good	Robust framework of controls – provides substantial assurance. A few minor recommendations (if any) i.e. Rank 3 (Low Priority).
Satisfactory	Sufficient framework of controls – provides satisfactory level of assurance – minimal risk. A few areas identified where changes would be beneficial. Recommendations mainly Rank 3 (Low Priority), but one or two Rank 2 (Medium Priority).
Limited	Some lapses in framework of controls – provides limited level of assurance. A number of areas identified for improvement. Mainly Rank 2 (Medium Priority) recommendations, but one or two Rank 1 (High Priority) recommendations.
Unsatisfactory	Significant breakdown in framework of controls – provides an unsatisfactory level of assurance. Unacceptable risks identified – fundamental changes required. A number of Rank 1 (High Priority) recommendations.

Ranking of Recommendations:-

RANK		DESCRIPTION
1	High Priority	Necessary due to statutory obligation, legal requirement, Council policy or major risk of loss or damage to Council assets, information or reputation, or, compliance with External Audit key control.
2	Medium Priority	Could cause limited loss of assets or information or adverse publicity or embarrassment. Necessary for sound internal control and confidence in the system to exist.
3	Low Priority	Current procedure is not best practice and could lead to minor in-efficiencies.

Meeting:	**Audit and Governance Committee** **Cabinet**	**21 September 2015** **21 October 2015**
Subject:	**Treasury Management Update – Quarter 1 Report 2015/16**	
Report Of:	**Cabinet Member for Performance and Resources**	
Wards Affected:	**All**	
Key Decision:	**No** **Budget/Policy Framework:** **No**	
Contact Officer:	**Jon Topping, Head of Finance**	
	Email: jon.topping@gloucester.gov.uk	**Tel: 396242**
Appendices:	**1. Prudential and Treasury Indicators** **2. Treasury Management Investment Portfolio** **3. Economic Outlook** **4. Interest rate forecasts**	

FOR GENERAL RELEASE

1.0 Purpose of Report

1.1 One of the requirements of the revised Code of Practice for Treasury Management in November 2011 recommends that members should be updated on treasury management activities at least twice a year, but preferably quarterly. This report covers Quarter 1,1st April 2015 to 30th June 2015.

1.2 This report will highlight issues specific to the Council and also highlight the overall economic outlook as provided by the Councils treasury advisors Capita Asset Services.

1.3 The body of the report provides an overview of the Councils performance in Quarter 1;

- **Appendix 1** highlights the key performance indicators in line with the Councils Treasury Management Strategy.
- **Appendix 2** is the investments held at the end of quarter 1.
- **Appendix 3** is an economic summary provided by the Councils treasury advisors.
- **Appendix 4** is a detailed commentary on interest rate forecasts

2.0 Recommendations

2.1 Audit and Governance Committee is asked, subject to any recommendations it wishes to make to Cabinet, to note the contents of the report.

2.2 Cabinet is asked to **RESOLVE** that the contents of the report be noted.

3.0 Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2015/16, which includes the Annual Investment Strategy, was approved by the Council on 18th March 2015. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield

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

3.2 Investment rates available in the market have been broadly stable during the quarter and have continued at historically low levels as a result of the ultra-low Bank Rate and other extraordinary measures such as the Funding for Lending Scheme. The average level of funds available for investment purposes during the quarter was £5.58m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and receipts from the housing stock transfer to Gloucester City Homes (GCH).

4.0 New Borrowing

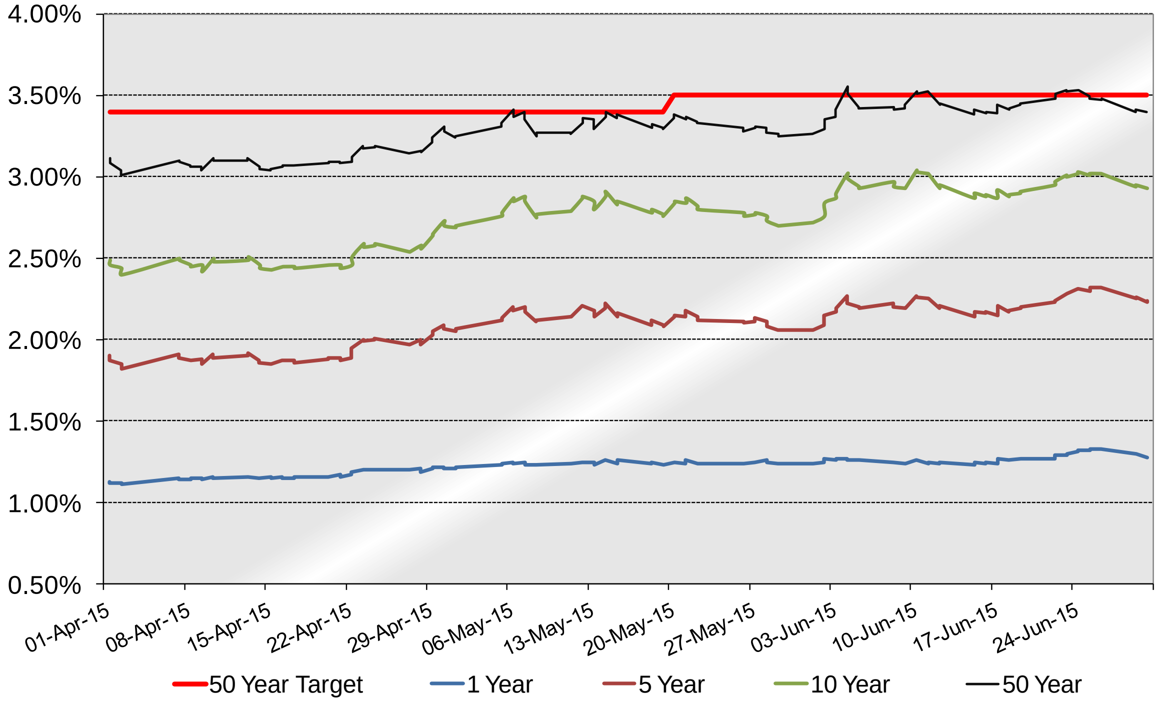
4.1 The 25 year PWLB target (certainty) rate for new long term borrowing, for the quarter ending 30th June, rose slightly from 3.40% to 3.50% after the May Bank of England Inflation report

4.2 No long term borrowing was undertaken during the quarter.

4.3 **PWLB certainty rates, quarter ended 30th June 2015**

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.11%	1.82%	2.40%	3.06%	3.01%
Date	02/04/2015	02/04/2015	02/04/2015	02/04/2015	02/04/2015
High	1.33%	2.32%	3.04%	3.65%	3.55%
Date	25/06/2015	25/06/2015	10/06/2015	24/06/2015	04/06/2015

Average	1.23%	2.09%	2.75%	3.37%	3.29%



4.4 **Borrowing in advance of need.**

On the 17th March 2015 the Council completed the voluntary stock transfer to GCH, the Council received funding from the Government and GCH to repay debt associated with the Council housing stock. Due to uncertainty in the market around debt premia at the time of the transfer, the Council did not repay all of the market debt at that time. Certainty returned to the markets in Quarter 1 and the Council repaid debt associated with the housing stock. At the end of Quarter 1, the Council is not borrowing in advance of need.

5.0 Debt Rescheduling

5.1 Debt rescheduling opportunities have been limited in the current economic climate and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. During the quarter ended 30th June 2015, no debt rescheduling was undertaken.

6.0 Compliance with Treasury and Prudential Limits

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

6.2 During the financial year to date the Council has operated within the treasury limits set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The Council repaid long term market debt in Quarter 1 which was associated with the housing stock transferred to GCH. The stock transfer has changed the Council debt profile from long term to short term borrowing. The Council is able to benefit from reduced costs associated with short term borrowing compared to longer term rates while operating within the Councils borrowing requirements.

6.3 The Council has a prudential indicator set at 50% for fixed rate borrowing <12 months. The treasury strategy notes that if limits are too restrictive they will impair the opportunities to reduce costs. In Quarter 1 the Council exceeded the indicator but remained within its approved limits, this policy of borrowing has allowed the Council to benefit from lower interest rates available via short term agreements. The Council will continue to monitor its prudential indicators to ensure that they do not restrict performance in light of the Councils debt profile post stock transfer and this will form the basis for the 16/17 strategy. The prudential and treasury Indicators are shown within appendix 1.

7.0 Other

7.1 The Housing Stock Transfer in March 2015 transformed the Council debt landscape and the Council finished the 2014/15 year in an over-borrowing position. The first quarter of 2015/16 saw the Council return to an under-borrowing position; this followed the repayment of market debt which was associated to housing stock transferred to Gloucester City Homes. .

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

7.3 The Council will continue to monitor its approach to under borrowing in light of market movement and future events.

7.4 During this quarter, credit rating agencies have acted to remove implied sovereign support for major national banks of systemic importance. This does not mean that these banks are of any lower credit worthiness than they were before this change. This change does though reflect the substantial improvement in the strength of bank balance sheets since the 2008 crisis and changes in the regulatory environment within which banks now have to work which means that their own strength should make it unnecessary for national governments to provide financial support to banks in any future financial crisis. While sovereign ratings will remain part of the Council's credit rating methodology, the impact of this change means that the rating of an individual bank is now the overriding focus in selecting creditworthy banks to lend to.

8.0 Asset Based Community Development (ABCD) Considerations

8.1 This report notes the treasury management performance of the Council. There are no anticipated ABCD implications from this report.

9.0 Financial Implications

9.1 Contained in the report

(Financial Services have been consulted in the preparation this report.)

10.0 Legal Implications

10.1 There are no legal implications from this report
(Legal Services have been consulted in the preparation this report.)

11.0 Risk & Opportunity Management Implications

11.1 There are no specific risks or opportunities as a result of this report

12.0 People Impact Assessment (PIA):

12.1 A PIA screening assessment has been undertaken and the impact is neutral. A full PIA is not required.

13.0 Other Corporate Implications

<u>Community Safety</u>

13.1 None

<u>Sustainability</u>

13.2 None

<u>Staffing & Trade Union</u>

13.3 None

Appendix 1

Prudential and Treasury Indicators as at 30th June 2015

Treasury Indicators	2015/16 Budget £'000	Quarter 1 (Apr-Jun) Actual £'000
Authorised limit for external debt	£35M	£13M
Operational boundary for external debt	£30M	£13M
Gross external debt	£30M	£13M
Investments	N/A	£4.5M
Net borrowing	£30M	£8.5M

Maturity structure of fixed and variable rate borrowing - upper and lower limits		
Under 12 months	0% - 50%	61.54%
12 months to 2 years	0% - 50%	0%
2 years to 5 years	0% - 50%	0%
5 years to 10 years	0% - 80%	38.46%
10 years to 20 years	0% - 80%	0%
20 years to 30 years	0% - 80%	0%
30 years to 40 years	0% - 80%	0%
40 years to 50 years	0% - 80%	0%
Upper limit of fixed interest rates based on net debt	100%	61.54%
Upper limit of variable interest rates based on net debt	100%	38.46%

Appendix 2

Investment Portfolio

Investments held as at 30th June 2015 compared to our counterparty list:

Specified Investments	**Outstanding Investments £'000**	**Date of Maturity**	**Interest Rate %**
Banks			
Barclays Bank Plc	£1,000	N/A (call a/cs)	
Goldman Sachs	£500	N/A (call a/cs)	
	£1,500		
Building Societies			
Nationwide Building Society	£3,000	20/04/2015	0.50
	£3,000		
Total Invested	**£4,500**		

Appendix 3

1. Economic Background

- After strong UK GDP growth in 2013 at an annual rate of 2.7% and 3.0% in 2014, quarter 1 of 2015 was disappointing at only 0.4%, though subsequent data indicates that this could well be revised up further down the line and also indicates a return to stronger growth in quarter 2. In its May quarterly Inflation Report, the Bank of England reduced its GDP forecast for 2015 from 2.9% to 2.5% and from 2.9% to 2.7% in 2016, while increasing its forecast for 2017 from 2.4% to 2.7%.

- Uncertainty around the likely result of the UK general election in May has obviously now evaporated although this has been replaced by some uncertainty around the potential impact on the UK economy of the EU referendum promised by, or in, 2017. In addition, the firm commitment of the Conservative Government to eliminating the deficit within the term of this Parliament will have an impact on GDP growth rates. However, the MPC is fully alert to this and will take that into account, and also the potential spill over effects from the Greek crisis, in making its decisions on the timing of raising Bank Rate.
- As for the American economy, confidence has improved markedly in this quarter that the US will start increasing the Fed funds rate by the end of 2015 due to a return to strong economic GDP growth after a disappointing start to the year in quarter 1, (a contraction of 0.2%), after achieving 2.4% growth in 2014.

- In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This already appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth, though it remains to be seen whether this will have an enduring effect as strong as the recovery in the US and UK.

2. Interest Rate Forecast

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%
5yr PWLB rate	2.30%	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%
10yr PWLB rate	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%
25yr PWLB rate	3.60%	3.70%	3.80%	4.00%	4.10%	4.20%	4.30%	4.40%	4.40%	4.50%	4.60%
50yr PWLB rate	3.60%	3.70%	3.80%	4.00%	4.10%	4.20%	4.30%	4.40%	4.40%	4.50%	4.60%

- Capita Asset Services undertook a review of its interest rate forecasts after the May Bank of England Inflation Report. The ECB's quantitative easing programme to buy up EZ debt caused an initial widespread rise in bond prices and, correspondingly, a fall in bond yields to phenomenally low levels, including the debt of some European countries plunging into negative yields. Since then, fears about recession in the EZ, and around the risks of deflation, have abated and so there has been an unwinding of this initial phase with bond yields rising back to more normal, though still historically low yields.
- This latest forecast includes a move in the timing of the first increase in Bank Rate from quarter 1 of 2016 to quarter 2 of 2016 as a result primarily of poor growth in quarter 1, weak wage inflation and the recent sharp fall in inflation due to the fall in the price of oil and the impact of that on core inflation. The UK fell marginally into deflation in April (-0.1%) and figures near zero will prevail for about the next six months until the major fall in oil prices in the latter part of 2014 falls out of the twelve month calculation of CPI inflation. The Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual. The MPC is concerned about the impact of increases on many heavily indebted consumers, especially when average disposable income is only just starting a significant recovery as a result of recent increases in the rate of wage inflation, though some consumers will not have seen that benefit come through for them.

Appendix 4

DETAILED COMMENTARY ON INTEREST RATES FORECASTS

Our treasury management advisers, Capita Asset Services have provided us with the following update to their interest rate forecasts.

Change in market sentiment and outlook

- There has been very little change in our forecasts since our previous forecast in February. We have moved back the start of the increases in Bank Rate by one quarter, to quarter 2 of 2016, to reflect a lowering of forecasts for growth, and in line with comments from the Bank of England.
- In its May Inflation Report, the Bank of England reduced its forecasts for annual growth from 2.9% to 2.5% in 2015 and 2.7% in 2016. 2017 growth was forecast at 2.4% from 2.7%. There were a number of contributing factors to these downward revisions.
- UK quarterly growth in quarter 1 2015 was disappointing and slowed to 0.4% (2.9% y/y), from 0.8% (3.4% y/y), in the previous quarter.
- The Bank also took a more pessimistic view on the rate of, and timing of, the keenly hoped for recovery of growth in labour productivity and of increases in wages; it cut its forecast for wages growth in 2015 from 3.5% to 2.5%. This is despite strong growth in employment and continuing reductions in the rate of unemployment; employment increased by 202,000 in the three months January to March and by 1.25m over the last two years. Unemployment has dropped by 386,000 over the last year and the unemployment rate has fallen to 5.5%. On the other hand, job vacancies stood at 736,000 in the last quarter, close to their highest level since records began in 2001. Despite all this positive news, annual wage increases (excluding bonuses) in the last three months were only 1.9%. For this recovery to become sustainable over the longer term, there must be a recovery in the growth of productivity and real wages in excess of the rate of inflation.
- The election of a majority Conservative Government which is going to implement significant cuts in government expenditure, in order to reduce the size of the annual budget deficit, will slow GDP growth marginally.
- CPI inflation dipped into deflation territory, falling to -0.1%. This dip into deflation will only last for a short period until the fall in the prices of oil and food drop out of the twelve month calculation of CPI, especially during Q4 2015, when inflation is expected to tick up markedly. The latest Inflation Report clearly shows an anticipated rise in inflation to being slightly above the 2% target in the two to three year time horizon.
- Greece: the Greek government led by the anti EU and anti-austerity party Syriza, is making a strong push to renegotiate the austerity programme and debt repayments. This has been met with a robust rejection by the ECB, EU and IMF. There is, therefore, a risk that this could end with Greece leaving the Euro. However, the Eurozone has put in place sufficient firewalls that a Greek exit would have little direct impact on the rest of the EZ and the Euro. The Spanish local elections this quarter surprised

analysts due to a strong showing by the anti-austerity party. However, there is considerable debate as to whether this level of support will transfer from a protest vote at local level into the general election at a national level which is coming up soon.

- We remain concerned at the level of potential risk surrounding the government and corporate debt of several of the major emerging economies, from the perspective of both the potential for default in some countries and also a sharp swing in investor sentiment: investors have previously sought out higher yields in these economies during an extended period when yields in western countries have been heavily suppressed.
- Clients should expect a high level of volatility in PWLB rates over 2015, depending on how long it takes to decide what will happen in Greece and as other factors impinge on market and investor sentiment. We would not be surprised to see PWLB rates swinging by 50 bps in a quarter, which makes any forecasts in the shorter term subject to a much higher level of volatility than has been usual.

The American economy experienced disappointing growth in quarter 1 2015, contracting by 0.2% on an annualised basis, due to bad weather hitting construction and consumer spending, a ports strike and the near 20% appreciation in the value of the dollar. However, it is expected to recover strongly in quarter 2 and resume its trend of making a full recovery from the financial crash. GDP growth for 2014 as a whole of 2.4% holds great promise for strong growth going forward and for further falls in unemployment. It is therefore expected that the Fed will start on the first increase in the Fed rate during 2015 and is likely to be ahead of the UK in being the first major western country to raise rates.

As for the Eurozone, the ECB fired its big bazooka in announcing a massive €1.1 trillion programme of Quantitative Easing in January 2015 to buy up high credit quality government debt of selected EZ countries. This programme started in March and will run to September 2016. This seems to have already had a beneficial impact in improving confidence and sentiment. There has also been a continuing trend of marginal increases in the GDP growth rate which hit 0.4% in quarter 1 2015 (1.0% y/y). Deflation has also ended with a return into positive territory with an increase from 0.0% in April to +0.3% in May. In May, ten year bond yields shot up by around 50 bps after having dipped to near zero for a brief period.

CAPITA ASSET SERVICES' FORWARD VIEW

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data transpires over 2015. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

The overall longer run trend is for gilt yields and PWLB rates to rise, due to the high volume of gilt issuance in the UK, and of bond issuance in other major western countries. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

We would, however, remind clients of the view that we have expressed in our previous interest rate revision newsflashes of just how unpredictable PWLB rates and bond yields are at present. We are experiencing exceptional levels of volatility which are highly correlated to geo-political and sovereign debt crisis developments. Our revised forecasts are based on the Certainty Rate (minus 20 bps) which has been accessible to most authorities since 1st November 2012.

Downside risks to current forecasts for UK gilt yields and PWLB rates include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows;
- UK strong economic growth being weaker than we currently anticipate;
- Weak growth or recession in the UK's main trading partners - the EU, US and China;
- A resurgence of the Eurozone sovereign debt crisis;
- Recapitalisation of European banks requiring more government financial support;
- Monetary policy action failing to stimulate sustainable growth and to combat the threat of deflation in western economies, especially the Eurozone and Japan.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- Uncertainty around the risk of a UK exit from the EU;
- The ECB severely disappointing financial markets with a programme of asset purchases which proves insufficient to significantly stimulate growth in the EZ;
- The commencement by the US Federal Reserve of increases in the Fed. funds rate in 2015, causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities;

- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

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Gloucester City Council
Audit and Governance Work Programme 2015-16
(Updated 28 August 2015)

Item	Format	Lead Officer	Comments
23 November 2015:			
1. Audit and Governance Committee Action Plan	Timetable	--------------	Standing agenda item requested by the Committee
2. Council IT- Lessons Learned	Written Report	Head of Finance/ Head of Business Improvement	Part of the Committee's annual work programme
3. Annual Audit Letter 2014/15	Written Report	KPMG	Part of the Committee's annual work programme
4. Zurich Risk Management Standards Assessment report	Written Report	Audit, Risk & Assurance Manager	Part of the Committee's annual work programme
5. Strategic Risk Register Update	Written Report	Audit, Risk & Assurance Manager	Part of the Committee's annual work programme
6. Treasury Management Performance 2015/16 – Quarter 2	Written Report	Head of Finance	Part of the Committee's annual work programme
7. Regulation of Investigatory Powers Act 2000 (RIPA) – Annual Review of Procedural Guide	Written Report	Corporate Director	Part of the Committee's annual work programme
8. Annual Standards Report	Written Report	Monitoring Officer	Part of the Committee's annual work programme
9. Local Government Ombudsman Decisions	Written Report	Monitoring Officer	Part of the Committee's annual work programme
10. Business Rates Pooling Annual Report	Written Report	Head of Finance	Part of the Committee's annual work programme
11. Audit and Governance Committee Work Programme	Timetable	---------------	Standing Agenda Item

Item	Format	Lead Officer	Comments
18 January 2016:			
1. Audit and Governance Committee Action Plan	Timetable	--------------	Standing agenda item requested by the Committee
2. KPMG Grants Audit Report	Written Report	KPMG	Part of the Committee's annual work programme
3. Internal Audit Plan 2015/16 – Monitoring Report	Written Report	Audit, Risk & Assurance Manager	Part of the Committee's annual work programme
Audit and Governance Committee Work Programme	Timetable	---------------	Standing Agenda Item

Item	Format	Lead Officer	Comments
14 March 2016:			
1. Audit and Governance Committee Action Plan	Timetable	--------------	Standing agenda item requested by the Committee
2. KPMG – External Audit Plan 2015/16	Written Report	KPMG	Part of the Committee's annual work programme
3. KPMG – External Audit Technical Update?	Written Report	KPMG	Part of the Committee's annual work programme
4. Treasury Management Quarter 3 Report	Written Report	Head of Finance	Part of the Committee's annual work programme
5. Treasury Management Strategy	Written Report	Head of Finance	Part of the Committee's annual work programme
6. Annual Risk Management Report	Written Report	Audit, Risk & Assurance Manager	Part of the Committee's annual work programme
7. Internal Audit Plan 2015/16 – Monitoring Report	Written Report	Audit, Risk & Assurance Manager	Part of the Committee's annual work programme
8. Internal Audit Plan 2016/17	Written Report	Audit, Risk & Assurance Manager	Part of the Committee's annual work programme

Audit and Governance Committee Work Programme	Timetable	---------------	Standing Agenda Item

FUTURE AUDIT & GOVERNANCE COMMITTEE MEETING DATES:

- Monday, 20 June 2016
- Monday, 19 September 2016
- Monday, 21 November 2016

FUTURE AUDIT & GOVERNANCE COMMITTEE AGENDA ITEM – DATE TO BE AGREED:

- Update report on Peer Review visit

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