

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

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INTRODUCTION

Gloucester City Council

Welcome to the Statement of Accounts 2011/12

The financial year 2011/12 was the fourth year in the span of the Council's corporate plan, 'Building a Better Gloucester'. There was no increase in Council tax during the year.

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

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

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

The 2011/12 statement of accounts will be published in March 2013.

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

Peter Gillett

Corporate Director of Resources (Section 151 Officer)

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GLOUCESTER CITY COUNCIL-GENERAL INFORMATION

<p>Address and Telephone Number Address</p> <p>Telephone</p> <p>Website</p> <p>Mayor and Deputy Mayor in the 2011/12 Municipal Year Mayor Sheriff and Deputy Mayor</p> <p>Cabinet in 2011/12 Leader of the Council Deputy Leader of the Council Cabinet Member Performance and Resources Cabinet Member Regeneration and Culture Cabinet Member Communities and Neighbourhoods Cabinet Member Housing, Health and Leisure Cabinet Member Environment</p> <p>Chairman of Committees in 2011/12 Licensing and Enforcement Committee Overview and Scrutiny Committee Organisational Development Committee Planning Committee Audit and Governance Committee</p> <p>Chief Officers in 2011/12 Chief Executive Director of Resources (Section 151 Responsible Officer) Director of Regeneration Director of Services and Neighbourhoods</p> <p>External Auditor in 2011/12 Appointed Auditor Address</p> <p>Bankers in 2011/12 Bankers Address</p>	<p>Herbert Warehouse The Docks Gloucester GL1 2EQ 01452 396236 www.gloucester.gov.uk</p> <p>Councillor A Lewis Councillor P Tracy</p> <p>Councillor P James Councillor S Morgan Councillor D Llewellyn Councillor P James Councillor K Williams Councillor C Organ Councillor S Morgan</p> <p>Councillor L Noakes Councillor J Lugg Councillor P James Councillor G Taylor Councillor D M H Wilson</p> <p>Mr J M Wain Mr P Gillett Mr P Staddon Mr M Shields</p> <p>KPMG LLP 100 Temple Street, Bristol, BS1 6AG Bristol BS1 6AG</p> <p>Co-operative Bank 23A St Aldates Street Gloucester GL1 1RU</p>
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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 Director of Resources (Section 151 Officer);
- * Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- * To approve the Statement of Accounts.

Responsibilities of The Director of Resources (Section 151 Officer)

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

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

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

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

Signed Dated

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

Signed Dated

Declan Wilson
Chair of Audit Committee

ANNUAL GOVERNANCE STATEMENT

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

ANNUAL GOVERNANCE STATEMENT

1.0 Scope of responsibility

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

2.0 The purpose of the governance framework

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

2.3 The governance framework has been in place at Gloucester City Council for the year ended 31st March 2012, and up to the date of approval of the Statement of Accounts.

3.0 The governance framework

3.1 Governance is about how the Council ensures it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

3.2 The Council has adopted a Local Code of Corporate Governance that is based around a number of key principles. These principles are identified below, together with a commentary on the current level of organisational compliance.

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

4.1 The Council's major policy objectives in 2011/12 were detailed as part of the corporate plan, entitled 'Transforming Your City'. This Plan, which followed on from the Blueprint for Change in 2005 and building a Better Gloucester on 2008, is a 4 year plan (2011-2015) designed as a framework for delivering Gloucester's future, reflecting the unique nature of the city's character and the challenges faced by the council.

4.2 The three key priorities of the strategy are:

1. Prosperity – Strengthening Gloucester's Economy
2. People – A City for Everyone
3. Place – Creating Pride in Our City

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

Leadership – We will provide strong, ambitious and enthusiastic leadership, putting the interests of the city first and we will act in an open and transparent way.

Sound Finance – We will strive for value for money and only spend what we can afford.

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

Your Services – We will strive for top-performing services, built around you the customer, in partnership with the public, private and voluntary sectors.

People – We will consult and engage with the community to help shape the decisions we take, giving everyone a voice and looking after the most vulnerable in society.

- 4.3 The Council's major policy objectives, as detailed in 'Transforming Your City' were approved by Full Council at a meeting held on 24th March 2011. A copy of the 'Transforming Your City' Corporate Plan 2011-2014 can be found on the Council's website.
 - 4.4 In order to ensure that progress is being made against the aims and objectives detailed in the Corporate Plan, performance reports are produced to highlight achievements and address any challenges. These reports are reviewed by the Chief Executive and Directors (GLT), and members. Reports are also made available online on the Council's website www.gloucester.gov.uk
 - 4.5 An end of year, annual performance report was presented to GLT on 18th May 2012 and is scheduled to be presented to members.
 - 4.6 The Forward Plan contains matters which will be the subject of a 'key decision' and 'decisions relating to the Budget and Policy Framework'. Proposals relevant to the Budget and Policy Framework are subject to a period of consultation and the Overview and Scrutiny Committee have the opportunity to respond in relation to the consultation process. Forward Plans are prepared by the Leader of the Council, and cover a period of twelve months. They are prepared on a monthly basis and subsequent plans cover a period beginning with the first day of the second month covered in the preceding plan. A copy of the Forward Plan is also published on the Council's web site.
 - 4.7 Data quality is important for Local Authorities as decisions are made based on data that is produced, and, the Council reports its performance to a wider audience. Internal Audit have an important role to play in reviewing and reporting on any data quality issues identified as part of their work.
- 5.0 Members and officers work together to achieve a common purpose with clearly defined functions and roles**
- 5.1 Members are responsible to the electorate and serve as long as their term of office lasts. Officers are responsible to the authority and carry out the Council's work under the direction of the Council, Executive and Committees.
 - 5.2 The relationship between Councillors and officers is essential to the successful working of the Council. This relationship within the authority is characterised by mutual respect, informality and trust. The Council has adopted a 'Councillor – Officer Relations' protocol to help councillors and officers perform effectively by giving guidance on their

respective roles and expectations, and, on their relationship with each other.

- 5.3 The Council has adopted a Scheme of Delegation detailing the delegation of responsibilities and functions to the Council, Cabinet, individual Cabinet Members, Committees, and, officers.
- 5.4 Under the Local Authorities (Members Allowances) (England) Regulations 2003, local authorities are required to have in place a scheme which sets out payments of allowances to councillors. The City Council formally adopts its allowances scheme for the forthcoming year at Annual Council. The Scheme for 2011-12, which was based on recommendations by an independent “Members Remuneration” panel, was adopted by the Council in May 2011.
- 5.5 Under Section 38 of the Localism Act 2011, the Council must approve and publish a senior pay policy statement before the start of the financial year to which it applies. The Council is expected to keep the statement under review and publish a new version each year. The Senior Pay Policy Statement for 2012/13 was approved by Council in March 2012.
- 6.0 Promote values for the authority and demonstrate the values of good governance through the upholding of high standards of conduct and behaviour.**
- 6.1 The Council has adopted codes of conduct for Members and Officers. The code of conduct for Members is in accordance with the National Code of Local Government Conduct and complaints that Members have breached the Code are dealt with by the Council’s Standards Committee. Staff are also expected to maintain high standards of behaviour at all times. The standards of behaviour and other related matters are set out in an officer Code of Conduct which is based on a national model. The Council’s Constitution also contains a number of protocols in respect of Member/Officer and Member/Member relations, and a whistle-blowing policy for employees.
- 6.2 The Council has a complaints procedure that enables dissatisfied members of the public to raise concerns. The Council view all comments, whether they are complaints or compliments, as a valuable way of collecting continual feedback about services and how it can help improve the services provided. Complainants may also refer matters to the local government ombudsman for investigation once they have been through the council’s complaint system.
- 6.3 During 2011/12, the following policies were reviewed and updated, Freedom of Information & Environmental Information Regulations Policy, Data Protection Policy, Subject Access Request Policy, Regulation of Investigation Act 2000 (RIPA) – Procedural Guide.

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

7.1 The Council is committed to efficient and effective decision-making and for ensuring that those responsible for decision-making are clearly identifiable to local people and that they explain reasons for decisions.

7.2 In accordance with the statutory requirement the Council has established an overview and scrutiny function. The Overview and Scrutiny function is a central element of the Council's aims and objectives and a key part of the democratic structure. The Overview and Scrutiny Committee meets in public to discuss and makes recommendations on the development of policies and to hold the Cabinet Members to account for both their actions and performance.

7.3 The Council's Democratic Services section maintains the up to date Register of Members' Interests on behalf of the Monitoring Officer and also ensures that Members are reminded at least annually to update their record. Declarations of Interest are a standard agenda item for each main Committee meeting. The requirement for staff to declare interests is included in the Officers Code of Conduct – Council Constitution Part 5, Codes and Protocols.

7.4 Risk Management is essentially about good management practice and effective decision making. It can be defined as:

‘A logical and systematic method of establishing the context, identifying, analysing, evaluating, treating monitoring and communicating risks associated with any activity, function or process in a way that will enable organisations to minimise losses and maximise opportunities’.

7.5 The Council recognises that all aspects of business risk must be managed. The Council has a Risk Management Strategy, the purpose of which is to provide a framework for the effective management of risks within the authority. The Strategy was reviewed in March 2012. It contains the objectives of the strategy, linked to the council key aims, and guidance on the risk management cycle and scoring of risks.

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

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

7.8 The Group Manager Legal and Democratic Services identifies any forthcoming relevant legislation and, together with the relevant Director, is responsible for ensuring that the Cabinet is appraised of the implications and what action the Council may need to take.

7.9 The Council has an agreed whistle-blowing policy under which members of staff may raise any concerns. The policy was reviewed during the year and a revised version was agreed by a joint meeting of the Audit Committee and Standards Committee in February 2012.

8.0 Develop the capacity and capability of members and officers to be effective.

8.1 The Council has the Investor in People (IIP) award, which is a national standard that sets a level of good practice for the training and development of people to achieve business goals.

8.2 Access to Member Development is a key element of the Local Code of Corporate Governance. Feedback from the new approach to Member training adopted in 2010/11 was positive and therefore continued in 2011/12. It included the following:

- An induction pack for successfully elected Councillors.
- A Members' Handbook issued to all Members of the Council.
- An induction day, which included an introduction to the Council from the Council's senior management team and a market place event.
- A comprehensive extended induction programme featuring a wide range of topics.

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

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

9.1 Council, Cabinet and committee meetings are open to the public with agendas and minutes being publicly available. Members of the public are able to ask questions at such meetings.

9.2 The council publishes a leaflet with its council tax demands which summarises financial performance and at the end of each financial year publishes the Statement of Accounts

9.3 The council has agreed and published a petitions scheme which details guidance and procedures for the way in which it deals with petitions from members of the public which may include a debate at council or

the matter being considered by the Cabinet, appropriate Committee, or a Forum.

- 9.4 In order to increase transparency and accountability in local government, central government introduced a legal requirement for council's to report upon the remuneration of senior employees. This information was published as part of its annual accounts. The Council's comprehensive Pay Policy Statement was also approved by full council on 22nd March 2012.
- 9.5 The council has a strong track record of partnership working with the public, private and voluntary sectors. It has established: an arms length management organisation, Gloucester City Homes (GCH), to manage, maintain and improve the council housing stock, a charitable trust, Aspire Sports and Cultural Trust, to manage its leisure services, a separate legal entity, Marketing Gloucester Ltd, to promote the City, and, has entered into two strategic partnership contracts with the private sector for the provision of Streetcare services (street cleansing, waste collection, grounds maintenance and public conveniences), and the delivery of Revenues and Benefits services.
- 9.6 Monitoring arrangements for the major partnerships are delivered through a combination of client/contractor meetings, the Gloucester Leadership Team and members (Cabinet and/or Overview and Scrutiny Committee).

10.0 Review of effectiveness

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

11.0 The Council

- 11.1 The Council has adopted a Constitution that controls how the Council is structured and the decision-making procedure laid out in the Constitution details the procedures designed to support open and accountable decision-making. During 2011/12, a number of further changes to the Constitution were made, and agreed by Council, to ensure it remained up to date. A copy of The Constitution can be found on the Council's website at www.gloucester.gov.uk.

12.0 The Cabinet

- 12.1 The Council determines the budgetary and policy framework. The principal decision-making body is the Cabinet (Executive). The Cabinet took all Key Decisions. Key Decisions are subject to pre-scrutiny by the Overview & Scrutiny Committee.
- 12.2 The key statutory document that sets the agenda for a rolling programme of future key decisions is the Forward Plan; hence this is a critical factor in the Council's overall decision-making process.
- 12.3 All 'executive' decisions taken by Cabinet and individual Cabinet Members are published and may be subject to a call-in process for examination by the Overview & Scrutiny Committee.

13.0 The Audit Committee

- 13.1 Good corporate governance requires independent, effective assurance about both the adequacy of corporate, operational and financial management and reporting, and the management of other processes required to achieve the organisation's corporate and service objectives. Effective audit committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors.
- 13.2 The Terms of Reference for the Audit Committee cover the core functions of an audit committee as identified in the CIPFA guidance 'Audit Committees – Practical Guidance for Local Authorities.
- 13.3 As a result of the review of the effectiveness of the Audit Committee, which was undertaken in 2010, it was agreed that the Committee would produce an annual report detailing the work of the Committee. The first annual report was presented to Council in July 2011. The second annual report of the Audit Committee is planned to be presented to the July 2012 Council meeting.

14.0 The Standards Committee

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

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

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

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

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

15.0 Overview and Scrutiny Committee

15.1 As part of the Council's Overview and Scrutiny arrangements, it was agreed that the Overview and Scrutiny committee would 'provide and co-ordinate the input to an annual report to Full Council on such issues or topics as the Committee saw fit'. The Annual Report setting out the work and achievements of the Council's Overview and Scrutiny function during 2011/12 is due to be reported to Council in July 2012

15.2 The Committee used an annual work programme to manage the business of the Committee during 2011/12 and there was an agreed programme of reviews to be carried out by Task & Finish Groups, with regular reporting on progress being made to the full Committee.

16.0 Internal Audit

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

16.2 Gloucester City Council (GCC) and Stroud District Council (SDC) have formed the Gloucestershire Audit & Assurance Partnership (**G A A P**) in order to deliver a professional, cost effective, efficient internal audit function to the partner organisations. The provision of the Internal Audit Service is by a team consisting of 6 staff; 3 based at GCC and 3 based at SDC. In addition, the team is managed by the Head of Partnership, who is the GCC Group Manager Audit & Assurance.

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

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

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

"My overall opinion is that a satisfactory level of assurance can be given that there is generally a sound system of internal control, designed to meet the Council's objectives, and that controls are generally being applied consistently."

17. External Audit and Other Review/Assurance mechanisms

External Audit

- 17.1 External Audit is part of the process of accountability for public money. It makes an important contribution to the stewardship of public resources and the corporate governance of public services. The scope of External Audit work covers not only the audit of financial statements but also aspects of corporate governance.
- 17.2 In September 2011, the Council's External Auditor produced their 'Report to those charged with governance (ISA 260) relating to the 2010/11 audit of the Council's financial statements. In relation to 'audit matters of governance interests that arise from the audit of the financial statements' the report concluded that 'we have included a number of comments throughout this report which we feel merit the attention of the Audit Committee but there are no additional matters which we wish to draw specifically to your attention'.
- 17.3 The main issues identified in the ISA 260 report related to the quality and timeliness of the draft accounts, of the 11 agreed audit adjustments to the council's accounts.
- 17.4 The audit of the financial statements in previous years resulted in a greater amount of resource from KPMG to complete their work. This

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

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

Director of Resources

- 17.6 To comply with the CIPFA Code of Practice on Local Authority Accounting, a specific statement is required to be reported in the Annual Governance Statement on whether the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) to ensure an effective system of internal control is maintained and operated in connection with the resources concerned. The Director's statement is included in the following paragraphs 17.7 to 17.14, below:

- 17.7 The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the council. In particular, the system includes:

- Budget systems
- Reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance
- The preparation of financial reports which indicate actual expenditure against the forecasts;
- Capital expenditure arrangements and project management disciplines.

- 17.8 My review of the effectiveness of the system of internal financial control is informed by:

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

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

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

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

Other sources of Assurance

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

17.16 We have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Corporate Governance Group. A plan to ensure continuous improvement of the system is in place and key actions identified is appended to this statement.

18.0 Significant governance issues

18.1 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Paul James
Leader of the Council

Julian Wain
Chief Executive

Annual Governance Statement Action Plan 2012-13

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

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



FOREWORD TO THE ACCOUNTS

FOREWORD TO THE ACCOUNTS

WHAT IS INCLUDED IN THIS STATEMENT?

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

- * The Statement of Accounting Policies (pages 29 - 36). This section explains the basis of the figures used in the accounts.
- * The Core Financial Statements and the Group accounts (pages 37 - 44), comprising:
 - Movement in Reserves;
 - Group Movement in Reserves;
 - Comprehensive Income and Expenditure Statement;
 - Group Comprehensive Income and Expenditure Statement;
 - Balance Sheet;
 - Group Balance Sheet;
 - Cash Flow Statement; and
 - Group Cash Flow Statement.

Group accounts combine the Council's accounts with those of Gloucestershire Airport Ltd (in which the Council has a 50% shareholding), Gloucester City Homes Ltd (which is wholly owned by the Council), Barton & Tredworth Developments Ltd (in which the Council has a quarter partnership share), Aspire Sports and Cultural Trust (a company limited by guarantee and wholly-owned by the Council) and Marketing Gloucester (in which the Council has a 50% shareholding).

- * Notes to the Core Financial Statements (pages 45 to 88)
- * The Supplementary Statements, comprising:
 - The Housing Revenue Account (pages 89-93), showing separately the revenue income and expenditure during the year relating to the provision of council houses.
 - The Collection Fund (pages 94-96), showing the income received from Council tax and business ratepayers and how that income has been distributed to the Government and to the City Council, Gloucestershire County Council and Gloucestershire Police Authority.

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

WHAT IS THE COUNCIL'S FINANCIAL POSITION?

REVENUE EXPENDITURE

General Fund

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

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

FOREWORD TO THE ACCOUNTS

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

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

FOREWORD TO THE ACCOUNTS

Gloucester City Council Overall Financial Position

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

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

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

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

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

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

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

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

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

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

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

FOREWORD TO THE ACCOUNTS

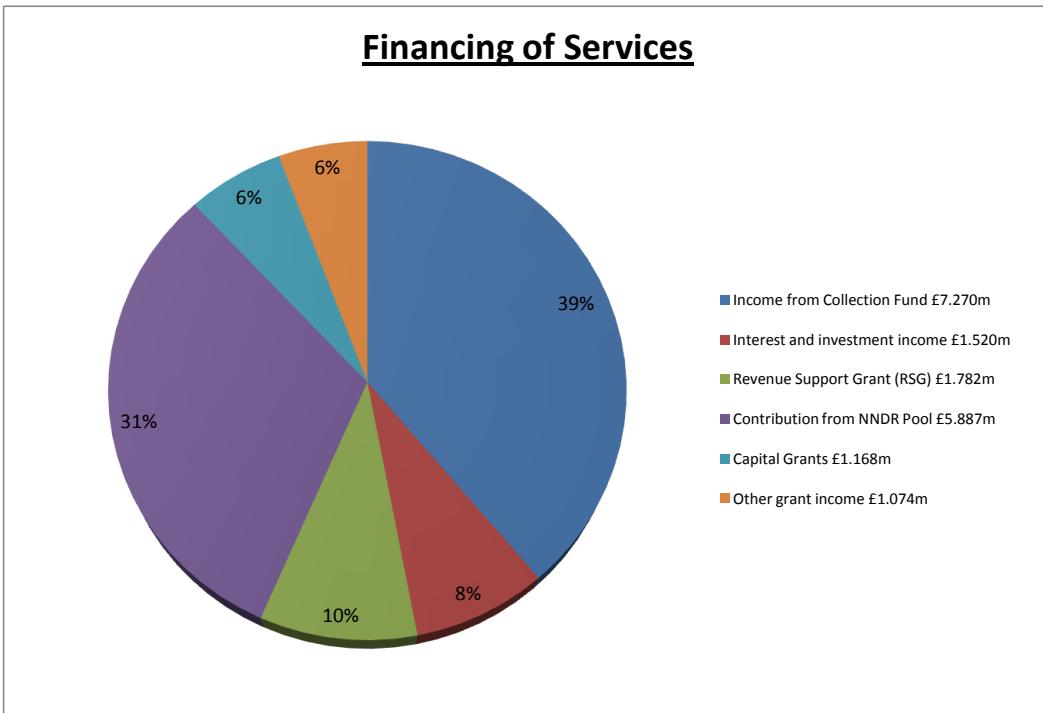
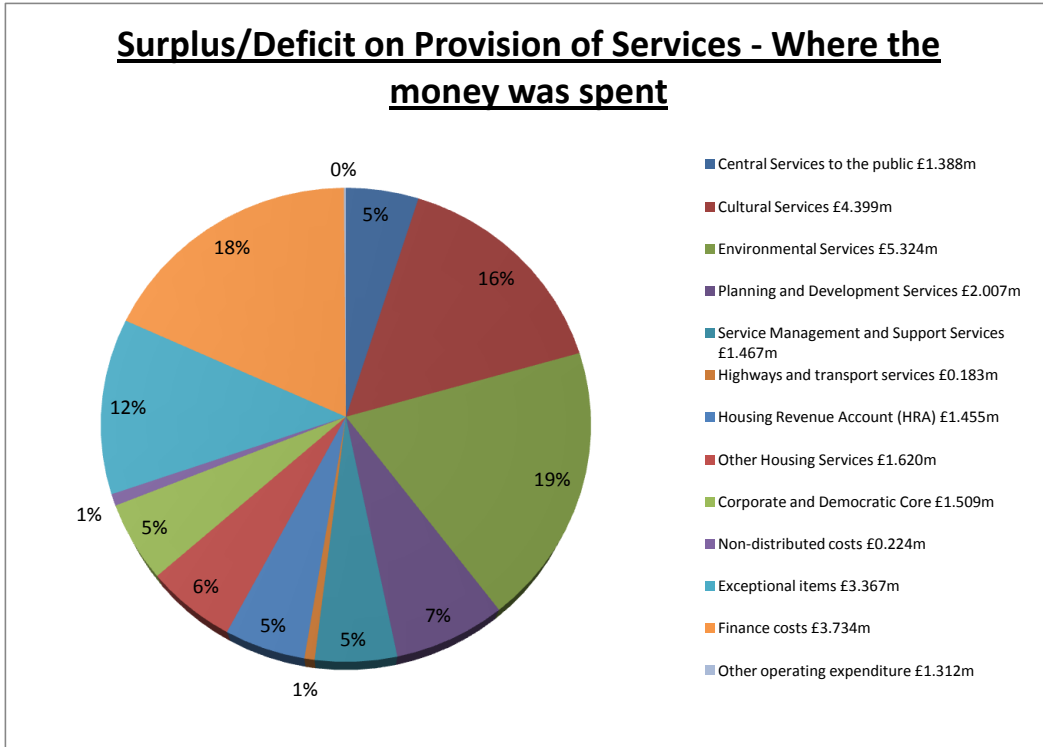
Further Information

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

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

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.

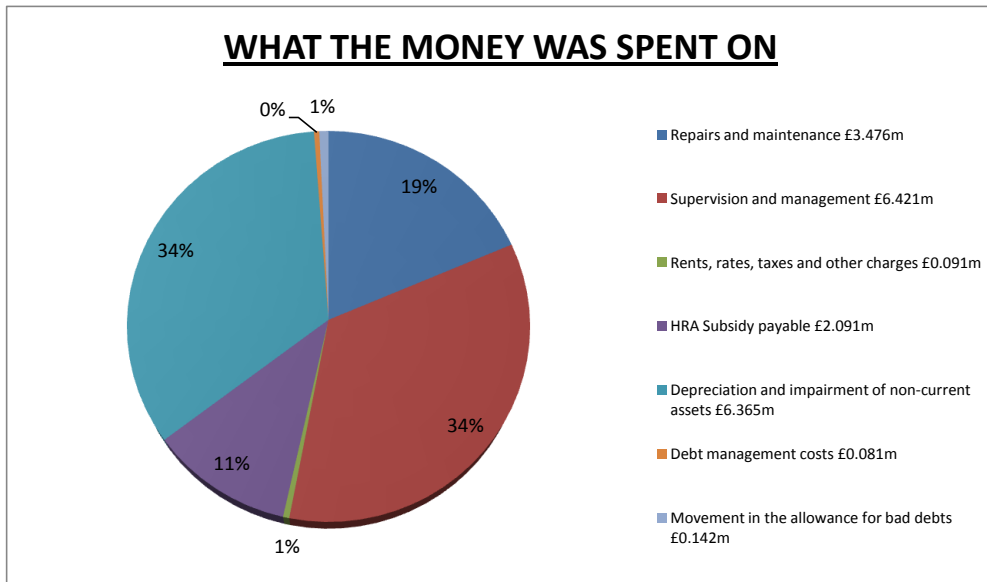
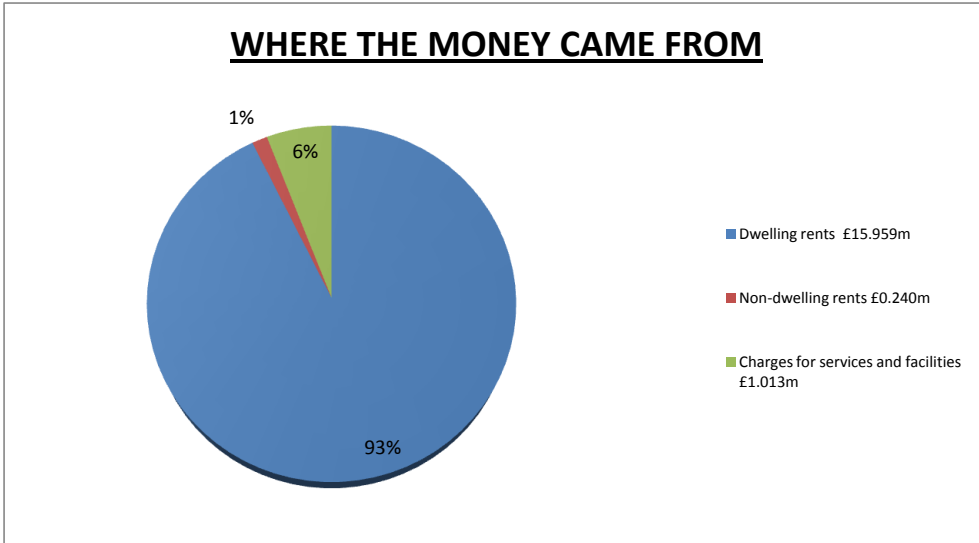


FOREWORD TO THE ACCOUNTS

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 86-90.

An analysis of the account is shown graphically below:



FIVE YEAR REVIEW

FIVE YEAR REVIEW

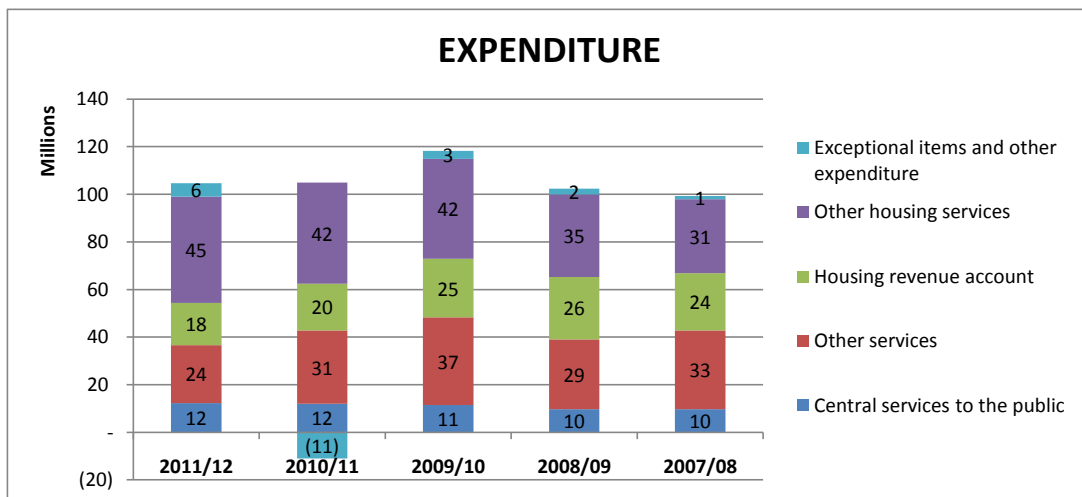
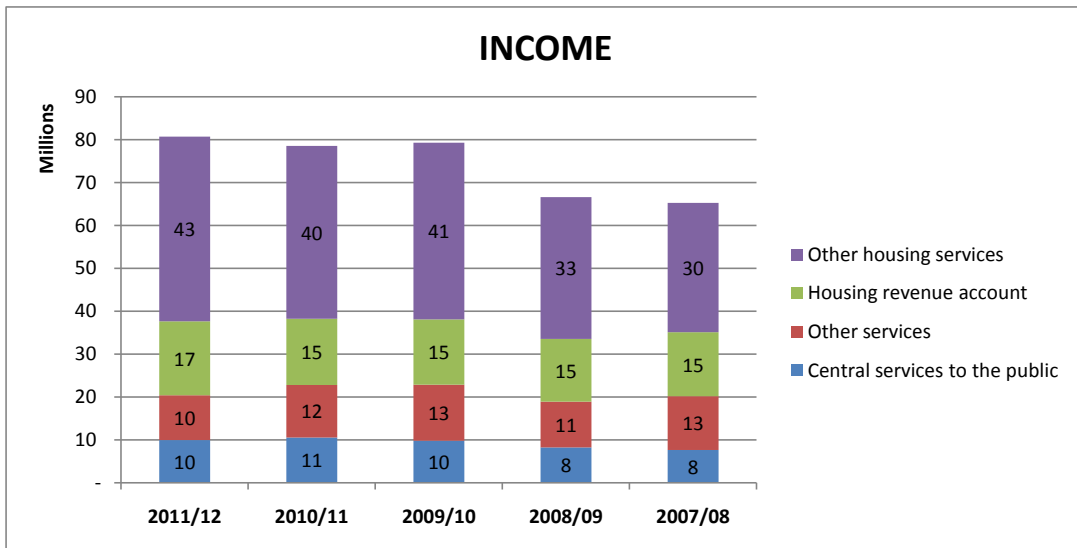
GLOUCESTER CITY COUNCIL FIVE YEAR REVIEW COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT					
	2011/12	2010/11	2009/10	2008/09	2007/08
		Restated			
	£000	£000	£000	£000	£000
Income					
Central services to the public	10,300	10,588	9,844	8,248	7,622
Other services	10,492	12,219	13,027	10,660	12,573
Housing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

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

FIVE YEAR REVIEW

GLOUCESTER CITY COUNCIL FIVE YEAR REVIEW INCOME AND EXPENDITURE CHARTS

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



FIVE YEAR REVIEW

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

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

STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES

1 GENERAL PRINCIPLES

This Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit(England) Regulations 2011 to be prepared in accordance with proper accounting practices. These practices, primarily, comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS).

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

2 ACCRUALS OF INCOME AND EXPENDITURE

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

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

3 CASH AND CASH EQUIVALENTS

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

4 EXCEPTIONAL ITEMS

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

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

6 CHARGES TO REVENUE AND NON-CURRENT ASSETS

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

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

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

STATEMENT OF ACCOUNTING POLICIES

7 EMPLOYEE BENEFITS

Benefits Payable During Employment

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

Termination Benefits

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

Post Employment Benefits - Pensions

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

- The liabilities of the LGPS attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate of 4.8% (based on the indicative rate of return on the adoption of the AA corporate bond basis. This is at the IAS19 valuation date, subject to removal of recently re-rated bonds from the index).
- The assets of the LGPS attributable to the council are included in the Balance Sheet at their fair value:
Quoted securities – current bid price; Unquoted securities – professional estimate; Unitised securities – current bid price; and Property – market value.
- The change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or deficit on the provision of services in the Income and Expenditure Account as part of Non Distributed Costs.
 - interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pension Reserve.
 - contributions paid to the LGPS – cash paid as employer's contributions to the pension fund.

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

Discretionary Benefits

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

STATEMENT OF ACCOUNTING POLICIES

8 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

9 FINANCIAL INSTRUMENTS

Financial Liabilities

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

STATEMENT OF ACCOUNTING POLICIES

9 FINANCIAL INSTRUMENTS (continued)

Available-for-Sale Assets

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

10 FOREIGN CURRENCY TRANSLATION

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

11 GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are transferred from the General Fund Balance to the Capital Grants Unapplied reserve, if the funds have not been spent, or the Capital Adjustment Account, if the funds have been used to finance capital expenditure, in the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

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

12 INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, to the Capital Receipts Reserve.

13 INTEREST IN COMPANIES AND OTHER ENTITIES

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

STATEMENT OF ACCOUNTING POLICIES

14 INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

15 INVESTMENT PROPERTY

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

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

16 LEASES

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

The Council as Lessee

Finance Leases

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

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

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

Operating Leases

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

STATEMENT OF ACCOUNTING POLICIES

17 OVERHEADS AND SUPPORT SERVICES

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

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

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

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

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

18 PROPERTY, PLANT AND EQUIPMENT

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance up to the amount of the accumulated gains and thereafter to the relevant service line in the Comprehensive Income and Expenditure Statement.
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised, and thereafter to their revaluation reserve.

Depreciation

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

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

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

STATEMENT OF ACCOUNTING POLICIES

18 PROPERTY, PLANT AND EQUIPMENT (continued)

Disposals and Non-current Assets Held for Sale

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

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

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

19 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the Council's control. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

20 RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

21 REVENUE AND EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

STATEMENT OF ACCOUNTING POLICIES

22 VAT

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

23 GROUP ACCOUNTS

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

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

Interests in Companies and Other Entities

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

Basis of Consolidation

The Group Accounts consolidate the Council's accounts with those of Gloucestershire Airport Ltd, in which the Council has a 50% shareholding (the remaining 50% is owned by Cheltenham Borough Council), Aspire Sports and Cultural Trust (ASCT) and Gloucester City Homes (GCH) both of which are wholly-owned by the Council and Barton and Tredworth Developments Ltd (25% owned by the Council) and Marketing Gloucester (50% owned by the Council). Certain entities in which the Council has an interest have not been included in the group accounts as the impact of incorporating these into the the group accounts are considered to be immaterial.

Accounting Policies

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

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

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

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

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

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

24 HERITAGE ASSETS

The Code of Practice on Local Authority Accounting 2011/12 (the Code) has introduced a change in accounting policy in relation to heritage assets, which has been fully adopted by the Council in the current financial year. The effect of this change in accounting policy is fully detailed in notes 47 and 51.

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

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

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

The carrying values of heritage assets are reviewed where there is any indication that an asset may be impaired. Any impairment is recognised and measured in accordance with the Council's general policies on impairment-refer accounting policy note 18.

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

25 ACCOUNTING FOR THE COSTS OF THE CARBON REDUCTION COMMITMENT SCHEME

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised.

The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

26 CASH FLOW STATEMENT

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

CORE FINANCIAL STATEMENTS

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL MOVEMENT IN RESERVES STATEMENT

For the years ended 31 March 2011 & 2012

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

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

CORE FINANCIAL STATEMENTS

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

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

	Usable Reserves			Unusable Reserves			Total Group Reserves
	Council	Council's Share of Subsidiaries, Joint Ventures and Associates	Total Group	Council	Council's Share of Subsidiaries, Joint Ventures and Associates	Total Group	
	£000	£000	£000	£000	£000	£000	
Balance at 1 April 2010							
-As previously reported	9,671	(2,101)	7,570	158,336	21,045	179,381	186,951
-Prior period adjustment (note 52)	(393)	-	(393)	14,677	-	14,677	14,284
-As restated	9,278	(2,101)	7,177	173,013	21,045	194,058	201,235
Movement in Reserves during 2010/11							
Surplus or (deficit) on the provision of services	(5,723)	1,921	(3,802)	-	-	-	(3,802)
Other Comprehensive Income and Expenditure	-	-	-	26,249	2,802	29,051	29,051
Total Comprehensive Income and Expenditure	(5,723)	1,921	(3,802)	26,249	2,802	29,051	25,249
Adjustments between Group Accounts and GCC Account - Note 49	-	2,085	2,085	-	(2,085)	(2,085)	-
Net Increase/(Decrease) before Transfers	(5,723)	4,006	(1,717)	26,249	717	26,966	25,249
Adjustments between accounting basis & funding basis under regulations (Note 6)	2,374	-	2,374	(2,374)	17	(2,357)	17
Increase/(Decrease) in 2010/11	(3,349)	4,006	657	23,875	734	24,609	25,266
Balance at 1 April 2011							
-As previously reported	8,194	1,912	10,106	180,642	22,546	203,188	213,294
-Prior period adjustment (note 52)	(2,265)	(7)	(2,272)	16,246	(767)	15,479	13,207
-As restated	5,929	1,905	7,834	196,888	21,779	218,667	226,501
Movement in Reserves during 2011/12							
Surplus or (deficit) on the provision of services	(9,288)	1,170	(8,118)	-	-	-	(8,118)
Adjustment in respect of group share of prior year reserves for associates no longer included in group accounts	-	(85)	(85)	-	-	-	(85)
Other Comprehensive Income and Expenditure	-	-	-	(11,262)	(7,211)	(18,473)	(18,473)
Total Comprehensive Income and Expenditure	(9,288)	1,085	(8,203)	(11,262)	(7,211)	(18,473)	(26,676)
Adjustments between Group Accounts and GCC Account - Note 49	-	1,477	1,477	-	(1,477)	(1,477)	-
Net Increase/(Decrease) before Transfers	(9,288)	2,562	(6,726)	(11,262)	(8,688)	(19,950)	(26,676)
Adjustments between accounting basis & funding basis under regulations (Note 6)	9,248	-	9,248	(9,248)	-	(9,248)	-
Increase/(Decrease) in 2011/12	(40)	2,562	2,522	(20,510)	(8,688)	(29,198)	(26,676)
Balance at 31 March 2012 carried forward	5,889	4,467	10,356	176,378	13,092	189,470	199,826

CORE FINANCIAL STATEMENTS

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

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

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

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

For the year ended 31 March 2012

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

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

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL BALANCE SHEET

As at 31 March 2012

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'.

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

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP BALANCE SHEET

As at 31 March 2012

The group balance sheet has been prepared by combining the Council's share of the net assets of Gloucestershire Airport Ltd (50% of the total, adjusted for revaluations), Gloucester City Homes Ltd (100% of the total), Aspire Sports and Cultural Trust (100%), Barton and Tredworth Developments Ltd (25%) and Marketing Gloucester (50%) with the net assets of the Council.

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

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

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

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

CORE FINANCIAL STATEMENTS

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

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

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

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

CORE FINANCIAL STATEMENTS

CORE FINANCIAL STATEMENTS

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

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

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

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



NOTES TO THE CORE FINANCIAL STATEMENTS

NOTES TO THE CORE FINANCIAL STATEMENTS

1 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT ADOPTED

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

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

Community Assets

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

2 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING PRINCIPLES

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

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors, however, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £120k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects of the net pension liability of changes in individual assumptions can be measured. For instance a 0.5% decrease in the discount rate assumption would result in a increase in the pension liability of £9.482 million. The assumptions, however, interact in complex ways. During 2011/12 the Council's actuaries advised that the net pensions liability had increased by £3.861 million as a result of estimates being corrected as a result of experience and decreased by £4.074 million attributable to updating of the assumptions.
Arrears	At 31 March 2012, the Council had a balance of sundry debtors of £1.699 million. A review of the aged debt profile and recovery percentages suggested that a provision for doubtful debts of approximately 9% is appropriate. In the current economic climate, however, it is not certain that such a provision would be sufficient.	If collection rates were to deteriorate, the provision made for doubtful debts would need to increase based on the actual levels of recovery achieved.

4 MATERIAL ITEMS OF INCOME AND EXPENDITURE

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of material items should be set out in a note. For Gloucester City Council these are gains and losses arising on asset revaluations and the pensions deficit. Please see note 11 in regards to the revaluation of assets and note 42 with regard to the pensions deficit.

5 EVENTS AFTER THE BALANCE SHEET DATE

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

As at 26 February 2013 (Audit Committee approval) no post balance sheet events have been identified.

NOTES TO THE CORE FINANCIAL STATEMENTS

6 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER THE REGULATIONS

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

2011/12 Information

	Usable Reserves £'000					£'000
	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:						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:</i>						
Charges for depreciation and impairment of non-current assets	(2,672)	(6,361)	-	-	-	9,033
Revaluation losses on Property Plant and Equipment	(1,530)	84	-	-	-	1,446
Amortisation of intangible assets	(274)	-	-	-	-	274
Payment in respect of HRA settlement with Department of Communities and Local Government	-	(2,143)	-	-	-	2,143
Revenue expenditure funded from capital under statute	(2,055)	-	-	-	-	2,055
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(268)	-	-	-	-	268
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:</i>						
Statutory provision for the financing of capital investment	305	-	-	-	-	(305)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,168	-	-	-	(1,168)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	1,056	(1,056)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the sale of non-current assets	429	-	(429)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	617	-	-	(617)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	1	-	-	(1)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(191)	-	191	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(6)	-	-	-	-	6
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	3,120	-	(3,120)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	3,612	-	(3,612)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	4	4	-	-	-	(8)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	(3,179)	-	-	-	-	3,179
Employer's pensions contributions and direct payments to pensioners payable in the year	3,223	437	-	-	-	(3,660)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(91)	-	-	-	-	91
Adjustment primarily involving the Accumulated Absences Account:						
Other Adjustment	(12)	-	-	-	-	12
Total Adjustments	(5,149)	(4,859)	380	492	(112)	9,248

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2010/11 Information (Restated)

	Usable Reserves £'000					£'000
	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:						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:</i>						
Charges for depreciation and impairment of non-current assets	(1,890)	(8,656)	-	-	-	10,546
Revaluation losses on Property Plant and Equipment	(5,331)	(52)	-	-	-	5,383
Movements in the market value of Investment Properties	(198)	-	-	-	-	198
Amortisation of intangible assets	(244)	-	-	-	-	244
Revenue expenditure funded from capital under statute	(2,102)	-	-	-	-	2,102
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(456)	-	-	-	-	456
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:</i>						
Statutory provision for the financing of capital investment	268	-	-	-	-	(268)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,069	-	-	-	(2,069)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	2,550	(2,550)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the sale of non-current assets	527	-	(527)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	396	-	-	(396)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-	3	-	-	(3)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(258)	-	258	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(49)	-	-	-	-	49
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	2,980	-	(2,980)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	2,488	-	(2,488)
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	3	4	-	-	-	(7)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	6,996	-	-	-	-	(6,996)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,788	-	-	-	-	(3,788)
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	(27)	-	-	-	-	27
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	135	-	-	-	-	(135)
Total Adjustments	3,231	(5,724)	130	(492)	481	2,374

NOTES TO THE CORE FINANCIAL STATEMENTS

7 TRANSFERS TO/(FROM) EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

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

Reserve

No. Further details of the larger reserves

1 Insurance Reserve

This reserve is intended to cover possible insurance claims not able to be met from the Insurance Provision (see note 21, page 53).

2 Historic Buildings Reserve

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

3 Portfolio Reserves

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

4 Shopmobility Reserve

Donated funds for shopmobility for use specifically on the shopmobility building.

5 Housing Benefits Reserve

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

6 Planning Delivery Grant Reserve

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

7 Invest to Save Reserve

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

8 Kings' Square Redevelopment Reserve

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

9 Heritable Bank Reserve

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

8 OTHER OPERATING EXPENDITURE

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

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

10 TAXATION AND NON-SPECIFIC GRANT INCOME

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

NOTES TO THE CORE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT Movements on Balances

Movements in 2011/12	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Total Property, Plant and Equipment £'000
<i>Cost or Valuation</i>						
At 1 April 2011	218,123	59,840	6,245	14,034	153	298,395
Additions	3,980	3,124	223	823	-	8,150
Revaluation increases/(decreases) recognised in the Revaluation Reserve	84	(3,101)	-	-	-	(3,017)
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	(3,240)	(179)	-	-	-	(3,419)
Derecognition – Disposals	(281)	(24)	-	-	-	(305)
At 31 March 2012	218,666	59,660	6,468	14,857	153	299,804
<i>Accumulated Depreciation and Impairment</i>						
At 1 April 2011	9,078	3,739	3,591	3,546	3	19,957
Depreciation Charge	3,121	1,766	371	524	11	5,793
Derecognition – Disposals	(16)	(21)	-	-	-	(37)
At 31 March 2012	12,183	5,484	3,962	4,070	14	25,713
Net book value as at 31 March 2012	206,483	54,176	2,506	10,787	139	274,091
Net book value as at 1 April 2011	209,045	56,101	2,654	10,488	150	278,438

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Comparative Figures 2010/11

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

NOTES TO THE CORE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation

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

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

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

All assets are owned freehold unless otherwise stated.

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

Component accounting

Component accounting thresholds have been set as the lower of :

- * Component assets over £350,000 (2010/11 £500,000) in value; or
- * Component assets value at least 20% of the overall asset value.

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

The 2011/12 valuation identified no assets meeting the component accounting thresholds. The same position was found for 2010/11.

Capital Commitments

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

NOTES TO THE CORE FINANCIAL STATEMENTS

PROPERTY, PLANT AND EQUIPMENT (Continued)

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

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

The basis of the valuation is: Fair Value and that the values will remain static during that period, the property would be freely exposed to the open market, no account has been taken of any higher price or rental offer that might be made by a purchaser or lessee with a special interest. The valuation relates to the freehold/leasehold interest, good freehold or leasehold title can be shown.

The property and its value are unaffected by any matters which would be revealed by a local search.

	Operational				Non Operational					TOTAL £'000	
	Council Dwellings £'000	Other land and buildings £'000	Vehicles plant and equipment £'000	Infrastructure assets £'000	Community Assets £'000	Heritage Assets £'000	Investment properties £'000	Surplus assets held for disposal £'000	Under Construction £'000		
Carried at historical cost	-	-	-	10,787	-	40	-	-	-	-	10,827
Valued at fair value as at:											
31 March 2012	206,483	54,176	2,506	-	139	5,375	19,455	-	-	-	288,134
31 March 2011	211,375	42,483	2,187	-	-	-	20,992	401	1	-	277,439
31 March 2010	211,375	42,483	2,187	-	-	-	20,992	401	1	-	277,581
31 March 2009	212,894	44,014	2,284	-	-	-	21,266	401	-	-	280,859
31 March 2008	171,780	26,583	2,645	-	-	-	23,361	401	-	-	224,770
Total Cost or Valuation	206,483	54,176	2,506	10,787	139	5,415	19,455	-	-	-	298,961

INVESTMENT PROPERTIES

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

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

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

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

NOTES TO THE CORE FINANCIAL STATEMENTS

13 INTANGIBLE ASSETS

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

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

Movements in intangible assets during the year are shown below:

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

14 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

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

Income, expense, Gains and Losses-GCC

	2011/12					2010/11				
	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	2,356	-	-	-	2,356	2,489	-	-	-	2,311
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Increases/Reductions in fair value	-	-	-	-	-	-	-	-	304	304
Impairment losses	-	-	-	-	-	-	-	-	-	-
Fee expense	-	-	-	-	-	4	-	-	-	4
Total expense in Surplus or Deficit on the Provision of Services	2,356	-	-	-	2,356	2,315	-	-	304	2,619
Interest income	-	455	-	-	455	-	451	-	-	451
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-	-	-
Increases/Reductions in fair value	-	-	-	-	-	-	-	-	(10)	(10)
Gains on derecognition	-	-	-	-	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-	-	-
Total Income in Surplus or Deficit on the Provision of Services	-	455	-	-	455	-	451	-	(10)	441
Gains on revaluation	-	-	-	-	-	-	-	-	-	-
Losses on revaluation	-	-	-	-	-	-	-	-	-	-
Net gain/(loss) for the year	2,356	(455)	-	-	1,901	2,315	(451)	-	314	2,178

NOTES TO THE CORE FINANCIAL STATEMENTS

14 FINANCIAL INSTRUMENTS (Continued)

Fair Values of Assets and Liabilities

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

- Estimated ranges of interest rates at 31 March 2012 of 4.41% to 5% for loans from the PWLB and 3.89% to 3.99% for other loans receivable and payable, based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

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

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. The 2012 amounts have been calculated by reference to the premature repayment set of interest rates in force on 31 March 2012 (Source: Public Works Loans Board).

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

15 INVENTORIES

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

16 CONSTRUCTION CONTRACTS

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

17 DEBTORS

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

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

17(i) Long Term Debtors

Long term debtors are amounts falling due in more than one year from the balance sheet date.

They consist of the following :-

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

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

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

18 CASH AND CASH EQUIVALENTS

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

19 ASSETS HELD FOR SALE

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

20 SHORT-TERM CREDITORS

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

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

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

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

20(i) Short Term Borrowings

GCC

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

Group

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

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

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

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

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

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

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

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

Barclays details

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

NOTES TO THE CORE FINANCIAL STATEMENTS

21 PROVISIONS

Provisions more than 1 year

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

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

Insurance Provision

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

Car Parks Provision

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

Injury Compensation Claims

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

Provisions less than 1 Year

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

	GCC and Group	
	Other Provisions	Total
	£000	£000
Balance at 1 April 2011	93	93
Additional provisions made in 2011/12	55	55
Amounts used in 2011/12	(93)	(93)
Unused amounts reversed in 2011/12	-	-
Balance at 31 March 2012	55	55
Consists of:		
Accumulated Absence provision	55	55
Redundancy provision	-	-
Balance at 31 March 2012	55	55

Accumulated Absences Provision

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

NOTES TO THE CORE FINANCIAL STATEMENTS

22 USABLE RESERVES

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

23 UNUSABLE RESERVES

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

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

(i) Revaluation Reserve

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

The balance is reduced when assets with accumulated gains are:

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

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

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

(ii) Capital Adjustment Account

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

23 UNUSABLE RESERVES (CONTINUED)

(iii) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2012 will be charged to the General Fund over the next 6 years.

31/03/2011 £000		31/03/2012 £000
(574)	Balance at 1 April	(567)
	- Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-
7	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	8
7	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	8
(567)	Balance at 31 March	(559)

(iv) Pensions Reserve

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

31/03/2011 £000		31/03/2012 £000
(71,318)	Balance at 1 April	(43,588)
16,946	Actuarial gains or losses on pensions assets and liabilities	(7,935)
6,996	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,179)
3,788	Employer's pensions contributions and direct payments to pensioners payable in the year	3,660
(43,588)	Balance at 31 March	(51,042)

NOTES TO THE CORE FINANCIAL STATEMENTS

23 UNUSABLE RESERVES (CONTINUED)

(v) Deferred Capital Receipts Reserve

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

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

(vi) Collection Fund Adjustment Account

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

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

(vii) Accumulated Absences Account

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

31/03/2011 £000		31/03/2012 £000
(177)	Balance at 1 April	(42)
177	Settlement or Cancellation of Accrual made at the end of the preceding year	42
(42)	Amounts accrued at the end of the current year	(54)
135	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-
(42)	Balance at 31 March	(54)

NOTES TO THE CORE FINANCIAL STATEMENTS

24 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

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

25 CASH FLOW STATEMENT – INVESTING ACTIVITIES

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

26 CASH FLOW STATEMENT – FINANCING ACTIVITIES

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

NOTES TO THE CORE FINANCIAL STATEMENTS

27 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

(i) Directorate Income and Expenditure 2011/12

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

(ii) Directorate Income and Expenditure 2010/11

	CORPORATE AND DEMOCRATIC CORE	CENTRAL SERVICES	CULTURAL, ENVIRON, PLAN SERVICES	HIGHWAYS, ROADS, TRANS SERVICES	HOUSING REVENUE ACCOUNT	HOUSING SERVICES	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(483)	(934)	(4,585)	(3,251)	(16,590)	(128)	(25,971)
Government grants	(259)	(9,655)	(2,662)	(1,014)	1,547	(40,166)	(52,209)
Total Income	(742)	(10,589)	(7,247)	(4,265)	(15,043)	(40,294)	(78,180)
Employee expenses	929	4,737	6,414	281	315	1,859	14,535
Other Service expenses	(194)	3,609	12,179	5,778	18,934	39,502	79,808
Support service recharges	1,236	3,636	4,368	306	471	1,061	11,078
Total Expenditure	1,971	11,982	22,961	6,365	19,720	42,422	105,421
Net Expenditure	1,229	1,393	15,714	2,100	4,677	2,128	27,241

(iii) Group Income and Expenditure 2011/12

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

(iv) Group Income and Expenditure 2010/11

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

NOTES TO THE CORE FINANCIAL STATEMENTS

27 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.

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

28 RECONCILIATION TO SUBJECTIVE ANALYSIS

28 (i) Reconciliation to Subjective Analysis-Council

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

2011/12								
	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(27,191)	-	-	-	-	(27,191)	-	(27,191)
Interest and investment income	-	-	-	-	-	-	(1,520)	(1,520)
Income from council tax,	-	-	-	-	-	-	(7,270)	(7,270)
Government grants and contributions	(52,139)	-	-	-	-	(52,139)	(9,911)	(62,050)
Total Income	(79,330)	-	-	-	-	(79,330)	(18,701)	(98,031)
Employee expenses	11,206	-	-	-	-	11,206	-	11,206
Other service expenses	78,194	-	-	-	-	78,194	3,591	81,785
Support service recharges	9,282	-	-	-	-	9,282	-	9,282
Impairments arising on revaluation of non-current assets	-	-	-	-	-	-	(242)	(242)
Interest payments	-	-	-	-	-	-	3,734	3,734
Precepts & Levies	-	-	-	-	-	-	202	202
Payment to housing capital receipts pool	-	-	-	-	-	-	162	162
Gain or Loss on disposal of non-current assets	-	-	-	-	-	-	(144)	(144)
Gain or Loss on disposal of HRA assets	-	-	-	-	-	-	(16)	(16)
Total expenditure	98,682	-	-	-	-	98,682	7,287	105,969
Surplus or deficit on the provision of services	19,352	-	-	-	-	19,352	(11,414)	7,938

2010/11 Comparative Figures

2010/11								
	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	(25,971)	-	-	-	-	(25,971)	-	(25,971)
Interest and investment income	-	-	-	-	-	-	(1,507)	(1,507)
Income from council tax,	-	-	-	-	-	-	(7,169)	(7,169)
Government grants and contributions	(52,209)	-	-	-	-	(52,209)	(13,095)	(65,304)
Total Income	(78,180)	-	-	-	-	(78,180)	(21,771)	(99,951)
Employee expenses	14,535	-	-	-	-	14,535	-	14,535
Other service expenses	79,808	-	-	-	-	79,808	(11,049)	68,759
Support service recharges	11,078	-	-	-	-	11,078	-	11,078
Impairments arising on revaluation of non-current assets	-	-	-	-	-	-	5,331	5,331
Changes in investment properties fair value	-	-	-	-	-	-	198	198
Interest payments	-	-	-	-	-	-	5,315	5,315
Precepts & Levies	-	-	-	-	-	-	200	200
Payment to housing capital receipts pool	-	-	-	-	-	-	258	258
Total expenditure	105,421	-	-	-	-	105,421	253	105,674
Surplus or Deficit on the Provision of Services	27,241	-	-	-	-	27,241	(21,518)	5,723

NOTES TO THE CORE FINANCIAL STATEMENTS

28 RECONCILIATION TO SUBJECTIVE ANALYSIS (Continued)

28 (ii) Reconciliation to Subjective Analysis - Group

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

2010/11 Comparative Figures

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

29 ACQUIRED, DISCONTINUED AND TRANSFERRED OPERATIONS

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

30 TRADING OPERATIONS

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

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

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

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

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

31 AGENCY SERVICES

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

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

32 MEMBERS' ALLOWANCES

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

33 OFFICERS' REMUNERATION

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

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

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

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

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

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

34 EXTERNAL AUDIT COSTS

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

35 GRANT INCOME (GCC and Group)

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

36 RELATED PARTIES

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

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

	2011/12			2010/11		
	Number of related parties	Payments made or due £'000	Income rec'd £'000	Number of related parties	Payments made or due £'000	Income rec'd £'000
Central Government						
Revenue Support Grant	1	-	1,782	1	-	1,376
Non Domestic Rates	1	-	47,009	1	-	44,444
Specific Grants		-	1,419		-	1,196
Other Local and Police Authorities						
Precepts	2	50,500	-	2	49,423	-
Gloucestershire County Council						
Pension Fund	12	2,956	-	10	3,198	-
Gloucestershire Airport						
Loan transactions	5	-	-	6	-	-
Quedgeley Parish Council	1	11	-	1	200	-
Others						
Gloucester Law Centre	3	105	-	2	138	-
Friendship Café/Gym Nation	1	-	-	1	6	-
EG Carter	1	646	-		-	-
Abbeyle Community Association	1	1	-		-	-
Podsmead Community Association	1	3	-		-	-
Anixter	1	299	-		-	-
Fair Shares	1	9	-		-	-
GL Communities	2	30	-	1	248	-
Citizens Advice Bureau	1	134	-	2	68	-
Gloucester City Homes	8	14,062	-	7	17,804	-
Aspire	5	1,650	-	2	2,024	-
Gloucester Cathedral	-	-	-	2	3	-
Llanthony Secunda Priory Trust	2	-	-	1	10	-
Glos Playing Fields Assoc	-	-	-	2	1	-
Severn Area Rescue Assoc	-	-	-	1	6	-
Gloucester Asian Elders	1	3	-		-	-
Glos College	1	2	-	2	45	-
CIVICA	4	83	-		-	-
Zurich	2	306	-	1	342	-
The Family Haven	1	7	-	-	-	-

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

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

Members

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

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

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

Officers

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

37 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

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

38 LEASES

(i) GCC as Lessor

Finance Leases

The Council has no Finance leases as lessor.

Operating Leases

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

38 LEASES (Continued)

(ii) GCC as Lessee

Operating Leases

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

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

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

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

Finance Leases

The Council does not have any finance leases as lessee.

39 IMPAIRMENT LOSSES

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

40 CAPITALISATION OF BORROWING COSTS

No borrowing costs were capitalised during the year.

41 TERMINATION BENEFITS

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

42 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

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

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

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

Transactions Relating to Post-employment Benefits

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

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

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a net deficit of £32.536 million (2010/11:£24.601 million).

Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded liabilities: Local Government Pension Scheme	
	2011/12 £000	2010/11 £000
Opening balance at 1 April	101,750	130,801
Current service cost	1,312	1,881
Interest cost	5,526	6,640
Contributions by scheme participants	517	625
Actuarial gains and losses	5,842	(21,898)
Benefits paid	(4,625)	(4,867)
Past service costs	184	(11,440)
Curtailments	39	8
Closing balance at 31 March	110,545	101,750

NOTES TO THE CORE FINANCIAL STATEMENTS

42 DEFINED BENEFIT PENSION SCHEMES (Continued)

Reconciliation of fair value of the scheme (plan) assets

Local Government Pension Scheme

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

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

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

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

Scheme History

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

The liabilities show the underlying commitments that the Council has in the long run to pay post employment retirement benefits.

The total net liability of £51.042 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, however, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. Over the remaining working life of employees i.e. before payments fall due, as assessed by the scheme actuary, finance is only required to be raised to cover discretionary benefits when the pensions are actually paid. The total contributions made to the Local Government Pension Scheme by the Council for the year ended 31 March 2012 was £3.660 million (2010/11: £3.778 million).

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

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

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

NOTES TO THE CORE FINANCIAL STATEMENTS

42 DEFINED BENEFIT PENSION SCHEMES (Continued)

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

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

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

43 CONTINGENT LIABILITIES

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

Municipal Mutual Insurance Ltd (MMI) liabilities

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

Liability for pensions shortfall for staff transferred

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

Land charges personal searches

The statutory fee for Personal Searches was revoked in August 2011, and DEFRA advised that each Council would need to consider potential refunds to Personal Search Companies in respect of fees charged since January 2005. The level of refund to be made can not be quantified at this stage as it will be dependent on the number of potential refund claims and further Central Government legislation to be issued.

44 CONTINGENT ASSETS

Additional receipts arising from South West bypass road development

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

45 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

Credit risk – the possibility that other parties might fail to pay amounts due to the Council.

Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.

Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Credit Risk

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

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

The Council's maximum exposure to credit risk in relation to its short-term investments and deposits with banks and other financial institutions of £17.213 million (2010/11:£28.90 million) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments and, along with short-term investments with other public sector bodies, are considered to have a low credit risk.

Full details of long-term investments are disclosed in note 46 including the recoverability of the investment with Heritable Bank. Long-term debtors as detailed in note 17(i) include the loan to Gloucestershire Airport Limited of £1.2 million and are considered to have a low credit risk.

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

	£'000
Less than 4 months	105
4 months- 1 year	77
More than 1 year	82
Total	264

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

Liquidity Risk

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

Long term loans - period until repayment	Maximum	Actual
	%	31/03/2012
Less than 1 year	20	-
1 - 2 years	20	-
2 - 5 years	50	4
5 - 10 years	75	17
Over 10 years	95	79
		100

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

Market Risk

Interest Rate Risk

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

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Price Risk

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

Foreign exchange Risk

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

46 LONG-TERM INVESTMENTS

Long term investments are investments repayable in (or intended to be held for) more than 1 year and are shown at cost.

They consist of the following:

	GCC		Group	
	31-Mar-12 £'000	Restated 31-Mar-11 £'000	31-Mar-12 £'000	Restated 31-Mar-11 £'000
Share capital - Gloucestershire Airport Ltd	435	435	-	435
Government Stock	2	2	2	2
Heritable Bank	436	370	436	370
Total	873	807	438	807

The shares in Gloucestershire Airport Limited have been eliminated on consolidation from the group accounts and replaced by the Council's share of the net asset value of the company of £15.599m. The net asset value has been determined after taking into account the revaluation of the assets of Gloucestershire Airport Limited at 31 March 2012.

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

The investment with Heritable Bank was initially a short term investment and is now subject to a long term arrangement for repayment following the collapse of the Icelandic Banks in October 2008. The Council made an initial investment in February 2008 with Heritable Bank with an interest rate of 5.67% per annum.

Heritable Bank is a UK registered bank under Scottish law and the company was placed in administration on 7 October 2008. The current position on actual payments received and estimated future payouts is as shown in the table below:

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

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

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

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

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

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

47 Heritage Assets

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

NOTES TO THE CORE FINANCIAL STATEMENTS

47 HERITAGE ASSETS (continued)

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

The heritage assets of the Council are located in the two museums, The Gloucester City Museum and The Gloucester Folk Museum, as well as the Council's offices for items of civic regalia and other similar items. Both museums maintain all their present collections and, where necessary add to them by purchase, bequest or donation with a particular emphasis on items that are of specific interest to the locality of Gloucester City and surrounding areas. It is not the policy of the museums or the Council to dispose of heritage assets for financial or other reasons. Heritage assets of the museums are managed by the curators who report to the respective museum managers.

The Heritage assets have been classified by the Council's heritage service who have reached the conclusion that the value of the assets is as determined for insurance valuation purposes.

Details of the Council's heritage assets at 31 March 2012 are as follows:

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

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

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

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

48 EVENTS AFTER THE BALANCE SHEET DATE

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

49 NOTES TO THE GROUP ACCOUNTS

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

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

	Council Share
GL1 Sports Limited	100%
Gloucester Heritage Urban Regeneration Limited	50%
Gloucester Law Centre	36%
Linking Communities	29%
Race Equality Council for Gloucestershire	31%
GL Communities	21%

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

Aspire Sports and Cultural Trust (ASCT) and Gloucester City Homes have been categorised as subsidiary companies of Gloucester City Council and their interests have been consolidated in accordance with IAS 27.

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

49 NOTES TO THE GROUP ACCOUNTS (continued)

Aspire Sports and Cultural Trust (ASCT)

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

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

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

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

Gloucestershire Airport Limited (GAL)

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

49 NOTES TO THE GROUP ACCOUNTS (continued)

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

- Operational assets added at leasehold existing use value (50% share) total £9.468 million (31 March 2011:£15.81 million).
- Non-operational assets added at leasehold market value (50% share) total £6.556 million (31 March 2011:£6.50 million).

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

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

In the autumn of 2009, the Council agreed to facilitate borrowing to finance the runway safety project at Gloucestershire Airport, to provide a safer runway with a computerised instrument landing system (ILS). This will enable the airport to attract more profitable corporate business. The construction works on two of the key aspects of the project were completed in Spring 2012. The procurement and related works for the implementation of the ILS have commenced with completion planned for December 2012. The benefits of the runway safety project are anticipated to be seen by the airport from 2013 onwards. The Council loaned £1.202 million to the Airport (£Nil in 2010/11) during the year to help fund this project. This Loan is shown as long term debtor on the Council's balance sheet pending its conversion to a long term loan.

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

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

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

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

The accounts of GAL for the year ending 31 March 2012 can be obtained from the Airport Company Secretary at the company's registered office

- The Terminal Building, Staverton, Nr Cheltenham, Glos, GL51 6SR.

Gloucester City Homes Limited (GCH)

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

The Company's unaudited accounts reflected the following:

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

The company trades mainly with the Council's Housing Revenue Account (HRA).

The Council's commitment to meet losses is limited to the shares that it holds.

NOTES TO THE CORE FINANCIAL STATEMENTS

49 NOTES TO THE GROUP ACCOUNTS (continued)

Barton and Tredworth Developments Limited

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

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

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

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

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

Marketing Gloucester (MG)

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

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

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

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

ADJUSTMENTS BETWEEN GROUP ACCOUNTS AND GCC ACCOUNTS

Long term Investments

The group long term investment amount differs from that reflected in the Council's single-entity accounts by the investment in shares in Gloucestershire Airport Limited of £0.435 million which has been replaced in the group accounts by an investment in joint ventures of £21.883 million.

Adjusting for Intra-group Transactions and Balances

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

Usable and Unusable Reserves

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

NOTES TO THE CORE FINANCIAL STATEMENTS

50 GROUP PROPERTY, PLANT AND EQUIPMENT

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

Comparative figures 2010/11

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

NOTES TO THE CORE FINANCIAL STATEMENTS

51 GROUP INTANGIBLE ASSETS

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

52 PRIOR YEAR ADJUSTMENTS

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

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

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

2. Arising out of Errors Identified in Prior Year Accounts

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

Details of the prior year adjustments are as follows:

2.1 Asset Impairments

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

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

2.2 Capital Grants

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

2.3 Accruals and Arrears Rental

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

2.4 Housing Subsidy Payable

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

2.5 Heritable Bank Investment

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

2.6 Movement in Reserves Statement and Capital Financing Requirement

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

2.7 Aspire Pension Surplus

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

NOTES TO THE CORE FINANCIAL STATEMENTS

52 PRIOR YEAR ADJUSTMENTS (continued)

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

52 PRIOR YEAR ADJUSTMENTS (continued)

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

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NOTES TO THE CORE FINANCIAL STATEMENTS

52 PRIOR YEAR ADJUSTMENTS (continued)

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

SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT

HOUSING REVENUE ACCOUNT COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

For the year ended 31 March 2012

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

Restated			Description	2011/12		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
2010/11	2010/11	2010/11	2011/12	2011/12	2011/12	
£'000	£'000	£'000	£'000	£'000	£'000	
			Expenditure			
3,951	-	3,951	Repairs & Maintenance	3,476	-	3,476
6,443	-	6,443	Management & Supervision	6,421	-	6,421
83	-	83	Rents, rates, taxes and other charges	91	-	91
1,967	-	1,967	Housing Subsidy payable	2,091	-	2,091
8,689	-	8,689	Depreciation and Impairment of fixed assets	6,365	-	6,365
90	-	90	Debt Management costs	81	-	81
21	-	21	Increase in provision for bad / doubtful debts	142	-	142
			Income			
-	(15,139)	(15,139)	Dwelling Rents	-	(15,959)	(15,959)
-	(265)	(265)	Non-Dwelling Rents	-	(240)	(240)
-	(1,162)	(1,162)	Charges for Services and facilities	-	(1,013)	(1,013)
21,244	(16,566)	4,678	Net Cost of HRA Services	18,667	(17,212)	1,455
			Exceptional items			
-	-	-	Settlement determination payment	2,143	-	2,143
			Financing and Investment Income and expenditure			
-	(55)	(55)	Interest and Investment Income	-	-	-
1,419	-	1,419	Interest payable and similar charges	1,921	-	1,921
-	-	-	Surplus or deficit of discontinued operations	-	-	-
-	-	-	Taxation and non-specific grant income	-	-	-
22,663	(16,621)	6,042	(Surplus) or Deficit on Provision of services	22,731	(17,212)	5,519
			Surplus or deficit on revaluation of Property, Plant and Equipment assets	-	-	-
			Surplus or deficit on revaluation of available for sale financial assets	-	-	-
			Actuarial gains/losses on pension assets / liabilities	-	-	-
			Other Comprehensive Income and Expenditure	-	-	-
22,663	(16,621)	6,042	(Surplus) or deficit for the year on HRA services	22,731	(17,212)	5,519

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.

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

HOUSING REVENUE ACCOUNT

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

2 The Housing Revenue Account (HRA)

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

3 Repairs and Maintenance

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

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

4 Management and Supervision

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

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

5 Housing Revenue Account Subsidy

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

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

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

The figures shown are made up as follows:-

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

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

HOUSING REVENUE ACCOUNT

6 Depreciation and Impairment of fixed assets

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

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

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

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

7 Bad or Doubtful Debts

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

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

8 Dwelling Rents

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

9 Interest payable and amortisation of premiums and discounts

Both these charges are calculated in accordance with statutory determinations.

10 Major Repairs Reserve (MRR)

The authority has a duty to keep a Major Repairs Reserve. In 2011/12 a sum of £3.120 million (representing the depreciation on HRA assets) was credited to this account. Subsequently £3.612 million was used to finance capital expenditure. The balance on this account was £0.492 million at the beginning of the financial year and £Nil at the end of the year.

HOUSING REVENUE ACCOUNT

12 HRA Balance

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

	Balance at 1 April £'000	Approp'ns to balance in year £'000	Approp'ns from balance in year £'000	Balance at 31 March £'000
Unallocated balance	1,968	(660)	-	1,308
Total 2011/12	1,968	(660)	-	1,308
Total 2010/11	2,286	(318)	-	3,257

13 Capital Expenditure

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

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

14 Non Current Assets

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

15 Council Housing Stock and Value

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

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

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

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

HOUSING REVENUE ACCOUNT

16 Value of HRA Vacant Possession Dwellings

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

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

17 HRA Capital Receipts

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

The figures shown are net of administration costs.

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

18 Pensions

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

COLLECTION FUND

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

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	77	5/9	43
Disabled A	13,239	6/9	8,826
B	13,115	7/9	10,201
C	11,417	8/9	10,148
D	5,039	9/9	5,039
E	3,201	11/9	3,912
F	766	13/9	1,106
G	150	15/9	250
H	3	18/9	6
Total	47,007		39,532
Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding, new properties, demolitions, disabled persons relief and exempt properties (1.25% of total band D equivalent dwellings)			(494)
Add contributions in lieu of government properties			104
Council Tax Base for 2011/12			39,142
Council Tax Base for 2010/11			38,308

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

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

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

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

3 Precepts and Demands

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

4 Fund Balance

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

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

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

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

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

GLOSSARY OF FINANCIAL TERMS

GLOSSARY OF FINANCIAL TERMS

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

Accounting Period

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

Account

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

Accruals

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

Amortised Cost

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

Bad or Doubtful Debts

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

Balances

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

Budget

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

Capital Expenditure

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

Capital Financing

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

Capital Financing Costs

Principal and interest repayments relating to loans.

Capital Grants

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

Capital Receipts

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

Collection Fund

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

GLOSSARY OF FINANCIAL TERMS

Community assets

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

Contingent Liability

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

Contingent Asset

As with contingent liability, only an asset.

Creditors

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

Current Assets

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

Current Liabilities

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

Revenue expenditure funded from capital under statute

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

Depreciation

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

Debtors

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

Employee Costs

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

Fair Value

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

Final Accounts

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

Finance Lease

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

Financial Year

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

Fixed assets

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

GLOSSARY OF FINANCIAL TERMS

General Fund

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

Government Grants

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

Gross Book Value

The historical cost or current value of a fixed asset.

Gross Expenditure

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

Impairment

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

Improvement Grants

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

Infrastructure Assets

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

Interest

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

Investment Properties

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

Minimum Revenue Provision

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

National Non Domestic Rates (NNDR)

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

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

Net Book Value

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

Net Expenditure

Gross expenditure less any related income.

Non-Distributed Costs

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

Operating Lease

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

Precept

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

Provision

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

GLOSSARY OF FINANCIAL TERMS

Reserve

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

Revenue Account

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

Revenue Support Grant

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

Revised Budget

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

Stock

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

Value For Money

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



AUDIT REPORT