

**GLOUCESTER CITY COUNCIL
2014/15 STATEMENT OF ACCOUNTS**

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INTRODUCTION

Gloucester City Council

Welcome to the Statement of Accounts 2014/15

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

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

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

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

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

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

Jon Topping

Head of Finance (Section 151 Officer)

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Gloucester, GL1 2EQ

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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 2014/15 Municipal Year Mayor Sheriff and Deputy Mayor</p> <p>Cabinet in 2014/15 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 2014/15 Licensing and Enforcement Committee Overview and Scrutiny Committee Organisational Development Committee Planning Committee Audit and Governance Committee</p> <p>Chief Officers in 2014/15 Director of Services and Neighbourhoods Director of Resources (Section 151 Responsible Officer until 9 June 2014) Corporate Director (from 9 February 2015) Head of Finance (Section 151 Responsible Officer from 9 June 2014)</p> <p>External Auditor in 2014/15 Appointed Auditor Address</p> <p>Bankers in 2014/15 Bankers Address</p>	<p>Herbert Warehouse The Docks Gloucester GL1 2EQ 01452 396396 www.gloucester.gov.uk</p> <p>Councillor D Llewellyn Councillor L Noakes</p> <p>Councillor P James Councillor J Dallimore Councillor D Norman MBE Councillor P James Councillor J Dallimore Councillor C Organ Councillor J Porter</p> <p>Councillor T Randle Councillor J Lugg Councillor P James Councillor G Taylor Councillor D M H Wilson</p> <p>Mr M Shields</p> <p>Mr P Gillett Mr R Cook</p> <p>Mr J Topping</p> <p>KPMG LLP 100 Temple Street Bristol BS1 6AG</p> <p>Co-operative Bank Barclays Bank 23A St Aldates Street & 128 High Street Gloucester Cheltenham GL1 1RU GL50 1EL</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 Head of Finance (Section 151 Officer);
- * Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- * To approve the Statement of Accounts.

Responsibilities of Head of Finance (Section 151 Officer)

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

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

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

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

Signed

Dated

Jon Topping
Head of Finance (Section 151 Officer)

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FOREWORD TO THE ACCOUNTS

FOREWORD TO THE ACCOUNTS

1 Introduction

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

2 The Statement of Accounts

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

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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

Cash Flow Statement

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

Housing Revenue Account

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

Collection Fund

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

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

FOREWORD TO THE ACCOUNTS

3 Budget Performance - Net Revenue Budget

The budgeted 'Net Expenditure by Service' of the Council for 2014/15 was £15,289 million. The actual net expenditure for the year was £15,863 million, a deficit on budget of £576k. The Council had budgeted to make a surplus of £637k. The surplus achieved of £61k will be transferred to the General Fund.

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

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

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

4 Impact of the Economic Climate

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

5 Gross Revenue Expenditure

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

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

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

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

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

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

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

FOREWORD TO THE ACCOUNTS

6 Gross Revenue Income

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

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

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

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

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

7 Pension Fund

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

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

8 Borrowing

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

9. Capital Expenditure and Source of Funding

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

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

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

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

FOREWORD TO THE ACCOUNTS

10 Housing Revenue Account

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

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

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

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

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

11 Significant Changes in Accounting Policies

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

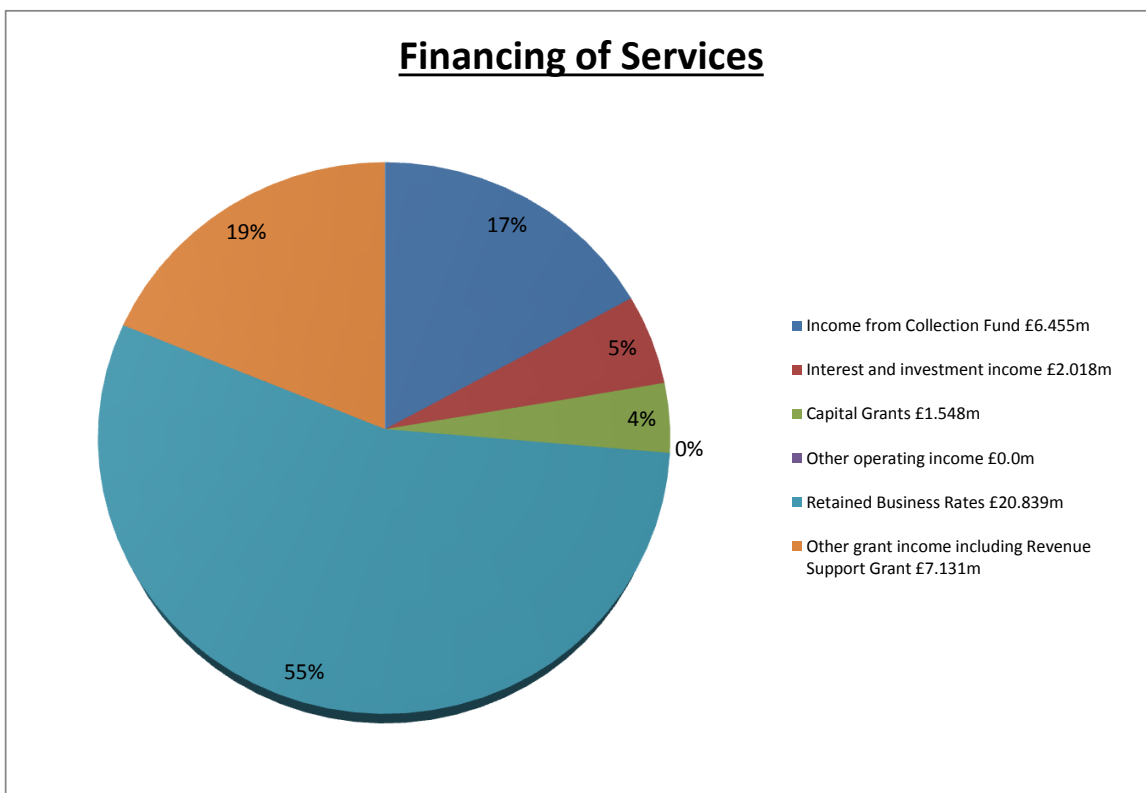
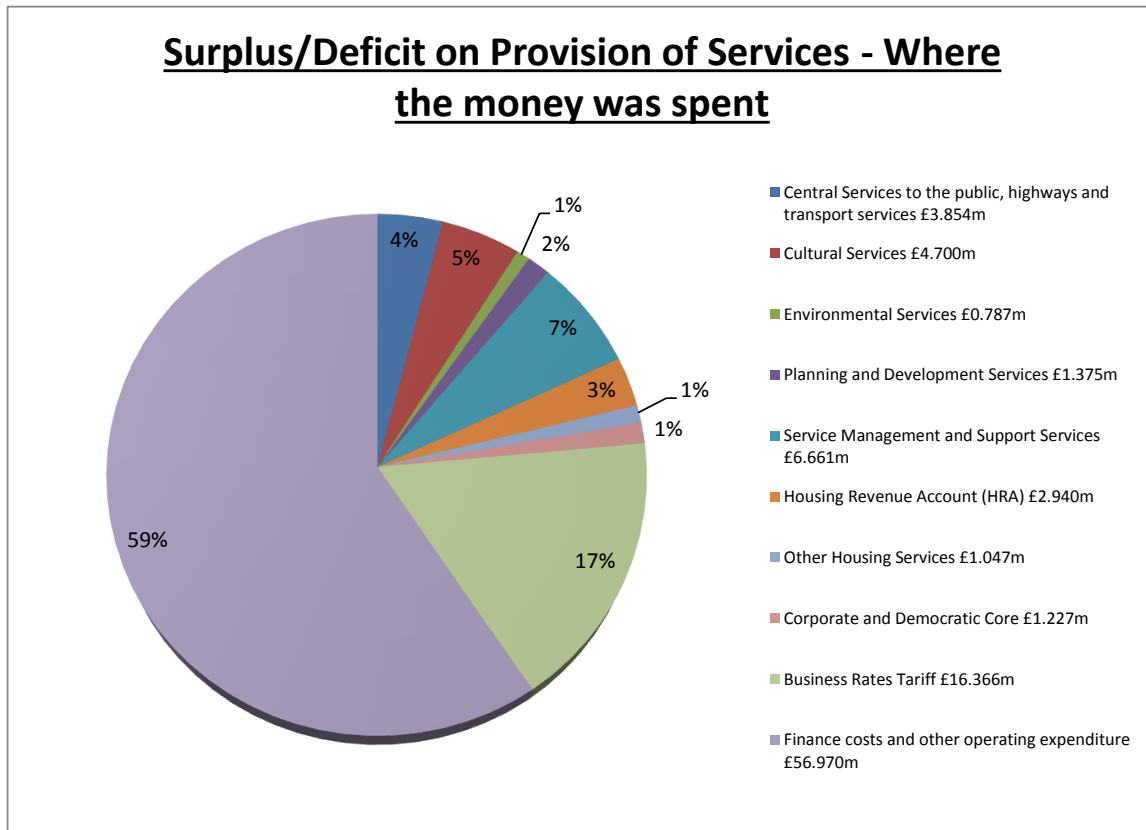
12 Further Information

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

Jon Topping
Head of Finance(Section 151 Officer)

FOREWORD TO THE ACCOUNTS

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

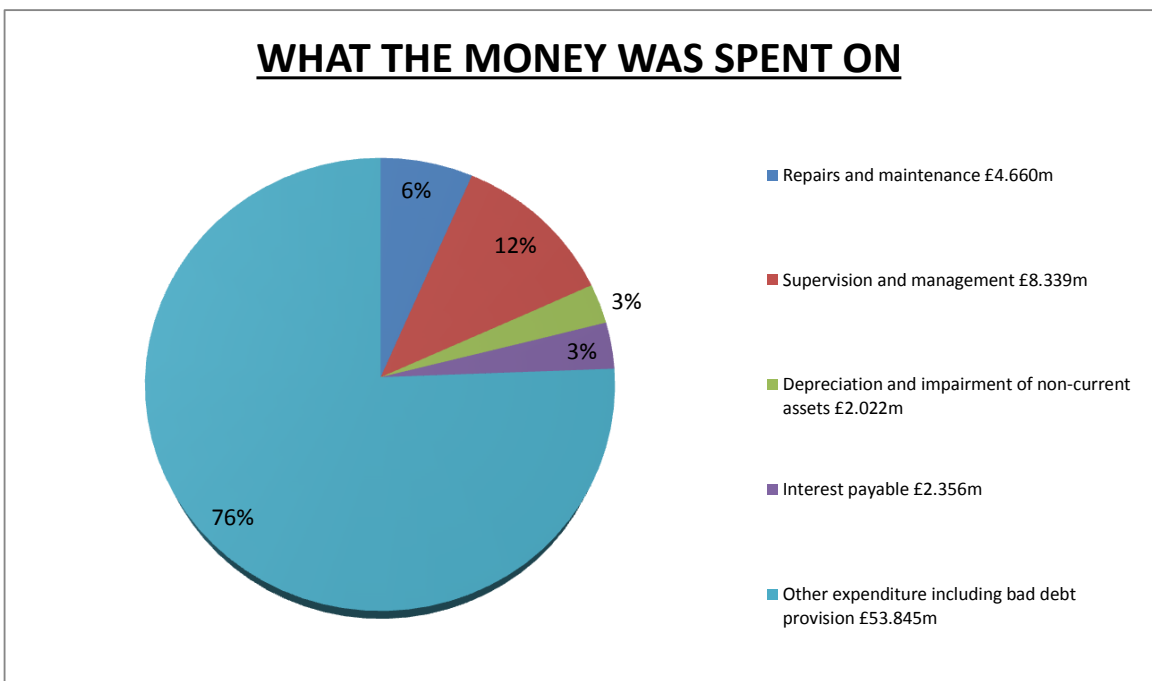
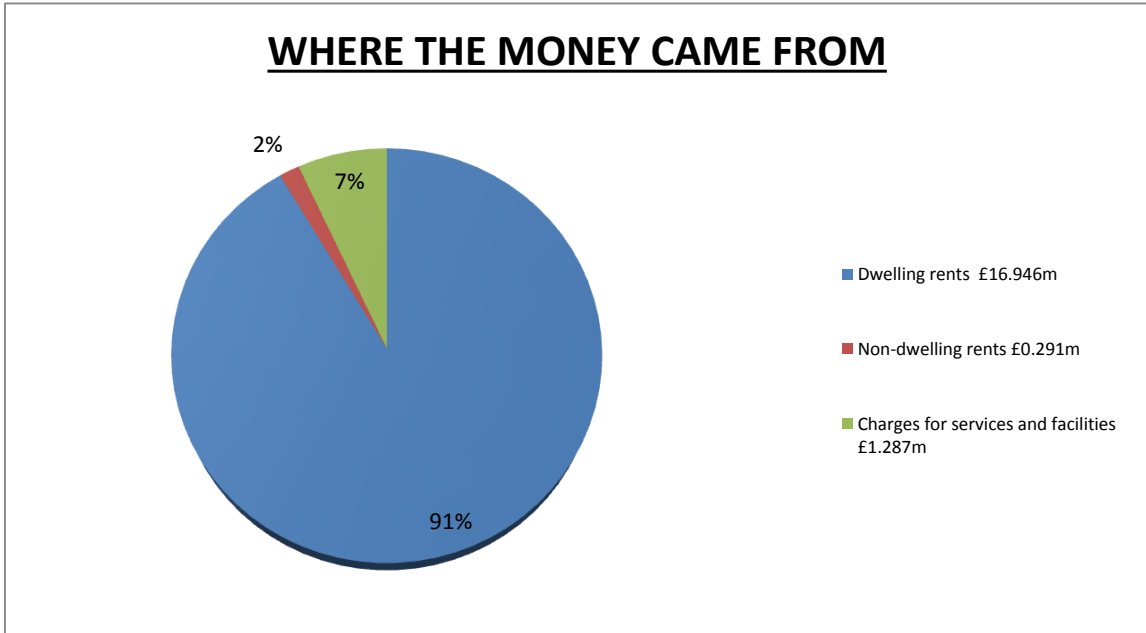


FOREWORD TO THE ACCOUNTS

Housing Revenue Account (HRA)

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

An analysis of the account is shown graphically below:



STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES

1 GENERAL PRINCIPLES

This Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its financial position at 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 to be prepared in accordance with proper accounting practices. These practices, primarily, comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

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

2 ACCRUALS OF INCOME AND EXPENDITURE

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

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

3 CASH AND CASH EQUIVALENTS

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

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

4 EXCEPTIONAL ITEMS

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

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

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

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

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

6 CHARGES TO REVENUE AND NON-CURRENT ASSETS

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

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

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

STATEMENT OF ACCOUNTING POLICIES

7 EMPLOYEE BENEFITS

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits - Pensions

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

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

- The liabilities of the LGPS attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.1% based on the indicative rate of return on the adoption of the AA corporate bond basis. This is at the IAS19 valuation date, subject to removal of recently re-rated bonds from the index.
- The assets of the LGPS attributable to the council are included in the Balance Sheet at their fair value as follows:
 - Quoted securities – current bid price;
 - Unquoted securities – professional estimate;
 - Unitised securities – current bid price; and
 - Property – market value.
- The change in the net pensions liability is analysed into the following components:

Service Cost comprising

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

Remeasurements comprising:

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

STATEMENT OF ACCOUNTING POLICIES

7 EMPLOYEE BENEFITS (continued)

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

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

Discretionary Benefits

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

8 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

9 FINANCIAL INSTRUMENTS

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

STATEMENT OF ACCOUNTING POLICIES

9 FINANCIAL INSTRUMENTS (continued)

Available-for-Sale Assets

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

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

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

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

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

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

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

10 FOREIGN CURRENCY TRANSLATION

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

11 GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

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

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

12 HERITAGE ASSETS

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

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

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

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

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

STATEMENT OF ACCOUNTING POLICIES

13 INTANGIBLE ASSETS

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

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

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

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

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

14 INTEREST IN COMPANIES AND OTHER ENTITIES

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

15 INVENTORIES AND LONG TERM CONTRACTS

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

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

16 INVESTMENT PROPERTY

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

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

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

17 LEASES

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

STATEMENT OF ACCOUNTING POLICIES

17 LEASES (continued)

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals are apportioned between:

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

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

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

Operating Leases

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

18 OVERHEADS AND SUPPORT SERVICES

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

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

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

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

19 PROPERTY, PLANT AND EQUIPMENT

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

Recognition

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

The following de-minimis limits are applied by the Council in recognising assets:

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

STATEMENT OF ACCOUNTING POLICIES

19 PROPERTY, PLANT AND EQUIPMENT (continued)

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

Where decreases in value are identified they are accounted for by:

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

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

Impairment

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-current Assets Held for Sale

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

STATEMENT OF ACCOUNTING POLICIES

19 PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

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

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

20 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

21 RESERVES

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

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

22 REVENUE AND EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

STATEMENT OF ACCOUNTING POLICIES

23 VAT

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

24 GROUP ACCOUNTS

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

Interests in Companies and Other Entities

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

Basis of Consolidation

The Group Accounts consolidate the Council's accounts with those of Gloucestershire Airport Ltd, in which the Council has a 50% shareholding (the remaining 50% is owned by Cheltenham Borough Council). Gloucester City Homes became a separate organisation in 2014/15 and is no longer considered for group consolidation. Certain entities in which the Council has an interest have not been included in the group accounts as the impact of incorporating these into the the group accounts are considered to be immaterial.

Accounting Policies

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

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

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

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

CORE FINANCIAL STATEMENTS

CORE FINANCIAL STATEMENTS

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

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

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

CORE FINANCIAL STATEMENTS

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

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

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

CORE FINANCIAL STATEMENTS

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

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

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

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

For the year ended 31 March 2015

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

Description	2014/15			2013/14
	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure
	£000	£000	£000	£000
Central Services to the public	5,659	1,720	3,939	3,311
Cultural, environmental, regulatory and planning services				
Cultural Services	5,941	1,241	4,700	4,951
Environmental Services	3,854	3,067	787	1,137
Planning and Development Services	2,778	1,403	1,375	1,306
Service Management and Support Services	8,034	1,373	6,661	7,403
Highways and transport services	2,455	2,540	(85)	(144)
Other Housing Services	48,062	47,015	1,047	1,186
Corporate and Democratic Core	1,403	176	1,227	1,657
Non distributed costs	1	-	1	1
Exceptional Items	-	-	-	-
(Surplus)/Deficit on Operations	78,187	58,535	19,652	20,808
Other Operating Expenditure (Note 8)	51,067	-	51,067	(249)
Financing and investment income and expenditure (Note 9)	5,986	2,023	3,963	6,977
(Surplus) / Deficit on discontinued operations (Note 30)	21,005	18,183	2,822	(7,183)
Taxation and Non-specific Grant Income (Note 10)	17,626	35,973	(18,347)	(18,093)
Deficit on Provision of Services	173,871	114,714	59,157	2,260
Share of the (Surplus)/Deficit on the provision of Services				
Joint Ventures			(103)	(3)
Associates			-	-
Share of Tax Expenses				
Joint Ventures			23	15
Associates			-	-
Subsidiary			-	-
Group Deficit			59,077	2,272
<i>Items that will not be reclassified to the (surplus) or deficit on the provision for services</i>				
(Gains) / Losses on revaluation of Property, Plant and Equipment assets			(238)	-
Actuarial losses on pension assets / liabilities			5,583	3,665
Share of Other Comprehensive Income and Expenditure				
Joint Ventures			236	20
Associates			-	-
Group Other Comprehensive Income and Expenditure			5,581	3,685
Total Comprehensive Income and Expenditure			64,658	5,957

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL BALANCE SHEET

As at 31 March 2015

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

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

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP BALANCE SHEET

As at 31 March 2015

The group balance sheet has been prepared by combining the Council's share of the net assets of Gloucestershire Airport Ltd (50% of the total, adjusted for revaluations), with the net assets of the Council. The accounts for Aspire Sports and Cultural Trust and Marketing Gloucester have not been included in the group accounts for the current year.

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

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

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL CASH FLOW STATEMENT

For the year ended 31 March 2015

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

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

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

CORE FINANCIAL STATEMENTS

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

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

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

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



NOTES TO THE CORE FINANCIAL STATEMENTS

NOTES TO THE CORE FINANCIAL STATEMENTS

1 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT ADOPTED

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

IFRS 13 Fair Value Measurement (Effective date May 2011)

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

2 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING PRINCIPLES

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

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

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

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors, however, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

4 MATERIAL ITEMS OF INCOME AND EXPENDITURE

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

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

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

Details of the pension deficit are included in note 43.

5 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Council's Audit Committee on 21 September 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

6 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER THE REGULATIONS

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

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2014/15 Information

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2013/14 Information

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

NOTES TO THE CORE FINANCIAL STATEMENTS

7 TRANSFERS TO/(FROM) EARMARKED RESERVES

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

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

Reserve

No. Further details of the larger reserves

1 3 Choirs Reserve

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

2 Historic Buildings Reserve

This reserve was set up to spread the funds required to finance the refurbishment of historic buildings in the City over a number of years and will fund an agreed award to the Llanthony Priory Trust.

3 Portfolio Reserves

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

4 Members Allocation Reserve

For the delivery of member projects.

5 Shopmobility Reserve

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

6 Regeneration Reserve

The reserve is intended for the delivery of key regeneration priorities.

7 Insurance Reserve

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

8 Pension Contingency Reserve

This reserve is intended to cover known and future pension liabilities .

9 Environmental Reserve

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

10 Repairs Reserve

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

NOTES TO THE CORE FINANCIAL STATEMENTS

8 OTHER OPERATING INCOME AND EXPENDITURE

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

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

10 TAXATION AND NON-SPECIFIC GRANT INCOME

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

NOTES TO THE CORE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT Movements on Balances

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Comparative Figures 2013/14

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

NOTES TO THE CORE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation

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

- Council Dwellings – 60 years straight-line
- Other Land and Buildings – 8-60 years straight-line
- Vehicles, Plant, Furniture & Equipment – 5-10 years straight-line
- Infrastructure and Community Assets – 30-95 years straight-line

The following is a list of the major fixed assets owned by the Council at 31 March 2015.

All assets are owned freehold unless otherwise stated.

Operational assets	Non-operational assets
<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) 13 Surface Car Parks (2 leasehold) Tourist Information Centre (leased) Oxstalls Tennis Centre Hempsted Market</p> <p>Community & Heritage assets Various Parks and open spaces The Fleece Hotel 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 5 Public Conveniences (1 leasehold)</p>	<p>Investment properties Eastgate market and shopping centre Bearland Lodge Kings' Square / Kings' Walk Kings' Theatre Bus station Gala Club 16 Shops 75/81 Eastgate Street (subject to sale and leaseback) 16 Sports Clubs facilities (mixed tenure) 50% of Gloucestershire Airport (freehold) The Docks Headlease area including No.3 Albion Cottage(leasehold) Barbican Land Ladybellgate Street Former Spartans Club House Site Depot at Eastern Avenue Bentinck House and Bruton Way Blackfriars Inn Barbican House, Commercial Road Various on Commercial Road (leasehold) Grosvenor House Kings House Land Northgate Street</p>

Component accounting

Component accounting thresholds have been set as the lower of:

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

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

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

Capital Commitments

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

NOTES TO THE CORE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

Revaluations

All property assets, including investment property, were revalued in the previous year. In the current year the Council has continued with a rolling programme of asset valuations to ensure that all Property, Plant and Equipment required to be measured at fair value was revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

The significant assumptions applied in estimating the fair values are:

- That the values will remain static during that period;
- The property would be freely exposed to the open market;
- No account has been taken of any higher price or rental offer that might be made by a purchaser or lessee with a special interest;
- The valuation relates to the freehold or leasehold interest and good freehold or leasehold title can be shown.
- The property and its value are unaffected by any matters which would be revealed by a local search.

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

12 INVESTMENT PROPERTIES

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

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

13 Heritage Assets

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

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

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

14 INTANGIBLE ASSETS

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

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

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

Movements in intangible assets during the year are shown below:

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

15 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

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

Income, Expenses, Gains and Losses-GCC

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

NOTES TO THE CORE FINANCIAL STATEMENTS

15 FINANCIAL INSTRUMENTS (Continued)

Fair Values of Assets and Liabilities

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

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

The fair values calculated are as follows:

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

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date.

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

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

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

16 ASSETS HELD FOR SALE (GCC and Group)

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

NOTES TO THE CORE FINANCIAL STATEMENTS

17 INVENTORIES

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

18 CONSTRUCTION CONTRACTS

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

19 DEBTORS

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

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

19(i) Long Term Debtors

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

They consist of the following :-

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

Gloucestershire Airport loan details :-

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

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

20 CASH AND CASH EQUIVALENTS

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

21 SHORT-TERM CREDITORS

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

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

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

21(i) Short Term Borrowings

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

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

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

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

An analysis of loans by lender is as follows:

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

The loans are reflected in the balance sheet at amortised cost. The fair value of the Barclays and BAE Systems loans are the cost of settling the liabilities at the balance sheet date is more than the amortised cost at 31 March because many of the Council's loans were at interest rates higher than the rates for similar loans at the balance sheet date.

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

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

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

Barclays details

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

22 PROVISIONS (GCC and Group)

Provisions more than 1 year

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

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

Insurance and Injury Compensation Claims Provision

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

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

Provisions less than 1 Year

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

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

Legal Service Provision

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

Accumulated Absences Provision

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

NNDR Appeals Provision

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

Pension Provision

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

NOTES TO THE CORE FINANCIAL STATEMENTS

23 USABLE RESERVES

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

24 UNUSABLE RESERVES

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

(i) Revaluation Reserve

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

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

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

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

(ii) Capital Adjustment Account

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

24 UNUSABLE RESERVES (CONTINUED)

(iii) Financial Instruments Adjustment Account

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

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

(iv) Pensions Reserve

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

	2014/15 £000	2013/14 £000
Balance at 1 April	(61,407)	(57,486)
Re-measurement of the net defined benefit liability	(4,577)	(3,367)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,860)	(3,932)
Employer's pensions contributions and direct payments to pensioners payable in the year	4,756	3,378
Balance at 31 March	(65,088)	(61,407)

NOTES TO THE CORE FINANCIAL STATEMENTS

24 UNUSABLE RESERVES (CONTINUED)

(v) Deferred Capital Receipts Reserve

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

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

(vi) Collection Fund Adjustment Account

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

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

(vii) Accumulated Absences Account

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

25 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

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

26 CASH FLOW STATEMENT – INVESTING ACTIVITIES

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

27 CASH FLOW STATEMENT – FINANCING ACTIVITIES

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

NOTES TO THE CORE FINANCIAL STATEMENTS

28 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

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

(i) Directorate Income and Expenditure 2014/15

	CORPORATE AND DEMOCRATIC CORE	CENTRAL SERVICES	CULTURAL, ENVIRON, PLAN SERVICES	HIGHWAYS, ROADS, TRANS SERVICES	HOUSING REVENUE ACCOUNT	HOUSING SERVICES	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(176)	(1,613)	(7,053)	(2,540)	(18,569)	(998)	(30,949)
Government grants	-	(108)	(29)	-	-	(46,018)	(46,155)
Total Income	(176)	(1,721)	(7,082)	(2,540)	(18,569)	(47,016)	(77,104)
Employee expenses	794	3,329	4,841	200	133	1,004	10,301
Other service expenses	1,391	9,597	17,273	2,255	21,345	47,167	99,028
Support service recharges	(782)	(7,266)	(1,509)	-	31	(108)	(9,634)
Total Expenditure	1,403	5,660	20,605	2,455	21,509	48,063	99,695
Net Expenditure	1,227	3,939	13,523	(85)	2,940	1,047	22,591

(ii) Directorate Income and Expenditure 2013/14

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

(iii) Group Income and Expenditure 2014/15

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

(iv) Group Income and Expenditure 2013/14

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

NOTES TO THE CORE FINANCIAL STATEMENTS

28 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (Continued)

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

29 RECONCILIATION TO SUBJECTIVE ANALYSIS

29 (i) Reconciliation to Subjective Analysis-Council

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

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

2013/14 Comparative Figures

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

NOTES TO THE CORE FINANCIAL STATEMENTS

29 RECONCILIATION TO SUBJECTIVE ANALYSIS (Continued)

29 (ii) Reconciliation to Subjective Analysis - Group

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

2013/14 Comparative Figures

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

30 ACQUIRED, DISCONTINUED AND TRANSFERRED OPERATIONS

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

NOTES TO THE CORE FINANCIAL STATEMENTS

31 TRADING OPERATIONS

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

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

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

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

32 AGENCY SERVICES

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

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

33 MEMBERS' ALLOWANCES

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

34 OFFICERS' REMUNERATION

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

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

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

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

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

35 EXTERNAL AUDIT COSTS

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

36 GRANT INCOME (GCC and Group)

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

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

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

Long-term Liabilities

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

37 RELATED PARTIES

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

Central Government

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

Members

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 33. During 2014/15 works and services to the value of £18.732 million (2013/14:£17.172 million) were commissioned from companies in which 10 members had an interest.

Contracts were entered into in full compliance with the Council's standing orders and the relevant members did not take part in any discussion or decision relating to these transactions. Details of all these transactions are recorded in the Register of Members' Interests which is open to public inspection at the North Warehouse during office hours.

Officers

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

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

	2014/15			2013/14		
	Number of Related Parties	Payments Made or Due £'000	Income Rec'd £'000	Number of Related Parties	Payments Made or Due £'000	Income Rec'd £'000
Central Government						
Revenue Support Grant	1	-	(3,800)	1	-	(4,864)
Other Government grants	1	-	(3,463)	1	-	(2,689)
Council Tax and Housing Benefit grants	1	-	(46,005)	1	-	(46,256)
NNDR	1	25,885	-	1	24,800	-
Other Local and Police Authorities						
Precepts	2	50,191	-	2	49,472	-
Gloucestershire County Council						
Pension Fund contributions	7	4,756	-	6	3,378	-
Gloucestershire Airport Limited						
Loan interest and rents	5	-	(48)	4	-	(38)
Quedgeley Parish Council	1	227	-	1	196	-
Others						
Gloucester Law Centre	1	103	-	3	127	-
Abbeydale Community Association	1	-	-	2	1	-
GL Communities	-	-	-	2	32	-
Citizens Advice Bureau	-	-	-	2	144	-
Gloucester City Homes	6	17,557	(223)	6	15,698	(303)
Marketing Gloucester Limited	2	204	-	1	204	-
Aspire Sports and Cultural Trust	2	868	(497)	3	966	(527)

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

38 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

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

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

39 LEASES

(i) GCC as Lessor

Finance Leases

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

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

Operating Leases

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

39 LEASES (Continued)

(ii) GCC as Lessee

Operating Leases

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

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

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

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

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

Finance Leases

The Council does not have any finance leases as lessee.

40 REVALUATION LOSSES

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

41 CAPITALISATION OF BORROWING COSTS

No borrowing costs were capitalised during the year.

42 TERMINATION BENEFITS

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

43 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

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

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

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

Transactions Relating to Post-employment Benefits

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

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

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

Assets and Liabilities in Relation to Post-employment Benefits

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

43 DEFINED BENEFIT PENSION SCHEMES (Continued)

Reconciliation of fair value of the scheme (plan) assets

Local Government Pension Scheme

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

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

Scheme History

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

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

The total net liability of £65.088 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, however, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. Over the remaining working life of employees i.e. before payments fall due, as assessed by the scheme actuary, finance is only required to be raised to cover discretionary benefits when the pensions are actually paid. The total contributions made to the Local Government Pension Scheme by the Council for the year ended 31 March 2015 was £4.756 million (2013/14: £3.378 million).

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

Basis for Estimating Assets and Liabilities

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

The principal assumptions used by the actuary have been:

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

NOTES TO THE CORE FINANCIAL STATEMENTS

43 DEFINED BENEFIT PENSION SCHEMES (Continued)

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

43 DEFINED BENEFIT PENSION SCHEMES (Continued)

Impact on the Council's Cash Flows

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

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

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

44 CONTINGENT LIABILITIES

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

Liability for pensions shortfall for staff transferred

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

NOTES TO THE CORE FINANCIAL STATEMENTS

45 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

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

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

Credit Risk

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

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

The Council's maximum exposure to credit risk in relation to its short-term investments and deposits with banks and other financial institutions of £34.689million (2013/14:£2.310 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 19(i), include the loans to Gloucestershire Airport Limited totalling £1.004 million (2013/14:£1.369 million) and are considered to have a low credit risk.

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

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

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

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial liabilities is as follows:

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

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

Market Risk

Interest Rate Risk

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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

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

According to this assessment strategy, at 31 March 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

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

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

Price Risk

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

Foreign exchange Risk

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

46 LONG-TERM INVESTMENTS

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

They consist of the following:

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

The shares in Gloucestershire Airport Limited have been eliminated on consolidation from the group accounts and replaced by the Council's share of the net asset value of the company of £15.6m. The net asset value has been determined after taking into account the revaluation of the assets of Gloucestershire Airport Limited at 31 March 2012.

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

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

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

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

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

47 NOTES TO THE GROUP ACCOUNTS

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

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

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

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

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

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

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

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

Gloucestershire Airport Limited (GAL)

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

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

47 NOTES TO THE GROUP ACCOUNTS (continued)

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

- Operational assets added at leasehold existing use value (50% share) total £9.468 million (31 March 2014:£9.468million).
- Non-operational assets added at leasehold market value (50% share) total £6.556 million (31 March 2014:£6.556 million).

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

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

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

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

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

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

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

The accounts of GAL for the year ending 31 March 2015 can be obtained from the Airport Company Secretary at the company's registered office

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

Gloucester City Homes Limited (GCH)

This company was established by the Council during 2005/06 as an Arm's Length Management Organisation (ALMO) to manage the Council's housing stock. The Company (registration number 5611409) became the Registered Social Landlord on 16th March 2015 at this point the housing stock was transferred to Gloucester City Homes and the company was removed for the Council Group.

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

47 NOTES TO THE GROUP ACCOUNTS (continued)

ADJUSTMENTS BETWEEN GROUP ACCOUNTS AND GCC ACCOUNTS

Long term Investments

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

Adjusting for Intra-group Transactions and Balances

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

Usable and Unusable Reserves

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

NOTES TO THE CORE FINANCIAL STATEMENTS

48 GROUP PROPERTY, PLANT AND EQUIPMENT

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

Comparative figures 2013/14

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

NOTES TO THE CORE FINANCIAL STATEMENTS

49 GROUP INTANGIBLE ASSETS

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

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

SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT

HOUSING REVENUE ACCOUNT COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

For the year ended 31 March 2015

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

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

Movement on the HRA Statement

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

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

HOUSING REVENUE ACCOUNT

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

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

2 THE HOUSING REVENUE ACCOUNT (HRA)

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

3 REPAIRS AND MAINTENANCE

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

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

4 MANAGEMENT AND SUPERVISION

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

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

5 DEPRECIATION AND REVALUATION LOSSES ON PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

6 BAD OR DOUBTFUL DEBTS

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

7 DWELLING RENTS

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

HOUSING REVENUE ACCOUNT

8 INTEREST PAYABLE AND AMORTISATION OF PREMIUMS AND DISCOUNTS

Both these charges are calculated in accordance with statutory determinations.

9 MAJOR REPAIRS RESERVE (MRR)

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

10 HRA BALANCE

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

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

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

11 CAPITAL EXPENDITURE

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

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

12 NON-CURRENT ASSETS

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

13 COUNCIL HOUSING STOCK AND VALUE

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

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

14 PENSIONS

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

COLLECTION FUND

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

COLLECTION FUND

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

1 COUNCIL TAX

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

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

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

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

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

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

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

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

COLLECTION FUND

2 INCOME FROM BUSINESS RATEPAYERS

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

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

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

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

3 FUND BALANCE

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

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

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

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

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

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

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

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

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

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

4 NON-DOMESTIC RATES APPEALS

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

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

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

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

GLOSSARY OF FINANCIAL TERMS

GLOSSARY OF FINANCIAL TERMS

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

Accounting Period

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

Account

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

Accruals

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

Amortised Cost

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

Bad or Doubtful Debts

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

Balances

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

Budget

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

Capital Expenditure

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

Capital Financing

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

Capital Financing Costs

Principal and interest repayments relating to loans.

Capital Grants

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

Capital Receipts

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

Collection Fund

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

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

see Auditors electronic report - word document

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