

**GLOUCESTER CITY COUNCIL
2015/16 STATEMENT OF ACCOUNTS**

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INTRODUCTION

Gloucester City Council

Welcome to the Statement of Accounts 2015/16

I hope you find these accounts interesting and informative. The accounts, together with the accompanying notes, explain the Council's services and how your council tax was spent during the year.

In these times of year on year cuts in government funding for local government the Council continues to provide sound financial management and deliver good value services. The Council remains committed to continuous improvement in all areas and to drive forwards best practice and value for money for the services delivered in Gloucester City.

The Council achieved efficiency savings in excess of £1.174m for 2015/16 which is around 7.4% of the original budget. Our updated Medium Term Financial Plan (Money Plan) provides a clear strategic direction for the Council finances through to 2020/21. We are confident of achieving the challenging savings targets we have set ourselves for 2016/17 of £0.609m both to meet the financial pressures placed upon us from reductions in government grant but also to keep Council Tax levels low for our residents.

The City Council's element of the Council Tax for a Band D property was £180.42 for 2015/16. This represents around 12% of an average bill of £1,478.65. There was no increase in Council tax during the year. The City's Council tax again provided excellent value for money.

As part of continued improvement in financial management at Gloucester City Council we produced these accounts ahead of the statutory deadline. The early production of these accounts is only possible by having sound financial management processes and a robust system of budget monitoring through out the year. This reflects the dedication of all finance staff in delivering these improvements both in this and future financial years.

The information contained within these accounts is presented as simply and clearly as possible. However the accounts of such a large and diverse organisation as Gloucester City Council are, by their nature, both technical and complex.

I have structured this narrative statement to enable readers to understand the Council, its operating environment and to assist in the understanding of the Statement of Accounts.

The sections contained with this narrative statement are;

1. Key facts about Gloucester
2. Key facts about Gloucester City Council
3. A summary of financial performance
4. An explanation of the financial statements
5. Non-financial performance

The 2015/16 statement of accounts will be published in September 2016.

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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NARRATIVE REPORT

NARRATIVE REPORT

1. Introduction

The Statement of Accounts presents the financial position of the Council for the year ended 31 March 2016. 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 report provides a brief explanation of the financial aspects of the Council's activities and a guide to the significant matters reported in the accounts.

The Narrative Report replaces the Explanatory Forward included in previous Statements of Accounts. It provides information about Gloucester City Council and the key issues affecting the Council and its accounts, including a summary of its financial position at 31st March 2016.

2. An Introduction to Gloucester City

Gloucester City is a district council in the County of Gloucestershire with one parish council, Quedgeley. The City shares its borders with Stroud District Council, Forest of Dean District Council and Tewkesbury Borough Council. Gloucester, the county City, has plenty on offer and is everything you'd expect from a vibrant, multi-cultural British City.

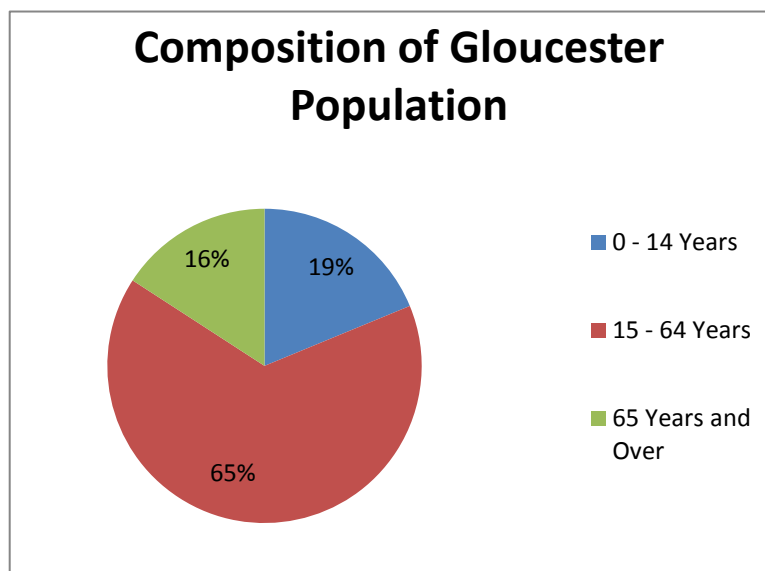
It has one of the richest heritage offerings in the country, from its time as a Roman colony, to one of the three most important medieval cities in England, then its development into an industrial centre. It is home to one of the finest medieval buildings in the country: the breath-taking cathedral which has formed the backdrop of many scenes in Doctor Who and Harry Potter films.

The famous Kingsholm stadium, home of Gloucester Rugby Club, recently staged several matches for the Rugby World Cup and the City received plaudits as one of the best host cities for the tournament. The historic docks have seen a stunning regeneration in recent years, delivering a retail outlet centre, great leisure and catering offerings, and superb riverside accommodation.

The City has many cultural offerings, hosting the Tall Ships festival, the Three Choirs Festival, several museums and the NME-shortlisted Guildhall music and performance venue.

Today, Gloucester is undergoing something of a modern day renaissance, rediscovering and celebrating its rich history. The regeneration of the docks, the Kings Quarter, the Greater Blackfriars area and other once-neglected areas of the City has brought in significant investment.

The profile of the local population is an important factor in the services the Council provides. The Office for National Statistics Mid-Year Estimates for 2014 reported that Gloucester's estimated population was 125,469 with the age profile as presented below.



Gloucester has a relatively young age profile, with proportionally more people aged 0-15 years compared to aged 65 years and over. Gloucester has a younger profile than the national average in England.

NARRATIVE REPORT

3. About Gloucester City Council

Gloucester City Council is a multifunctional and complex organisation. Its policies are directed by the political leadership and implemented by Senior Management Team and Officers of the Council. The following section describes the political and management structures of the Council.

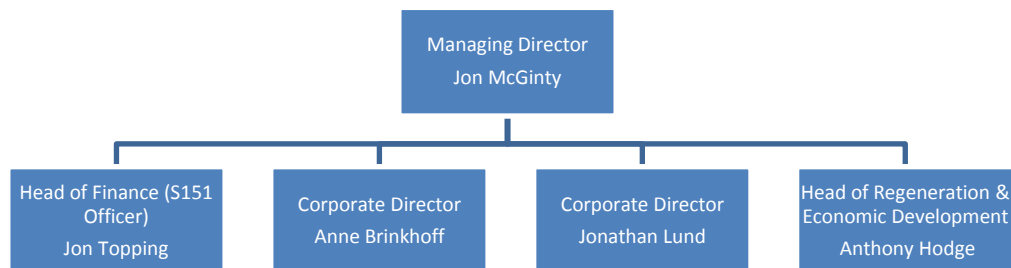
In 2015/16 Gloucester had 16 wards. Residents of the City were represented by 36 Councillors during 2015/16 post the election in May 2015. Following a recent boundary review this will be 39 Councillors for 2016/17 onwards.

The political make up of the Council for 2015/16 was:

Party	No of Councillors
Conservative Party	20 Councillors
Labour Party	9 Councillors
Liberal Democratic Party	7 Councillors

The result of the local election did not change the overall control of the Council with representatives from Conservative, Labour and Liberal Democrat holding seats. The Conservative party remained the administration and gained overall control with a majority of 4 seats.

The Council employs a work force of approximately 270 staff to manage and deliver services to residents under the direction of the Senior Management Team. On 1 July 2015 the Council appointed a joint post acting as the Managing Director of Gloucester City Council and Commissioning Director of Gloucestershire County Council on a shared basis. During the course of 2015/16 both current Directors in post left to new appointments and the Council successfully recruited in February 2016, with both posts commencing in May 2016. The current senior management structure is shown below:



The Council provides a wide range of services to residents, through direct provision, joint working, strategic partnerships and through third parties.

Detailed below are posts held during 2015/16:

Mayor and Deputy Mayor in the 2015/16 Municipal Year

Mayor - Councillor S Field
Sheriff and Deputy Mayor - Councillor J Beeley

NARRATIVE REPORT

3. About Gloucester City Council (Cont.)

Cabinet in 2015/16

Leader of the Council and Cabinet Member for Regeneration - Councillor P James
Deputy Leader of the Council - Councillor J Dallimore
Cabinet Member Performance and Resources - Councillor D Norman MBE
Cabinet Member Communities and Neighbourhoods - Councillor J Dallimore
Cabinet Member Housing, Health and Leisure - Councillor C Organ
Cabinet Member Environment - Councillor J Porter
Cabinet Member for Culture - Councillor L Noakes

Chair of Committees in 2015/16

Licensing and Enforcement Committee - Councillor T Randle
Overview and Scrutiny Committee - Councillor J Lugg
Organisational Development Committee - Councillor P James
Planning Committee - Councillor G Taylor
Audit and Governance Committee - Councillor D Llewellyn

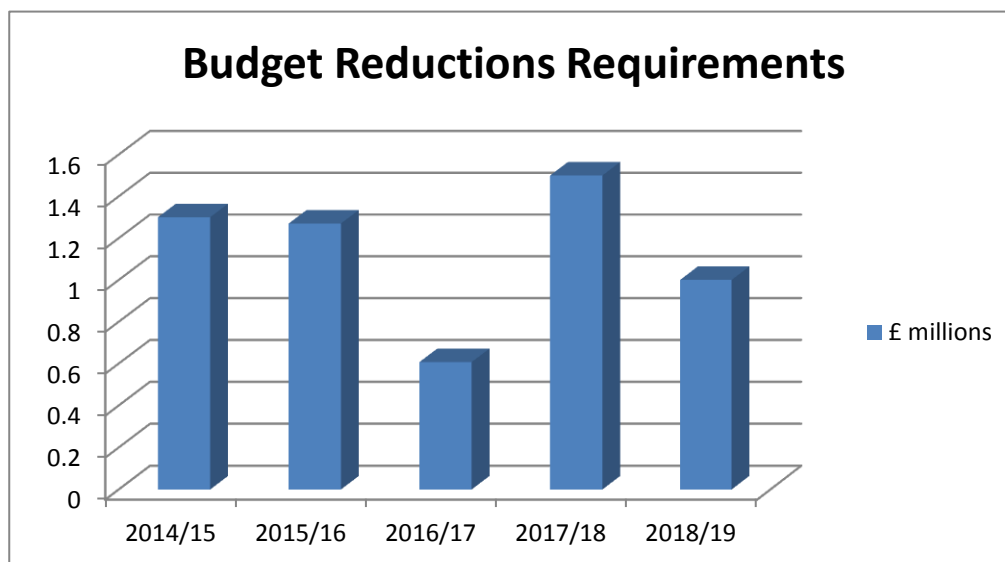
Chief Officers in 2015/16

Managing Director (from July 2015) - Mr J McGinty
Director of Services and Neighbourhoods (until December 2015) - Mr M Shields
Corporate Director (until March 2016) - Mr R Cook
Head of Finance (Section 151 Responsible Officer) - Mr J Topping

4. A summary of Financial Performance

The 2015/16 budgeting process was as in the previous years of austerity influenced by the on-going need to make savings and efficiencies while still delivering council services to the residents of the city. The net budget requirement of £15.969m was approved by Cabinet and Council in February 2015. The Money Plan (www.gloucester.gov.uk/council/performance-and-spending/budget-and-finance/Pages/5-Year-Money-Plan.aspx) identified targeted reductions in 2015/16 of £1.270m. The Money Plan included no increase in Council Tax for the fifth year which resulted in an income from Council Tax of £6.394m.

In producing the Money Plan for 2015-16 to 2019-20 the aim was to align the objectives set out in the Council Plan 2014-17. The revenue budget reductions included in the Money Plan highlighted that the Council would have to continue the programme to significantly review its future organisational arrangements in order to provide value for money services. The chart below identifies the level of savings required over the life of the plan, updated following the Local Government Financial Settlement on February 2016.



NARRATIVE REPORT

4. A summary of Financial Performance

The net revenue budget approved by Council in February was £15.969m. The actual net expenditure for the year was £17.338m following approved transfer to and from earmarked reserves £1.456m.

The following table details the Council's final net revenue expenditure analysed by service area. This differs from the Net Cost of Service in the Comprehensive Income and Expenditure Account Statement by the exclusion of costs relating to depreciation, revenue expenditure funded by capital under statute and certain pension adjustments.

Service	2015/16 Budget	Year End Outturn	Variance
Planning	454	473	19
Legal and Democratic Services	1,100	1,027	(73)
Communications	125	119	(6)
Housing Services	761	734	(27)
HR	346	184	(162)
Guildhall and Museums	422	711	289
Catering Review and Cultural Services Strategy	0	33	33
Internal Audit	175	172	(3)
Neighbourhood Services	4,523	4,625	102
Environmental Planning and the Countryside Unit	427	473	46
Voluntary Sector	381	374	(7)
Shopmobility	4	56	52
Cem and Crem	(857)	(960)	(103)
Markets	(212)	(109)	103
Contact Centre	753	697	(56)
TIC	151	208	57
Public Protection	1,017	1,009	(8)
Financial Services	752	282	(470)
Revenues and Benefits	81	(306)	(387)
Business Improvement	700	816	116
IT	1,403	1,501	98
Asset Management	(487)	(789)	(302)
Economic Development	367	356	(11)
Parking	(856)	(902)	(46)
Marketing Gloucester	408	486	78
Senior Management and RWC	276	532	256
Total Service Expenditure	12,215	11,802	(412)

As identified in the table below a final position of an overspend of £0.247m compared to a budgeted overspend of £0.030m.

Service	2015/16 Budget	Year End Outturn	Variance
Interest Income	(46)	(57)	(11)
Interest Expenditure	715	322	(393)
Minimum Revenue Provision	615	550	(65)
Capital Financing Charge	100	413	313
Corporate Pension Contribution	2,310	2,857	546
Provisions	60	(5)	(65)
Total Corporate Costs	3,754	4,080	325
Transfer to / (from) Earmarked Reserves	0	1,456	
Transfer to / (from) General Fund	(30)	(247)	

NARRATIVE REPORT

4. A summary of Financial Performance (cont.)

The expenditure was financed by sources of funding as detailed in the table below:

Service	2015/16 Budget	Year End Position	Variance
Council Tax Funding	(6,394)	(6,415)	(21)
Retained Business Rates	(3,681)	(4,764)	(1,083)
Council Tax Freeze Grant	(45)	(74)	(29)
Revenue Support Grant	(2,734)	(2,743)	(9)
New Homes Bonus	(3,085)	(3,095)	(10)
Total Funding	(15,939)	(17,091)	(1,152)

The main variances relate to essentially one off items being as follows;

1. Delays in achieving savings targets in relation to Amey
2. The final costs of historic items relating to the Councils impairment of Icelandic bank debt
3. The non-delivery of savings targets by Guildhall and Museums services
4. A significant reduction in recycling income
5. Significant savings were delivered in the recovery level of Housing Benefit overpayments
6. Increased income from planning and crematorium

The gross cost of service provision amounts to £100.792m and this has been analysed by type as shown in the table below:

Expenditure Type	2015/16 £000	2014/15 £000
Employee Expenses	9,169	10,301
Other Service Expenses	76,800	99,028
Support Service Recharges	(9,814)	(9,634)
Non-distributed costs	-	1
Exceptional items	-	-
Other Operating Expenditure	1,191	51,067
Capital charges and investment property expenditure	5,788	5,902
Business rates expenditure	17,658	17,626
Gross Cost of Services	100,792	174,291

The Council received gross income of £95.633m and this is analysed in the table below:

Income Type	2015/16 £000	2014/15 £000
Government Grants	44,883	46,155
Income from Council Tax and non-specific grant income	35,363	35,973
Fees, Charges & Other Service Income	13,100	30,949
Interest and Investment property income and other operating income	2,287	2,018
	95,633	115,095

NARRATIVE REPORT

4. A summary of Financial Performance (cont.)

The capital budget was approved by Cabinet and Council in February 2015, with subsequent approvals bringing the final capital budget to £9.320m for 2015/16. Capital expenditure for 2015/16 was £4.242m

There was an underspend on the revised capital budget compared to budgeted expenditure of £5.077m, these underspends will be carried forward into 2016/17 capital programme to meet on going capital commitments.

A summary of the capital expenditure is shown below. Of the £4.242m spend, £3.650m 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 2015/16 are also shown below:

Capital Expenditure	£000
Housing	542
CCTV	572
Kings Quarter	695
IT Upgrade	1,081
Other including S106 and infrastructure	1,352
	4,242

The table below shows how the Council financed its capital expenditure:

Source of Funding	£000
Section 106	142
Usable Capital receipts	2,668
Grants	879
Borrowing	553
	4,242

5. Accounting Issues and Developments

Pension Fund Deficit

The Council's share of the deficit on the Pension Fund, as at 31 March 2016, has decreased from £65.088m to £58.381m see note 43 for further details.

NARRATIVE REPORT

6. A summary of Non-Financial Performance

In response to the on-going challenges facing local government and Gloucester City Council the Council Plan 2014-17 and the Money Plan 2016-21 have been developed to ensure the Council's strategic objectives and priorities are met.

Gloucester has a clearly defined vision;

"Gloucester will be a flourishing modern and ambitious City which all residents can enjoy"

The Council Plan 2014-2017 contains four key priorities which are underpinned by a number of objectives, as detailed below:

Priority 1: Prosperity – Growing Gloucester's Economy:

Attracting investment, nurturing and encouraging enterprise
A City with skills and job opportunities
A thriving centre and regeneration of the City

Priority 2: People – Working with our communities

Listening to our residents
An active, healthy and safe city for all to enjoy
A City for Everyone

Priority 3: Place – Pride in Our City and improving our environment

A greener Gloucester
A distinctive cultural offer for the City
Affordable and decent housing for all

Priority 4: Performance – Sound finances and strong performance

Sound Finances
Improving performance

Up to mid-year 2015/16, in order to ensure that progress had been made against the aims and objectives detailed in the Corporate Plan, monthly performance reports were produced to highlight achievements and address any challenges. These reports were reviewed during the year by the Senior Management Team (SMT) and Members, and published on the Council's website www.gloucester.gov.uk

Despite the financial constraints we have to operate under, we are still ambitious for the City and strive to deliver excellent services for our residents.

NARRATIVE REPORT

6. A summary of Non-Financial Performance (cont.)

Key achievements during 2015/16 include:

- Hosting the Rugby World Cup was a massive boost to Gloucester's economy and created real pride in our city. 50,000 people visited the Fanzone and many more visited the City and surrounding areas. The TV and media coverage from across the world firmly put Gloucester on the map. Our challenge now is to maximise the economic, volunteering and sporting legacy from the tournament.
- Our Asset-Based Community Development approach has seen more people in Gloucester now taking an active lead in their community and the importance of the role of 'community builders' is becoming widely recognised in the City.
- The past decade has seen significant progress in regeneration across the city. 2015 was another year of real achievement in this regard and 2016 promises to be action-packed as well.
- Planning permission has been granted for development at Bakers Quay alongside the canal, ending over a decade of dereliction.
- The University of Gloucestershire are planning a £20m investment to relocate their Business School to the Oxstalls Campus.
- We are working with the County Council to regenerate the Blackfriars area of the city centre, with the help of a £4.1m grant from Government.
- Regeneration continues at the Railway Triangle, Greyfriars and other sites around the city.
- Gloucester has been granted "Housing Zone" status by the Government to assist in delivering new housing on brownfield sites in and around the city centre.
- Occupancy rates of shops in the city centre are the highest for 10 years, adding to its growing vibrancy.
- We are sharing more services with the County Council & neighbouring District Councils to improve efficiency and save money.
- Works to prepare for the new £7.5m bus station have already started on site as the first phase of the Kings Quarter project.
- We have enhanced our recycling service by collecting two new and additional items, food & drink cartons and aerosols. We plan to expand that range still further as part of our review of the recycling service when we renew our vehicle fleet in 2016/17.
- We are developing a second Memorial Garden of Remembrance at Coney Hill Cemetery and Crematorium which provides families with an opportunity to honour and remember their loved ones with offerings, such as Rose Trees.

NARRATIVE REPORT

7. Significant Changes in Accounting Policies

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

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 16-24 and a glossary explaining some of the technical terms used is included on pages 78-81.

Jon Topping
Head of Finance (Section 151 Officer)

EXPLANATION OF THE FINANCIAL STATEMENTS

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. These statements contain a number of different elements which are explained below:

Statements to the Accounts

Statement of Responsibilities for the Statement of Accounts sets out the respective responsibilities of the Authority and the Chief Finance Officer (Head of Finance).

Auditor's Report gives the auditor's opinion of the financial statements and of the authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.

Core Financial Statements

Movement in Reserves 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, which is shown in more detail in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting. The 'Net Increase / Decrease before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement shows the cost of providing services in the year in accordance with International Financial Reporting Standards, rather than the amount funded from Council Tax, and other Government grants. The amount funded from Council Tax and Government grants differ from this by a series of adjustments made in accordance with regulations. These adjustments are made in the Movement in Reserves Statement.

Balance Sheet shows the Council's financial position on 31 March 2016. 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 shows the changes in the Council's cash and cash equivalents 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 by the recipients of services provided. 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. Cashflows arising from financing activities are useful when predicting claims on future cashflows to the Council by providers of capital, i.e. borrowing.

Supplementary Statements

Collection Fund is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to precepting bodies. For Gloucester, the Council Tax precepting bodies are the Police and Crime Commissioner for Gloucestershire and Gloucestershire County Council.

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
- * 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 2016 and its income and expenditure for the year ended on that date.

Signed

Dated

Jon Topping

Head of Finance (Section 151 Officer)

Signed

Dated

Andrew Gravells

Chair of Audit Committee

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 2015/16 financial year and its financial position at 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 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 2015/16 and the Service Reporting Code of Practice 2015/16, 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 3.4% based on the indicative rate of return on the adoption of the AA corporate bond basis. This is at the IAS19 valuation date, subject to removal of recently re-rated bonds from the index.
- The assets of the LGPS attributable to the council are included in the Balance Sheet at their fair value as follows:
 - Quoted securities – current bid price;
 - Unquoted securities – professional estimate;
 - Unlisted securities – current bid price; and
 - Property – market value.
- The change in the net pensions liability is analysed into the following components:

Service Cost comprising

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

Remeasurements comprising:

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

STATEMENT OF ACCOUNTING POLICIES

7 EMPLOYEE BENEFITS (continued)

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

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

Discretionary Benefits

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

8 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

9 FINANCIAL INSTRUMENTS

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

STATEMENT OF ACCOUNTING POLICIES

9 FINANCIAL INSTRUMENTS (continued)

Available-for-Sale Assets

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

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

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

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

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

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

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

10 FOREIGN CURRENCY TRANSLATION

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

11 GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

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

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

12 HERITAGE ASSETS

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

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

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

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

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

STATEMENT OF ACCOUNTING POLICIES

13 INTANGIBLE ASSETS

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

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

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

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

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

14 INTEREST IN COMPANIES AND OTHER ENTITIES

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

15 INVENTORIES AND LONG TERM CONTRACTS

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

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

16 INVESTMENT PROPERTY

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

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

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

17 LEASES

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

STATEMENT OF ACCOUNTING POLICIES

17 LEASES (continued)

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals are apportioned between:

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

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

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

Operating Leases

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

18 OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (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.
- Council offices - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV)
- Surplus assets - the current value measurement base is fair value, estimated at the highest and best use from a market participant's perspective.
- 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.

Component accounting

Component accounting thresholds have been set as the lower of:

- * Component assets over £350,000 (2014/15 £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 2015/16 valuation identified no assets meeting the component accounting thresholds. The same position was found for 2014/15.

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). 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 2015).

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 2015 & 2016								
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 for council tax setting purposes. The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund 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	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2014	1,820	112	7,611	3,464	1,897	14,904	63,519	78,423
Movement in Reserves during 2014/15								
Surplus/(deficit) on the provision of services-as restated	(6,498)	-	(52,698)	-	-	(59,196)	-	(59,196)
Other Comprehensive Income and Expenditure-as restated	-	-	-	-	-	-	(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 Increase/(Decrease) before transfers (to)/from Earmarked Reserves	511	-	(6,052)	6,308	642	1,409	(64,944)	(63,535)
Transfers from HRA	1,559	-	(1,559)	-	-	-	-	-
Transfers (to)/from Earmarked Reserves (Note 7)	(2,009)	2,009	-	-	-	-	-	-
Increase/(Decrease) 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
Movement in Reserves during 2015/16								
(Deficit)/Surplus on the provision of services	(5,159)	-	-	-	-	(5,159)	-	(5,159)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	7,840	7,840
Total Comprehensive Income and Expenditure	(5,159)	-	-	-	-	(5,159)	7,840	2,681
Adjustments between accounting basis & funding basis under regulations (Note 6)	6,368	-	-	(7,060)	(181)	(873)	873	-
Net (Decrease)/Increase before Transfers to Earmarked Reserves	1,209	-	-	(7,060)	(181)	(6,032)	8,713	2,681
Transfers from/(to) Earmarked Reserves (Note 7)	(1,456)	1,456	-	-	-	-	-	-
Net (Decrease)/Increase in 2015/16	(247)	1,456	-	(7,060)	(181)	(6,032)	8,713	2,681
Balance at 31 March 2016	1,634	3,577	-	2,712	2,358	10,281	7,288	17,569

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP MOVEMENT IN RESERVES STATEMENT For the years ended 31 March 2015 & 2016

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 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
Adjustment in respect of group share of prior year reserves for associates no longer included in group accounts	-	-	-	-	-	-	-
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 1 April 2015	16,313	860	17,173	(1,425)	14,199	12,774	29,947
Movement in Reserves during 2015/16							
Surplus or (deficit) on the provision of services	(5,159)	339	(4,820)	-	-	-	(4,820)
Other Comprehensive Income and Expenditure	-	-	-	7,840	220	8,060	8,060
Total Comprehensive Income and Expenditure	(5,159)	339	(4,820)	7,840	220	8,060	3,240
Adjustments between Group Accounts and GCC Account (Note 47)	-	(57)	(57)	-	57	57	-
Net Increase/(Decrease) before Transfers	(5,159)	282	(4,877)	7,840	277	8,117	3,240
Adjustments between accounting basis & funding basis under regulations (Note 6)	(873)	-	(873)	873	-	873	-
Increase/(Decrease) in 2015/16	(6,032)	282	(5,750)	8,713	277	8,990	3,240
Balance at 31 March 2016	10,281	1,142	11,423	7,288	14,476	21,764	33,187

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT For the year ended 31 March 2016

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	2015/16			2014/15
	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure
	£000	£000	£000	£000
Central Services to the public	4,419	1,408	3,011	3,939
Cultural, environmental, regulatory and planning services				
Cultural Services	6,211	1,282	4,929	4,700
Environmental Services	4,910	4,012	898	787
Planning and Development Services	3,337	1,616	1,721	1,375
Service Management and Support Services	7,772	1,062	6,710	6,661
Highways and transport services	2,287	2,385	(98)	(85)
Other Housing Services	46,021	45,724	297	1,047
Corporate and Democratic Core	1,198	494	704	1,227
Non distributed costs	-	-	-	1
Deficit on Operations	76,155	57,983	18,172	19,652
Other Operating Expenditure (Note 8)	1,191	-	1,191	51,067
Financing and investment income and expenditure (Note 9)	5,788	2,287	3,501	3,884
(Surplus) / Deficit on discontinued operations (Note 30)	-	-	-	2,940
Taxation and Non-specific Grant Income (Note 10)	17,658	35,363	(17,705)	(18,347)
Deficit on Provision of Services	100,792	95,633	5,159	59,196
<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	(1,160)	-	(1,160)	(238)
Re-measurement of the net defined benefit liability (Note 24)	-	6,680	(6,680)	4,577
Other Comprehensive Income and Expenditure	(1,160)	6,680	(7,840)	4,339
Total Comprehensive Income and Expenditure	99,632	102,313	(2,681)	63,535

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

For the year ended 31 March 2016

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	2015/16			2014/15
	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure
	£000	£000	£000	£000
Central Services to the public	4,419	1,408	3,011	3,939
Cultural, environmental, regulatory and planning services				
Cultural Services	6,211	1,282	4,929	4,700
Environmental Services	4,910	4,012	898	787
Planning and Development Services	3,337	1,616	1,721	1,375
Service Management and Support Services	7,772	1,062	6,710	6,661
Highways and transport services	2,287	2,385	(98)	(85)
Other Housing Services	46,021	45,724	297	1,047
Corporate and Democratic Core	1,198	494	704	1,227
Non distributed costs	-	-	-	1
(Surplus)/Deficit on Operations	76,155	57,983	18,172	19,652
Other Operating Expenditure (Note 8)	1,191	-	1,191	51,067
Financing and investment income and expenditure (Note 9)	5,788	2,287	3,501	3,963
(Surplus) / Deficit on discontinued operations (Note 30)	-	-	-	2,822
Taxation and Non-specific Grant Income (Note 10)	17,658	35,363	(17,705)	(18,347)
Deficit on Provision of Services	100,792	95,633	5,159	59,157
Share of the (Surplus)/Deficit on the provision of Services				
Joint Ventures			(421)	(103)
Share of Tax Expenses				
Joint Ventures			81	23
Group Deficit			4,820	59,077
<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			(1,160)	(238)
Actuarial (Gains) / Losses on pension assets / liabilities			(6,680)	5,583
Share of Other Comprehensive Income and Expenditure				
Joint Ventures			(220)	236
Group Other Comprehensive Income and Expenditure			(8,060)	5,581
Total Comprehensive Income and Expenditure			(3,240)	64,658

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL BALANCE SHEET

As at 31 March 2016

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	31/03/2016 £000	31/03/2015 £000
Property, Plant & Equipment	11	55,958	55,204
Investment Property	12	24,424	24,729
Heritage Assets	13	6,127	6,222
Intangible Assets	14	952	1,081
Long Term Investments	15,46	437	495
Long Term Debtors	15,19(i)	1,083	1,199
Long Term Assets		88,981	88,930
Short Term Investments	15	16	8,139
Assets held for Sale	16	606	129
Inventories	17	41	100
Short Term Debtors	15,19	8,443	9,289
Cash and Cash Equivalents	20	1,621	26,556
Current Assets		10,727	44,213
Total Assets		99,708	133,143
Short Term Borrowing	15,21(i)	(10,287)	(13,997)
Short Term Creditors	15,21	(5,132)	(5,572)
Provisions (<1yr)	22	(1,006)	(866)
Current Liabilities		(16,425)	(20,435)
Provisions	22	(197)	(233)
Long Term Borrowing	15,21(ii)	(5,000)	(30,000)
Capital Grants Received in Advance	36	(2,136)	(2,499)
Other Long Term Liabilities	43	(58,381)	(65,088)
Long Term Liabilities		(65,714)	(97,820)
Net Assets		17,569	14,888
Usable Reserves	23	10,281	16,313
Unusable Reserves	24	7,288	(1,425)
Total Reserves		17,569	14,888

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP BALANCE SHEET			
As at 31 March 2016			
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.			
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	31/03/2016 £000	31/03/2015 £000
Property, Plant & Equipment	11	55,958	55,204
Investment Property	12	24,424	24,729
Heritage Assets	13	6,127	6,222
Intangible Assets	14	952	1,081
Long Term Investments	15,46	2	60
Long Term Debtors	15,19(i)	1,083	1,199
Investment in Joint Venture		16,053	15,494
Long Term Assets		104,599	103,989
Short Term Investments	15	16	8,139
Assets held for Sale	16	606	129
Inventories	17	41	100
Short Term Debtors	15,19	8,443	9,289
Cash and Cash Equivalents	20	1,621	26,556
Current Assets		10,727	44,213
Total Assets		115,326	148,202
Short Term Borrowing	15, 21(i)	(10,287)	(13,997)
Short Term Creditors	15,21	(5,132)	(5,572)
Provisions (<1yr)	22	(1,006)	(866)
Current Liabilities		(16,425)	(20,435)
Provisions	22	(197)	(233)
Long Term Borrowing	15,21(ii)	(5,000)	(30,000)
Capital Grants Received in Advance	36	(2,136)	(2,499)
Other Long Term Liabilities	43	(58,381)	(65,088)
Long Term Liabilities		(65,714)	(97,820)
Net Assets		33,187	29,947
Usable Reserves	23	11,423	17,173
Unusable Reserves	24	21,764	12,774
Total Reserves		33,187	29,947

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL CASH FLOW STATEMENT For the year ended 31 March 2016				
<p>The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.</p>				
	Notes	2015/16 £000	2014/15 £000	Group 2014/15 £000
Deficit on the provision of services		(5,159)	(59,196)	(59,157)
Adjustments in respect of non-cash movements		4,766	133,237	133,187
Adjustments in respect of items that are investing and financing activities		2,216	(72,979)	(72,979)
Net Cash Flows from Operating Activities	25	1,823	1,062	1,051
Net Cash Flows from Investing Activities	26	(2,654)	13,507	13,507
Net Cash Flows from Financing Activities	27	(24,104)	9,804	9,804
Net Increase/(Decrease) in cash and cash equivalents		(24,935)	24,373	24,362
Cash and cash equivalents at the beginning of the year		26,556	2,183	2,204
Cash and cash equivalents at the end of the year		1,621	26,556	26,566
The Balance of Cash and Cash Equivalents and Bank Overdraft		2015/16 £000	2014/15 £000	2014/15 £000
Cash and Cash Equivalents		1,621	26,556	26,556
Balance at 31st March		1,621	26,556	26,556



NOTES TO THE CORE FINANCIAL STATEMENTS

NOTES TO THE CORE FINANCIAL STATEMENTS

1 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT ADOPTED

For 2015/16 the following accounting standards have been issued but not yet adopted:

Amendments to IAS19 Employee Benefits (Defined Benefits Plans: Employee Contributions)

Amendment to IFRS11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)

Amendment to IAS16 Property, Plant and Equipment and IAS38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)

Amendment to IAS1 Presentation of Financial Statements

Changes to the format of the CIES, MIRS and the introduction of the new Expenditure and Funding Analysis

Changes to the format of the Pension Fund Account and the Net Assets Statement.

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 2015/16 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:

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.

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 2016 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 £62k 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 £12.276 million. The assumptions, however, interact in complex ways. During 2015/16 the Council's actuaries advised that the net pensions liability had decreased by £6.765 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 £72k would have to be set aside.
Arrears	At 31 March 2016, the Council had a balance of sundry debtors of £1.853 million. A review of the aged debt profile and recovery percentages suggested that a provision for doubtful debts of approximately 19.30% 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 £19k.

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 Gains arising from the revaluation of the Council's assets, including investment property, amounted to £0.724 million. The revaluation includes £(0.985) 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 19th September 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

As at 19th September 2016 (Audit Committee approval) one post balance sheet events have been identified:

"On 23 June, the EU referendum took place, the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government to negotiate the terms of the UK exiting the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the Council can be made."

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.

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)

2015/16 Information

	Usable Reserves £'000			£'000
	General Fund Balance	Capital Receipts 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	(2,944)	-	-	2,944
Revaluation losses on Property Plant and Equipment and assets held for sale	(989)	-	-	989
Net gains/(losses) from fair value adjustments to investment property	753	-	-	(753)
Amortisation of intangible assets	(454)	-	-	454
Revenue expenditure funded from capital under statute	(592)	-	-	592
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	(478)	-	-	478
Amortisation of premiums and discounts	(3,575)	3,575	-	-
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:</i>				
Direct Revenue Financing				-
Repayment of prior year CFR		1,359		(1,359)
Statutory provision for the financing of capital investment	550	-	-	(550)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	840	-	(840)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	1,021	(1,021)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the sale of non-current assets	519	(519)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	2,668	-	(2,668)
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash		(23)		23
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	413	-	-	(413)
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)	(3,717)	-	-	3,717
Employer's pensions contributions and direct payments to pensioners payable in the year	3,744	-	-	(3,744)
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	(471)	-	-	471
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	33	-	-	(33)
Total Adjustments	(6,368)	7,060	181	(873)

GLOUCESTER CITY COUNCIL

NOTES TO THE CORE FINANCIAL STATEMENTS

6 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING 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
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
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)	0	(642)	60,605

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 2015/16.

Reserve No.		Balance at 31/03/2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31/03/2016 £000	Balance at 31/03/2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31/03/2015 £000
	General Fund:								
1	3 Choirs Reserve	5	-	-	5	-	-	5	5
2	Historic Buildings Reserve	53	-	-	53	63	10	-	53
3	Portfolio Reserves	22	-	13	35	10	-	12	22
4	Members Allocation Reserve	14	5	-	9	-	-	14	14
5	Shopmobility Reserve	29	-	-	29	29	-	-	29
6	Regeneration Reserve	313	-	197	510	-	-	313	313
7	Insurance Reserve	10	-	-	10	10	-	-	10
8	Land Adoption Reserve	-	-	710	710	-	-	-	-
9	VAT Shelter Reserve	-	-	291	291	-	-	-	-
10	Business Rates Reserve	-	-	200	200	-	-	-	-
11	Trading Development Reserve	-	-	50	50	-	-	-	-
12	Environmental Reserve	1,000	-	-	1,000	-	-	1,000	1,000
13	Pension Contingency	275	-	-	275	-	-	275	275
14	Repairs Reserve	400	-	-	400	-	-	400	400
	Total	2,121	5	1,461	3,577	112	10	2,019	2,121

Reserve

No. Further details of the reserves

- 1 **3 Choirs Reserve**
The City hosts the 3 Choirs festival every 3 years and this is the contribution from 2015/16 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 housing surveys undertaken every 3 to 4 years.
- 4 **Members Allocation Reserve**
The reserve represents the remainder of members individual grant allocations to be spent in 16/17
- 5 **Shopmobility Reserve**
Donated funds for shopmobility for use specifically on the shopmobility service.
- 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 49).
- 8 **Land Adoption Reserve**
The reserve contains contributions received from developers upon the adoption of open space on housing development. The reserve will be used to fund increased grounds maintenance costs in future years.
- 9 **VAT Shelter Reserve**
Earmarked for future regeneration and housing projects
- 10 **Business Rates Reserve**
A reserve to be used to protect the Council's General Fund from fluctuations in business rates income in future years.
- 11 **Trading Development Reserve**
A reserve to provide funding to allow the Council to explore trading development opportunities to generate revenue in future years
- 12 **Environmental Reserve**
The Council has ongoing potential environmental liabilities from the housing stock transfer, including potential asbestos work liability.
- 13 **Pension Contingency Reserve**
This reserve is intended to cover known and future pension liabilities .
- 14 **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
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
(Gains) / Losses on the disposal of HRA Assets	-	47,351	-	47,351
Precepts and Grants paid to parish councils	243	227	243	227
Contribution to Housing Pooled Receipts	-	209	-	209
Repayment of capital grants	-	(8)	-	(8)
(Gains) / Losses on disposal of non current assets	(41)	345	(41)	345
Revaluation losses arising on revaluation of non-current assets	989	2,943	989	2,943
Total	1,191	51,067	1,191	51,067

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	GCC	GCC	Group	Group
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
Interest payable and similar charges	3,897	2,599	3,897	2,577
Interest and Investment property income	(2,287)	(2,018)	(2,287)	(2,023)
Pensions Interest and Expected Return on pensions assets	1,987	2,475	1,987	2,581
Expenditure on investment properties	657	451	657	451
Changes in fair value of investment properties	(753)	377	(753)	377
Total	3,501	3,884	3,501	3,963

10 TAXATION AND NON-SPECIFIC GRANT INCOME

	GCC	GCC	Group	Group
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
Income from the collection fund - Council Tax income	(6,658)	(6,455)	(6,658)	(6,455)
Collection Fund (Surplus) / Deficit	471	251	471	251
Business rates tariff	16,744	16,366	16,744	16,366
Business rates levy	443	1,009	443	1,009
Retained Business Rates	(21,067)	(20,839)	(21,067)	(20,839)
Revenue Support Grant (RSG)	(2,734)	(3,800)	(2,734)	(3,800)
Council tax freeze	(74)	(74)	(74)	(74)
New homes bonus	(3,096)	(2,543)	(3,096)	(2,543)
Business rates Section 31 grant	(885)	(691)	(885)	(691)
Other Grants	(9)	(23)	(9)	(23)
Capital Grants	(840)	(1,548)	(840)	(1,548)
Total	(17,705)	(18,347)	(17,705)	(18,347)

NOTES TO THE CORE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT Movements on Balances

Movements in 2015/16	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation								
At 1 April 2015	334	53,511	7,120	12,859	8,778	-	-	82,602
Additions		650	1,566	583	319	80	-	3,198
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	1,160	-	-	-	-	-	1,160
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	-	(881)	-	-	-	-	-	(881)
Derecognition – Disposals			(82)		(33)			(115)
Assets reclassified as held for sale	-	-	-	-	-	-	-	-
Other movements in cost or valuation	(334)	148	14	14	-	-	418	260
At 31 March 2016	-	54,588	8,618	13,456	9,064	80	418	86,224
Accumulated Depreciation and Impairment								
At 1 April 2015	12	15,899	5,227	4,764	1,496	-	-	27,398
Depreciation Charge	-	1,668	446	457	373	-	-	2,944
Derecognition – Disposals	-	-	(75)	-	(1)	-	-	(76)
Assets reclassified as held for sale	-	-	-	-	-	-	-	-
Other movements in cost or valuation	(12)	5	-	-	-	-	7	-
At 31 March 2016	-	17,572	5,598	5,221	1,868	-	7	30,266
Net book value as at 31 March 2016	-	37,016	3,020	8,235	7,196	80	411	55,958
Net book value as at 1 April 2015	322	37,612	1,893	8,095	7,282	-	-	55,204

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Comparative Figures 2014/15

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

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 2016.

All assets are owned freehold unless otherwise stated.

Operational assets	Non-operational assets
Other Operational land and buildings Gloucester Leisure Centre 2 Cemeteries and 1 Crematorium North Warehouse HKP warehouses (leasehold) Guildhall Gloucester Life Museum and Museum of Gloucester 2 Multi-storey Car Parks (1 leasehold) 13 Surface Car Parks (2 leasehold) Tourist Information Centre (leased) Oxtalls Tennis Centre Hempsted Market Community & Heritage assets Various Parks and open spaces The Fleece Hotel Works of art Museum Exhibits Civic regalia Vehicles plant and equipment Vehicles and items of plant Computer equipment Sports and playground facilities in parks Infrastructure assets Street furniture 5 Public Conveniences (1 leasehold)	Investment properties Eastgate market and shopping centre Bearland Lodge Kings Square / Kings Walk shopping centre Kings Theatre Bus station Gala Club 16 Shops 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

Capital Commitments

At 31 March 2016 the Council did not have any outstanding commitments with regards to capital contracts. Similar commitments at 31 March 2015 were zero

NOTES TO THE CORE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

Revaluations

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 are 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.

Fair Value Measurement

The Council measures its surplus assets, investment properties and assets held for sale at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

- a) in the principal market for the asset
- b) in the absence of a principal market, in the most advantageous market for the asset.

The Council uses internal valuers to provide a valuation of its assets in line with the highest and best use definition within the accounting standard Internal Financial Reporting Standard 13 (IFRS 13) - Fair Value Measurement. The highest and best use of the asset being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets are categorised within the fair value hierarchy as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly

Level 3 - unobservable inputs for the asset.

The Council recognises transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer to occur.

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	
	2015/16	2014/15
	£000	£000
Rental income from investment property	(2,229)	(1,961)
Direct operating expenses arising from investment property	657	451
Net gain	(1,572)	(1,510)

The fair value of investment properties has been measured using accepted valuation practice. This approach takes account of quoted prices of similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength of existing tenants and data and market knowledge gained in valuing and managing the Council's asset portfolio. The comparable information used from the market and portfolio is not sufficiently similar for direct comparison to be made and adjustments have to be made to the observable data from these transactions. Inputs are unobservable, investment properties are therefore classed as level 3 within the fair value hierarchy.

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	
	2015/16	2014/15
	£000	£000
Balance at beginning of the year	24,729	28,364
Additions:		
- Purchases	68	51
- Subsequent expenditure	-	-
Net gains/(losses) from fair value adjustments	549	(377)
Adjustment		
Transfers:		
- To/From Property, Plant and Equipment / Surplus Assets	(260)	(1,592)
- From Heritage Assets	-	-
- To assets for sale	(223)	(100)
Disposals	(439)	(1,617)
Balance at end of the year	24,424	24,729

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 2016 are as follows:

	GCC and Group	
	2015/16 £'000	2014/15 £'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
Miscellaneous items	2,304	2,399
Total	6,127	6,222
At valuation	5,843	5,958
At cost	284	264
Total	6,127	6,222

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

	GCC and Group	
	2015/16 £000	2014/15 £000
Balance at beginning of the year	6,222	6,106
Revaluation surplus/(deficit)	(104)	(40)
Reclassified to investment property	-	-
Additions	9	156
Balance at end of the year	6,127	6,222

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.

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	
	2015/16 £'000	2014/15 £'000
Gross book value at the beginning of the year	3,974	3,949
Additions	325	25
Gross book value at the end of the year	4,299	3,974
Amortisation at the beginning of the year	2,893	2,444
Amortised during year	454	449
Amortisation at the end of the year	3,347	2,893
Net book value at the end of the year	952	1,081

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

	2015/16 £000	2014/15 £000
Balance at the beginning of the year:		
- Gross carrying amounts	3,974	3,949
- Accumulated amortisation	2,893	2,444
- Net carrying amount	1,081	1,505
Movement in 2015/16		
Additions:	325	25
Amortisation for the period	454	449
Net carrying amount at the end of the year	952	1,081
Comprising:		
- Gross carrying amounts	4,299	3,974
- Accumulated amortisation	3,347	2,893
	952	1,081

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	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000	£000	£000	£000	£000
Investments								
Loans and receivables	437	495	16	8,139	2	60	16	8,139
Available-for-sale financial assets	-	-	-	-	-	-	-	-
Unquoted equity investment at cost	-	-	-	-	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-	-
Total Investments	437	495	16	8,139	2	60	16	8,139
Debtors								
Loans and receivables	1,083	1,199	8,443	9,289	1,083	1,199	8,443	9,289
Financial assets carried at contract amounts	-	-	-	-	-	-	-	-
Total Debtors	1,083	1,199	8,443	9,289	1,083	1,199	8,443	9,289
Borrowings								
Financial liabilities at amortised cost	(5,000)	(30,000)	(10,287)	(13,997)	(5,000)	(30,000)	(10,287)	(13,997)
Total borrowings	(5,000)	(30,000)	(10,287)	(13,997)	(5,000)	(30,000)	(10,287)	(13,997)
Creditors								
Financial liabilities at amortised cost	-	-	(5,132)	(5,572)	-	-	(5,132)	(5,572)
Financial liabilities carried at contract amount	-	-	-	-	-	-	-	-
Total creditors	-	-	(5,132)	(5,572)	-	-	(5,132)	(5,572)

Income, Expenses, Gains and Losses-GCC

	2015/16					2014/15				
	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	3,897	-	-	-	3,897	2,599	-	-	-	2,599
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Increases/(Reductions) in fair value	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Fee expense	-	-	-	-	-	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	3,897	-	-	-	3,897	2,599	-	-	-	2,599
Interest income	-	58	-	-	58	-	57	-	-	57
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	-	58	-	-	58	-	57	-	-	57
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 2016 are 1.13% to 2.92% for loans from the PWLB and 3.07% to 3.50% for other loans receivable and payable, based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	2015/16		2014/15	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities				
Long-term Borrowings	(5,000)	(5,826)	(30,000)	(34,535)
Short-term Borrowings	(10,287)	(10,287)	(13,997)	(13,997)
Short-term Creditors	(5,132)	(5,132)	(5,572)	(5,572)

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.

	2015/16		2014/15	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Assets				
Long-term Investments	437	437	495	495
Short-term Investments	16	16	8,139	10,983
Long-term Debtors	1,083	1,083	1,199	1,199
Short-term Debtors	8,443	8,443	9,289	9,289

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	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Balance at the beginning of the year	129	79	-	-
Additions	50	-	-	-
Disposals	-	(50)	-	-
Gain / Loss on revaluation	204	-	-	-
Assets newly classified as held for sale	-	-	-	-
-Other land and buildings	-	-	-	-
-Investment property	223	100	-	-
Balance at the end of the year	606	129	-	-

NOTES TO THE CORE FINANCIAL STATEMENTS

17 INVENTORIES

	2015/16	2014/15
	£000	£000
Consumable stores		
Balance outstanding at start of year	100	184
Purchased	4	54
Consumed	(63)	(138)
Balance outstanding at year-end	41	100

18 CONSTRUCTION CONTRACTS

At 31 March 2016 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	
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
Central government bodies	542	640	542	640
Other Local authorities	1,118	1,763	1,118	1,763
NHS bodies	-	-	-	-
Public corporations and trading funds	-	-	-	-
Other entities and individuals	6,783	6,886	6,783	6,886
Total debtors	8,443	9,289	8,443	9,289

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	
	2015/16	2014/15
	£'000	£'000
Loans to vulnerable people for house renovations	64	88
Loans to Marketing Gloucester	97	-
Staff loans	-	1
Loans to Gloucestershire Airport Ltd-see below	816	1,004
Other loans	106	106
Total	1,083	1,199

Gloucestershire Airport loan details :-

	Current Interest Rate (%)	GCC and Group	
		2015/16	2014/15
		£'000	£'000
10 Year loan			
Balance at 31 March	1.8	864	977
Less: Amount repayable within twelve months included in short-term debtors		(118)	(113)
		746	864
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	140	210
Less: Amount repayable within twelve months included in short-term debtors		(70)	(70)
		70	140
The loan bears interest at 1% above base rate and is repayable in monthly instalments of £5,833 per month excluding interest.			
Total		816	1,004

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	
	2015/16	2014/15	2015/16	2014/15
	£000	£000	£000	£000
Cash held by the Council	4	6	4	6
Bank current accounts	1,617	7,550	1,617	7,550
Short-term deposits with building societies	-	19,000	-	19,000
Total Cash and Cash Equivalents	1,621	26,556	1,621	26,556

NOTES TO THE CORE FINANCIAL STATEMENTS

21 SHORT-TERM CREDITORS

	GCC		Group	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Central Government Bodies	1,167	852	1,167	852
Other Local Authorities	750	1,241	750	1,241
Other Entities & Individuals	211	14	211	14
Council Taxpayers	143	134	143	134
Business Ratepayers	423	357	423	357
Sundry creditors	2,438	2,974	2,438	2,974
Total	5,132	5,572	5,132	5,572

The amount owed to Other Local Authorities primarily relates to business rates payable to the Gloucestershire Business Rates Pool

The amounts due to Government departments mainly relates to tax collected to be paid over from PAYE and amounts relating to business rates owed to Central Government.

21(i) Short Term Borrowings

	GCC		Group	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Aspire Sports and Cultural Trust	3	3	3	3
Charity deposits	176	199	176	199
Short-term borrowings with other local authorities	10,000	13,500	10,000	13,500
Accrued interest on short-term and long-term borrowings	108	295	108	295
	10,287	13,997	10,287	13,997

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 (%)	2015/16 Amortised Cost £000	2015/16 Fair Value £000	2014/15 Amortised Cost £000	2014/15 Fair Value £000
Barclays	-	-	-	20,000	22,986
BAE Systems	3.95	5,000	5,826	10,000	11,549
Total		5,000	5,826	30,000	34,535

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

	2015/16 £000	2014/15 £000
Between 1 and 2 years	-	-
Between 2 and 5 years	-	-
Between 5 and 10 years	-	-
More than 10 years	5,000	30,000
	5,000	30,000

NOTES TO THE CORE FINANCIAL STATEMENTS

22 PROVISIONS (GCC and Group)

Provisions more than 1 year

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

	GCC and Group	
	Injury and Damage Compensation Claims	Total
	£000	£000
Balance at 1 April 2015	233	233
Additional provisions made in 2015/16	44	44
Amounts utilised in 2015/16	(80)	(80)
Balance at 31 March 2016	197	197
Consists of:		
Insurance claims provision	197	197
Balance at 31 March 2016	197	197

Insurance and Injury Compensation Claims Provision

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

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

Provisions less than 1 Year

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

	GCC and Group		
	NNDR Appeals	Other Provisions	Total
		£000	£000
Balance at 1 April 2015	519	347	866
Additional provisions made in 2015/16	871	79	950
Amounts used in 2015/16	(507)	(303)	(810)
Balance at 31 March 2016	883	123	1,006
Consists of:			
NNDR Appeals	883	-	883
Pension Provision	-	-	-
Legal Services provision	-	44	44
Accumulated Absence provision	-	79	79
Balance at 31 March 2016	883	123	1,006

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 2016. 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
	2015/16 £000	2015/16 £000	2014/15 £000	2014/15 £000
Revaluation Reserve	20,921	29,998	20,401	29,478
Pensions Reserve	(58,381)	(59,269)	(65,088)	(66,253)
Capital Adjustment Account	45,673	51,960	44,139	50,426
Deferred Capital Receipts Reserve	53	53	76	76
Financial Instruments Adjustment Account	-	-	(413)	(413)
Collection Fund Adjustment Account	(899)	(899)	(428)	(428)
Short-term Accumulating Compensated Absences Account	(79)	(79)	(112)	(112)
Total Unusable Reserves	7,288	21,764	(1,425)	12,774

(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.

	2015/16 £000	2015/16 £000	2014/15 £000	2014/15 £000	2014/15 £000
	General	Total	General	HRA	Total
Balance at 1 April	20,401	20,401	20,474	657	21,131
Upward revaluation of assets	1,160	1,160	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	21,561	21,561	20,712	657	21,369
Difference between fair value depreciation and historical cost depreciation	(644)	(644)	(509)	(8)	(517)
Accumulated gains on assets sold or scrapped	-	-	-	(451)	(451)
Amount written off to the Capital Adjustment Account	4	4	-	-	-
Transferred as a result of the stock transfer	-	-	198	(198)	-
Balance at 31 March	20,921	20,921	20,401	-	20,401

(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	
	2015/16 £000	2014/15 £000
Balance at 1 April	44,139	104,513
Reversal of items relating to capital expenditure debited or credited to the CIES	-	-
Charges for depreciation and impairment of non current assets	(2,944)	(4,839)
Revaluation losses on Property, Plant and Equipment and assets held for sale	(989)	(2,943)
Amortisation of intangible assets	(454)	(449)
Revenue expenditure funded from capital under statute	(592)	(1,381)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(478)	(125,501)
	38,682	(30,600)
Adjusting amounts written out of the Revaluation Reserve	640	968
Net written out amount of the cost of non-current assets consumed in the year	39,322	(29,632)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	2,668	2,142
Capital Receipts applied to HRA CFR	-	62,750
HRA Revenue for prior year CFR	-	1,035
Repayment of prior year CFR	1,359	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	2,022
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	1,021	906
Direct Revenue Financing	-	4,783
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	550	510
	44,920	44,516
Movements in the market value of Investment Properties debited or credited to the CIES	753	(377)
Balance at 31 March	45,673	44,139

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.

	2015/16 £000	2014/15 £000
Balance at 1 April	(413)	(543)
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	413	130
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	413	130
Balance at 31 March	0	(413)

(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.

	2015/16 £000	2014/15 £000
Balance at 1 April	(65,088)	(61,407)
Re-measurement of the net defined benefit liability	6,680	(4,577)
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	(3,717)	(3,860)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,744	4,756
Balance at 31 March	(58,381)	(65,088)

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.

	2015/16 £000	2014/15 £000
Balance at 1 April	76	85
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	(23)	(9)
Balance at 31 March	53	76

(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.

	2015/16 £000	2014/15 £000
Balance at 1 April	(428)	(177)
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	(471)	(251)
Balance at 31 March	(899)	(428)

(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.

	2015/16 £000	2014/15 £000
Balance at 1 April	(112)	(83)
Settlement or Cancellation of Accrual made at the end of the preceding year	112	83
Amounts accrued at the end of the current year	(79)	(112)
Balance at 31 March	(79)	(112)

NOTES TO THE CORE FINANCIAL STATEMENTS

25 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	Council 2015/16 £000	Council 2014/15 £000	Group 2014/15 £000
(Deficit)/surplus on Provision of Services	(5,159)	(59,196)	(59,157)
Adjustments in respect of non-cash movements			
Share of surplus/(deficit) on provision of services of associates and joint ventures	-	-	(80)
Share of other comprehensive loss/(income) of associates and joint ventures	-	-	-
Depreciation of property, plant and equipment	2,944	4,839	4,872
Revaluation losses charged to net cost of services	236	3,320	3,320
Amortisation of intangible assets	454	449	449
Balances removed by disposal of subsidiary	-	-	1,167
Decrease/(Increase) in short-term debtors	845	1,248	1,580
Increase in short-term creditors	(443)	(2,275)	(3,777)
Decrease/(Increase) in long-term debtors	116	164	164
(Increase)/decrease in inventories	59	84	84
(Decrease) in provisions	104	802	802
Carrying amount of non-current assets and non-current assets held for sale sold	478	125,501	125,501
Net book value of property, plant and equipment of subsidiary de-consolidated	-	-	-
Adjustment in respect of pension fund deficit	(27)	(895)	(895)
	4,766	133,237	133,187
Adjustment for items that are investing and financing activities			
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(519)	(71,431)	(71,431)
Premiums Paid	3,575	-	-
Capital Grants credited to CIES	(840)	(1,548)	(1,548)
	2,216	(72,979)	(72,979)
Net Cash flows from Operating Activities	1,823	1,062	1,051
The cash flows from operating activities include the following items:			
Interest received	84	49	76
Interest paid	(548)	(2,505)	(2,505)

26 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	Council 2015/16 £000	Council 2014/15 £000	Group 2014/15 £000
Purchase of property, plant and equipment, investment property and intangible assets	(3,650)	(14,719)	(14,719)
Purchase of short-term and long-term investments	-	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	519	34,482	34,482
Proceeds from short-term and long-term investments	-	(8,007)	(8,007)
Capital Grants Received	477	1,751	1,751
Net cash flows from investing activities	(2,654)	13,507	13,507

27 CASH FLOW STATEMENT – FINANCING ACTIVITIES

	Council 2015/16 £000	Council 2014/15 £000	Group 2014/15 £000
Cash receipts of short- and long-term investments	8,181	24,955	24,955
Premium Paid	(3,575)	-	-
Repayments of short- and long-term borrowing	(28,710)	(15,151)	(15,151)
Net cash flows from financing activities	(24,104)	9,804	9,804

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 2015/16

	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	(494)	(1,264)	(7,871)	(2,385)	-	(1,086)	(13,100)
Government grants	-	(144)	(101)	-	-	(44,638)	(44,883)
Total Income	(494)	(1,408)	(7,972)	(2,385)	-	(45,724)	(57,983)
Employee expenses	339	2,753	4,987	123	-	967	9,169
Other service expenses	1,606	9,800	18,053	2,164	-	45,177	76,800
Support service recharges	(747)	(8,134)	(810)	-	-	(123)	(9,814)
Total Expenditure	1,198	4,419	22,230	2,287	-	46,021	76,155
Net Expenditure	704	3,011	14,258	(98)	-	297	18,172

(ii) 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

(iii) Group Income and Expenditure 2015/16

	Directorate Analysis	Subsidiaries Analysis	Total
	£000	£000	£000
Fees, charges & other service income	(13,100)	-	(13,100)
Government grants	(44,883)	-	(44,883)
Total Income	(57,983)	0	(57,983)
Employee expenses	9,169	-	9,169
Other service expenses	76,800	-	76,800
Support service recharges	(9,814)	-	(9,814)
Total Expenditure	76,155	0	76,155
Net Expenditure	18,172	0	18,172

(iv) Group Income and Expenditure 2014/15

	Directorate Analysis	Subsidiaries Analysis	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

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.		
	31/03/2016	31/03/2015
	£000	£000
Net expenditure in the Directorate Analysis	18,172	22,591
Add Services not included in main analysis	-	1
Add amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(13,013)	36,604
Less amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-	-
Cost of Services in Comprehensive Income and Expenditure Statement	5,159	59,196

(vi) Reconciliation of Group Income and Expenditure to Group Cost of Services in the Comprehensive Income and Expenditure Statement		
	31/03/2016	31/03/2015
	£000	£000
Net expenditure in the Group Analysis	18,172	22,473
Add Services not included in Group Analysis	-	1
Add amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(13,013)	36,683
Less amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-	-
Cost of Services in Comprehensive Income and Expenditure Statement	5,159	59,157

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.

2015/16								
	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	(13,100)	-	-	-	-	(13,100)	-	(13,100)
Interest and investment income	-	-	-	-	-	-	(1,630)	(1,630)
Income from council tax,	-	-	-	-	-	-	(6,658)	(6,658)
Government grants and contributions	(44,883)	-	-	-	-	(44,883)	(11,047)	(55,930)
Total Income	(57,983)	-	-	-	-	(57,983)	(19,335)	(77,318)
Employee expenses	9,169	-	-	-	-	9,169	-	9,169
Other service expenses	76,800	-	-	-	-	76,800	-	76,800
Support service recharges	(9,814)	-	-	-	-	(9,814)	-	(9,814)
Losses arising on revaluation of non-current assets	-	-	-	-	-	-	236	236
Repayment of capital grants	-	-	-	-	-	-	-	-
Interest payments	-	-	-	-	-	-	5,884	5,884
Precepts & Levies	-	-	-	-	-	-	243	243
Payment to housing capital receipts pool	-	-	-	-	-	-	-	-
Gain or Loss on disposal of non-current assets	-	-	-	-	-	-	(41)	(41)
Gain or Loss on disposal of HRA assets	-	-	-	-	-	-	-	-
Total expenditure	76,155	-	-	-	-	76,155	6,322	82,477
Surplus or deficit on the provision of services	18,172	-	-	-	-	18,172	(13,013)	5,159

2014/15 Comparative Figures

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

NOTES TO THE CORE FINANCIAL STATEMENTS

29 RECONCILIATION TO SUBJECTIVE ANALYSIS (Continued)

29 (ii) Reconciliation to Subjective Analysis - Group

2015/16			
	Directorate Analysis	Subsidiaries Analysis	Total
	£000	£000	£000
Fees, Charges & Other Service income	(13,100)	-	(13,100)
Interest and Investment income	(1,630)	-	(1,630)
Income from council tax	(6,658)	-	(6,658)
Government Grants and Contributions	(55,930)	-	(55,930)
Total Income	(77,318)	-	(77,318)
Employee expenses	9,169	-	9,169
Other service expenses	76,800	-	76,800
Support service recharges	(9,814)	-	(9,814)
Losses arising on revaluation of non-current assets	236	-	236
Repayment of capital grants	-	-	-
Interest Payments	5,884	-	5,884
Precepts & Levies	243	-	243
Payments to Housing Capital Receipts Pool	-	-	-
Gain or Loss on Disposal of non-current assets	(41)	-	(41)
Gain or Loss on disposal of HRA assets	-	-	-
Total expenditure	82,477	-	82,477
Surplus or deficit on the provision of services	5,159	-	5,159

2014/15 Comparative Figures

2014/15			
	Directorate Analysis	Subsidiaries Analysis	Total
	£000	£000	£000
Fees, Charges & Other Service income	(30,949)	386	(30,563)
Income from council tax	(1,567)	(5)	(1,572)
Interest and Investment income	(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)
Impairments 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

30 ACQUIRED, DISCONTINUED AND TRANSFERRED OPERATIONS

There have been no acquired or discontinued or transferred operations during 2015/16. The Authority transferred its council housing stock and related functions to Gloucester City Homes in 2014/15.

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.

	2015/16			2014/15		
	£000	£000	£000	£000	£000	£000
	Income	Expenditure	Net	Income	Expenditure	Net
City Estates	1,726	386	(1,340)	1,584	212	(1,372)
St.Oswald's Park	10	-	(10)	10	-	(10)
Eastgate Market	329	261	(68)	353	194	(159)
Other markets	78	37	(41)	100	73	(27)
Lettings & Catering Services	364	342	(22)	317	225	(92)
Total	2,507	1,026	(1,481)	2,364	704	(1,660)

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

	2015/16 £000	2014/15 £000
Net Deficit/(surplus) on Trading Operations	(1,481)	(1,660)
Services to the public included in Expenditure of Continuing Operations	-	-
Support services recharged to Expenditure of Continuing Operations	434	346
Net Deficit credited to Other Operating Expenditure	(1,047)	(1,314)

32 AGENCY SERVICES

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

	2015/16 £000	2014/15 £000
Expenditure incurred in providing creditor services to Aspire Sports and Cultural Trust	13	14
Management fee payable by Aspire	(13)	(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.

	2015/16 £000	2014/15 £000
Allowances	313	290
Expenses	4	1
Total	317	291

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	Managing Director * (from July 2015)		Corporate Director of Services & Neighbourhoods (until Dec 2015)		Corporate Director (until March 2016)	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
Salary, fees & allowances	84,617	-	£64,387	£94,109	£82,612	6,702
Bonuses	-	-	-	-	-	-
Expenses allowance	-	-	-	-	-	-
Compensation for loss of employment	-	-	-	-	-	-
Employer's pension contribution	12,706	-	£10,024	£14,116	£12,392	1,005
Any other emoluments	-	-	-	-	-	-
Total	£97,323	£0	£74,411	£108,225	£95,004	£7,708

Senior Officer continued	Corporate Director of Resources Section 151 Officer (until June 2014)		Head of Finance - Section 151 Officer	
	2015/16	2014/15	2015/16	2014/15
Salary, fees & allowances	-	£22,523	£69,752	55,476
Bonuses	-	-	-	-
Expenses allowance	-	-	-	-
Compensation for loss of employment	-	-	-	-
Employer's pension contribution	-	£3,778	£10,463	8,321
Any other emoluments	-	-	-	-
Total	£0	£26,301	£80,215	£63,798

* The Managing Director role is split between the City and County Councils, the remuneration paid is split equally between both organisations

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	
	2015/16	2014/15
£50,000 to £54,999	3	1
£55,000 to £59,999	1	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:

	2015/16 £'000	2014/15 £'000
Fees payable to KPMG LLP for		
- External audit services	63	86
- Certification of grant claims and returns	9	9
- Additional audit services	-	1
Total audit fees	72	96

NOTES TO THE CORE FINANCIAL STATEMENTS

36 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

	2015/16 £'000	2014/15 £'000
<i>Credited to Taxation and Non-Specific Grant Income</i>		
Revenue Support Grant	(2,734)	(3,800)
Capital Grants	(840)	(1,560)
Council Tax Freeze	(74)	(74)
New Homes Bonus	(3,096)	(2,543)
Business Rates Section 31 Grant	(885)	(691)
Transparency Grant	(8)	(6)
	(7,637)	(8,674)
<i>Credited to Services</i>		
Homelessness and other housing	(3)	(26)
Mandatory Rent Allowances, Council Tax Benefits and Administration	(44,522)	(34,455)
Rent Rebates	(218)	(11,563)
Community Grants	(61)	(68)
Other	(321)	(135)
	(45,125)	(46,247)
Total grants	(52,762)	(54,921)

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		
Bodium Avenue	35	35
Coney Hill South	56	56
Cotswold View	271	271
Flood income	25	25
Green Farm	81	81
British Energy	150	150
Hempsted Grange	143	143
Hammersons	55	90
Railway Triangle	2	2
St Oswalds	56	95
Travis Perkins	451	451
Tolsey Gardens	31	31
Davies & Partners	-	375
Other contributions	780	694
Total	2,136	2,499

There are no capital grants received in advance that are classified as current liabilities. At 31 March 2016 revenue grants received in advance were £512k 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 2016 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 2015/16 is shown in Note 33. During 2015/16 works and services to the value of £2.091 million (2014/15: £18.732 million) were commissioned from companies in which 15 members had an interest. Contracts were entered into in full compliance with the Council's standing orders.

Officers

During 2015/16 works and services to the value of £0.901 million (2014/15: £17.761 million) were commissioned from companies in which 4 officers had an interest. Those entities include Gloucestershire County Council 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.

	2015/16			2014/15		
	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	-	(2,734)	1	-	(3,800)
Other Government grants	1	-	(4,374)	1	-	(3,463)
Council Tax and Housing Benefit grants	1	-	(44,814)	1	-	(46,005)
NNDR	1	26,334	-	1	25,885	-
Other Local and Police Authorities						
Precepts	2	46,358	-	2	50,191	-
Gloucestershire County Council inc Pension Fund contributions	10	4,251	-	7	4,756	-
Gloucestershire Airport Limited						
Loan interest and rents	4	-	(65)	5	-	(48)
Quedgeley Parish Council	1	243	-	1	227	-
Others						
Gloucester Law Centre	1	-	-	1	103	-
Abbeyle Community Association	1	-	-	1	2	-
Zurich Municipal	1	91	-	-	-	-
Gloucester City Homes	2	428	-	6	17,557	(223)
Marketing Gloucester Limited	2	394	-	2	204	-
Aspire Sports and Cultural Trust	2	670	(418)	2	868	(497)

Amounts due to or from related parties included in debtors and creditors as at 31 March 2016:

	2015/16 £'000	2014/15 £'000
Short-term Debtors	2,298	2,832
Short-term Investments	-	97
Long-term Debtors	983	1,074
Short-term Creditors	2,039	2,926
Short-term Borrowings	10,012	13,503

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.

	2015/16	2014/15
	£000	£000
Opening Capital Financing Requirement	22,837	80,875
Capital investment		
- Property, Plant and Equipment, heritage assets and assets held for sale	3,257	14,643
- Investment Properties	68	51
- Intangible Assets	325	25
- Long Term Loans	-	10
- Revenue Expenditure Funded from Capital under Statute (REFCUS)	592	1,381
	27,079	96,985
Sources of finance		
- Usable Capital Receipts	(2,668)	(2,142)
- Capital Grants and Contributions	(1,021)	(906)
- Major Repairs Reserve	-	(2,022)
- Revenue Financing	-	(4,783)
Housing Stock Transfer	-	(62,750)
Repayment of prior year CFR	(1,359)	-
Capital receipts to repay prior year HRA CFR	-	(1,035)
Revenue Provision (including Minimum Revenue Provision)	(550)	(510)
Closing Capital Financing Requirement	21,481	22,837
Explanation of movements in year		
Increase in underlying need to borrow for capital investment:		
- Supported by Government financial assistance	-	-
- Unsupported by Government financial assistance	553	6,257
Amounts 'set aside' for debt repayment	(1,909)	(1,545)
Housing Stock Transfer	-	(62,750)
Increase / (Decrease) in Capital Financing Requirement	(1,356)	(58,038)

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 2016.

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:

- The provision of community services such as sport and recreation facilities, tourism services and community centres; and
- 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 £1.656 million (2014/15:£1.536 million). The future minimum lease payments receivable under non-cancellable leases in future years are as follows:

	2015/16	2014/15
	£'000	£'000
Not later than 1 year	1,521	1,657
Later than 1 year and not later than 5 years	4,912	5,615
Later than 5 years	121,777	170,466
Total	128,210	177,738

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 £0.496 million in 2015/16 (2014/15 :£0.500 million) made up as follows:

	2015/16	2014/15
	£'000	£'000
Minimum lease payments	496	500
Contingent rentals	-	-
Sub-lease payments receivable	-	-
Total	496	500

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

	2015/16	2014/15
	£'000	£'000
Not later than 1 year	473	492
Later than 1 year and not later than 5 years	1,768	1,770
Later than 5 years	32,439	32,922
Total	34,680	35,185

Finance Leases

The Council has one finance leases as lessee. Total lease payments were £3,000 in 2015/16 (2014/15: £0). The Council has the following commitments representing the minimum lease payments in the respect of finance leases:

	2015/16	2014/15
	£'000	£'000
Not later than 1 year	3	-
Later than 1 year and not later than 5 years	3	-
Later than 5 years	-	-
Total	6	-

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 2015/16 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	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	Number	Number	Number	Number	Number	Number	£'000	£'000
Less than £20,000	1	-	-	2	1	2	2	20
Between £20,000 and £40,000	1	2	2	3	3	5	100	134
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	-	-	-	-	-	-	-	-
Total	2	2	2	6	4	8	102	216

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:

	2015/16 £000	2014/15 £000
Comprehensive Income and Expenditure Account		
<i>Net Cost of Services :</i>		
Current service cost (apportioned across services)	1,730	1,543
Effects of settlements	-	(131)
Settlements and Curtailments (included in Non-Distributed costs)	-	-
<i>Financing and Investment Income and Expenditure</i>		
Net interest expense	1,987	2,448
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3,717	3,860
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)	(2,347)	7,077
-Actuarial gains/(losses) arising from changes in demographic assumptions	-	-
-Actuarial gains/(losses) arising from business combination and disposal	-	(1,214)
-Actuarial gains/(losses) arising from changes in financial assumptions	9,027	(11,791)
-Other	-	1,351
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	10,397	(717)
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	(3,717)	(3,860)
Actual amount charged against the General Fund Balance for pensions in the year:		
- employer's contributions payable by the general fund to the scheme	3,744	4,756
- retirement benefits payable to pensioners	-	-
	10,424	179

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2016 is a net deficit of £40.086 million (2014/15 :£45.552 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	
	2015/16 £000	2014/15 £000
Opening balance at 1 April	144,406	128,297
Current service cost	1,730	1,543
Effect of Settlements	-	(639)
Interest cost	4,429	5,164
Contributions by scheme participants	399	405
Effects of business combinations and disposals	-	4,941
Remeasurement gains and losses:		
-Actuarial (gains)/losses arising from changes in demographic assumptions	-	-
-Actuarial (gains)/losses arising from changes in financial assumptions	(9,027)	11,791
-Other	-	(1,351)
Losses/(gains) on curtailments	-	-
Benefits paid	(5,255)	(5,745)
Closing balance at 31 March	136,682	144,406

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

	2015/16 £000	2014/15 £000
Opening balance at 1 April	79,318	66,890
Interest income	2,442	2,716
<i>Remeasurement gain/(loss):</i>		
The return on plan assets, excluding the amount included in the net interest expense	(2,347)	7,077
Effect of Settlements	-	(508)
Effect of business combinations and disposals	-	3,727
Employer contributions	3,744	4,756
Contributions by scheme participants	399	405
Benefits paid	(5,255)	(5,745)
Closing balance at 31 March	78,301	79,318

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-16 £'000	31-Mar-15 £'000
<i>Present value of liabilities:</i>		
Local Government Pension Scheme	(136,682)	(144,406)
<i>Fair value of assets:</i>		
Local Government Pension Scheme	78,301	79,318
Deficit in the scheme	(58,381)	(65,088)

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 £58.381 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 2016 was £3.744 million (2014/15: £4.756 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 2016.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2015/16	2014/15
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	3.60%	3.50%
Rate of increase in pensions	2.10%	2.10%
Rate for discounting scheme liabilities	3.40%	3.10%
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%	12,276
1 year increase in member life expectancy	3%	4,100
0.5% Increase in the salary increase rate	2%	2,270
0.5% Increase in the pension increase rate	7%	9,934

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	2015/16				2014/15			
	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	4,819	-	4,819	6%	4,256	-	4,256	5%
Manufacturing	2,360	-	2,360	3%	1,892	-	1,892	2%
Energy & Utilities	1,420	-	1,420	2%	2,012	-	2,012	3%
Financial Institutions	3,784	-	3,784	5%	3,766	-	3,766	5%
Health & Care	615	-	615	1%	754	-	754	1%
Information Technology	424	-	424	1%	-	-	-	0%
Other	1,625	-	1,625	2%	1,902	-	1,902	2%
Debt Securities								
Corporate Bonds (investment grade)	4,037	-	4,037	5%	4,027	-	4,027	5%
Corporate Bonds (non-investment grade)	304	-	304	0%	303	-	303	0%
UK Government	7,155	-	7,155	9%	7,467	-	7,467	9%
Other	1,078	-	1,078	1%	1,299	-	1,299	2%
Private Equity								
All	-	230	230	0%	-	237	237	0%
Real Estate								
UK Property	4,271	1,538	5,809	7%	3,934	1,362	5,295	7%
Overseas Property	-	401	401	1%	-	408	408	1%
Investment Funds and Unit Trusts								
Equities	2,615	33,480	36,095	46%	2,619	34,608	37,227	47%
Bonds	3,427	201	3,628	5%	3,439	211	3,649	5%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	-	-	0%	-	-	-	0%
Other	-	3,666	3,666	5%	-	3,630	3,630	5%
Derivatives								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	-	-	-	0%	-	-	-	0%
Other	(7)	-	(7)	0%	(5)	-	(5)	0%
Cash and Cash Equivalents								
All	859	-	859	1%	1,200	-	1,200	1%
Totals	38,785	39,516	78,301	100%	38,864	40,454	79,318	100%

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 £3.765m contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 16.2 years for 2015/16.

44 CONTINGENT LIABILITIES

There are no contingent liabilities at 31 March 2016:

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 £1.633million (2014/15:£34.689 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. Long-term debtors, as detailed in note 19(i), include the loans to Gloucestershire Airport Limited totalling £0.816 million (2014/15:£1.004 million) and are considered to have a low credit risk.

The Council does not generally allow credit for customers and £810k, of the debtors balance of £8.444 million (see Note 15) is past its due date for payment as follows:

	£'000
Less than 4 months	201
4 months- 1 year	145
More than 1 year	464
Total	810

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 31/03/2016
	%	%
Less than 1 year	50	0%
1 - 2 years	50	0%
2 - 5 years	50	0%
5 - 10 years	80	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 2016, 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	17,500	1.66%	291	2.66%	466	175
Short-term-variable	12,142	0.23%	28	1.23%	149	121
	29,642		319			296
Investments						
Short-term-variable	4,078	0.83%	(34)	1.83%	(75)	(41)
Net loss/(gain) on deficit/(surplus) for the year						255

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-16 £'000	31-Mar-15 £'000	31-Mar-16 £'000	31-Mar-15 £'000
Share capital - Gloucestershire Airport Ltd	435	435	-	-
Government Stock	2	2	2	2
Heritable Bank	-	58	-	58
Total	437	495	2	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.

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). 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%

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 2016 reflected the following:

	2015/16 £000	2014/15 £000
After tax operating (loss)/profit	679	144
Net assets	1,378	244

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 2015:£9.468million).
- Non-operational assets added at leasehold market value (50% share) total £6.556 million (31 March 2015:£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 (2014/15:£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
	£ 2015/16 £000	£ 2015/16 £000	£ 2014/15 £000	£ 2014/15 £000
Turnover	5,001	2,500	4,651	2,326
Profit on ordinary activities before taxation	841	421	205	103
Tax on profit on ordinary activities	(163)	(81)	(45)	(23)
Profit for the financial year after taxation	679	339	160	80
Fixed Assets	4,830	2,415	4,986	2,493
Current Assets	1,693	847	860	430
Liabilities due within one year	1,665	833	1,170	585
Liabilities due after one year	1,631	816	2,005	1,003
Net pension liability	1,775	888	2,329	1,165

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 2016 (2015: £Nil).

The accounts of GAL for the year ending 31 March 2016 can be obtained from the Airport Company Secretary at the company's registered office

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

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.

SUPPLEMENTARY FINANCIAL STATEMENTS

COLLECTION FUND

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT					
For the year ended 31 March 2016					
	Note	2015/16			2014/15
		£'000	£'000	£'000	£'000
		Council Tax	Business Rates	Total	Total
INCOME					
Non Domestic Rates					
Collectable from Business Ratepayers	2,4	-	(52,985)	(52,985)	(51,558)
Council Tax					
Collectable from Council Tax Payers	1	(53,760)	-	(53,760)	(52,548)
		(53,760)	(52,985)	(106,745)	(104,105)
EXPENDITURE					
Non-Domestic Rates					
Payment to Gloucester City Council		-	21,501	21,501	20,708
Payment to Central Government		-	26,877	26,877	25,885
Payment to Gloucestershire County Council		-	5,375	5,375	5,177
Council Tax Precepts					
Gloucester City Council		6,610	-	6,610	6,455
Gloucestershire County Council		38,647	-	38,647	37,811
Police and Crime Commissioner for Gloucestershire		7,362	-	7,362	7,203
Write-Offs		133	615	748	1,649
Change in bad debt provisions		110	(54)	56	(1,294)
Change in Provision for NNDR Appeals		-	909	909	213
Cost of NNDR Collection		-	180	180	179
Distribution of previous years' estimated Collection Fund surplus/(deficit)		397	(1,086)	(689)	141
		53,259	54,317	107,576	104,126
(Increase)/Decrease in Fund		(501)	1,332	831	21
Balance of Fund at beginning of year		(661)	1,269	608	587
Balance of Fund at 31 March		(1,162)	2,601	1,439	608

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	60	5/9	33
A	13,751	6/9	9,167
B	13,839	7/9	10,763
C	11,923	8/9	10,598
D	5,209	9/9	5,209
E	3,320	11/9	4,057
F	782	13/9	1,130
G	142	15/9	237
H	3	18/9	5
Total	49,029		41,199
Less: Council Tax Support Scheme			(5,312)
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)			(552)
Add contributions in lieu of government properties			104
Council Tax Base for 2015/16			35,439
Council Tax Base for 2014/15			34,673

The Council Tax Base for 2015/16 multiplied by the Average Band D Council Tax Charge gives the Total of Precepts and Demands for the Year:

Tax Base	35,439
	X
Average Band D Charge	1,478.65
Precepts and Demands (£000s)	52,402

Properties within the boundaries of Quedgeley Parish Council pay an additional Council Tax sum to fund the activities of the Parish Council. For the 2015/16 year this was as follows.

Tax Base	5,799
	X
Average Band D Charge	37.19
Precept	216

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 2016 was £126.989 million (£127.02 million at 31 March 2015) and the national non-domestic multiplier for 2015/16 was 49.3p (2014/15 :48.2p), resulting in net income after transitional, small property, empty property and mandatory reliefs of £52.985 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 2016/17.

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 2015/16 was £16.744 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 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 2015/16 is £1.162 million (2014/15 surplus £0.661 million). This is apportioned as follows:

	2015/16 £'000	2014/15 £'000
Gloucestershire County Council	(856)	(488)
Police and Crime Commissioner for Gloucestershire	(163)	(93)
Gloucester City Council	(143)	(80)
Total	(1,162)	(661)

The fund surplus is to be partly distributed to the respective parties in 2016/17 as a surplus of £0.8 million was declared in January 2016.

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 £1.332 million in 2015/16 (£0.894 million in 2014/15). The closing deficit is apportioned between the relevant bodies as follows.

Apportionment of Net Deficit relating to NNDR	2015/16 £'000	2014/15 £'000
Gloucestershire County Council	260	127
Central Government	1,301	635
Gloucester City Council	1,040	508
Total	2,601	1,269

The fund deficit is to be partly recovered from the respective parties in 2016/17 as a deficit of £1.612 million was declared in January 2016. The remaining deficit will be reclaimed in future years

4 NON-DOMESTIC RATES APPEALS

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

This will include amounts that were paid over to Central Government in respect of 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 2016 was £2.205 million. This has been split amongst the three recipients of Business Rates Income according to their respective share.

	2015/16 £'000	2014/15 £'000
Central Government	1,103	648
Gloucester City Council	882	518
Gloucestershire County Council	221	130
Total	2,205	1,296

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.

**Annual
Governance
Statement**

RISK LEADERSHIP
INFORMATION ASSURANCE

PUBLIC COMMUNICATION

FINANCIAL MANAGEMENT

TRANSPARENCY OF DECISION MAKING
CULTURE

SKILLS

RESPONSIBILITY

PARTNERSHIPS
ENGAGEMENT

ACCOUNTABILITY

ALTERNATIVE
DELIVERY MODELS

ENVIRONMENT

PERFORMANCE

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Appendix 2	Improvement Plan – 2015/16 Governance Improvement Actions	102 to 105

Annual Governance Statement

1.0 Scope of responsibility

- 1.1 Gloucester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Gloucester City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Gloucester City Council is responsible for putting in place proper arrangements for the governance of its affairs, to facilitate the effective exercise of its functions.
- 1.3 Gloucester City Council has approved and adopted a Local Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is on our website at www.gloucester.gov.uk, is included in the Council's Constitution (Part 5 – Codes and Protocols), or can be obtained from the Council's Head of Audit Risk Assurance or the Monitoring Officer. This statement explains how Gloucester City Council has complied with the code and also meets the requirements of regulation 6(1b) of the Accounts and Audit Regulations 2015 in relation to the preparation of an Annual Governance Statement.

2.0 The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Gloucester City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Gloucester City Council for the year ended 31st March 2016 and up to the date of approval of the Statement of Accounts.

3.0 The governance framework

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

- 3.2 The Council has adopted a Local Code of Governance that is based around a number of key principles. The six core principles (underpinned by a number of supporting principles) are summarised below:



- Core Principle 1: Gloucester City Council aims to focus on its purpose and on outcomes for the community, creating and implementing a vision for the local area with partners.
- Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Core Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Core Principle 4: Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk.
- Core Principle 5: Developing the capacity and capability of Members and officers to be effective.
- Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.

- 3.3 Further details on the principles, together with a commentary on the current level of organisational compliance, are provided within this statement.

4.0 **Core Principle 1: Focus on the purpose of the authority and on outcomes for the community and creation and implementation of a vision for the local area**

- 4.1 The Council's major policy objectives in 2015/16 were detailed in the Council Plan. This is a four year Plan (2014–2017) designed as a framework for delivering Gloucester's future, reflecting the unique nature of the city's character and the challenges faced by the Council. A copy of the Council Plan 2014-2017 can be found on the Council's website www.gloucester.gov.uk

4.2 The Council Plan 2014-2017 contains four key priorities which are underpinned by a number of objectives, as detailed below:

- Priority 1: Prosperity – Growing Gloucester’s Economy:
 - Attracting investment, nurturing and encouraging enterprise
 - A City with skills and job opportunities
 - A thriving centre and regeneration of the City
- Priority 2: People – Working with our communities
 - Listening to our residents
 - An active, healthy and safe city for all to enjoy
 - A City for Everyone
- Priority 3: Place – Pride in Our City and improving our environment
 - A greener Gloucester
 - A distinctive cultural offer for the City
 - Affordable and decent housing for all
- Priority 4: Performance – Sound finances and strong performance
 - Sound Finances
 - Improving performance

4.3 Up to mid-year 2015/16, in order to ensure that progress had been made against the aims and objectives detailed in the Corporate Plan, monthly performance reports were produced to highlight achievements and address any challenges. These reports were reviewed during the year by the Senior Management Team (SMT) and Members, and published on the Council’s website www.gloucester.gov.uk

4.4 Following Council organisational change within 2015/16 (including the appointment of the joint role of Managing Director for the City Council and a Joint Strategic Commissioning Director for Gloucestershire County Council, and recruitment for the two Corporate Director posts), the Council’s corporate performance management and reporting approach has been identified as an area for review – to enable performance management to reflect organisational change and meet the needs of the Council. The review is targeted for completion within 2016/17 (see **Appendix 2**).

4.5 The Forward Plan contains matters which will be the subject of a ‘key decision’ and ‘decisions relating to the Budget and Policy Framework’. In the interests of transparency, it also includes matters which are non-key decisions. Proposals relevant to the Budget and Policy Framework are subject to a period of consultation and the Overview and Scrutiny Committee has the opportunity to respond in relation to the consultation process. Forward Plans are prepared by the Leader of the Council, and cover a rolling period of twelve months. The plans are reviewed regularly within year, to ensure they are up to date and complete. A copy of the Forward Plan is also published on the Council’s website www.gloucester.gov.uk

4.6 In order to provide services to meet the needs of the community, the Council needs to obtain the views of those being served. This will allow the Council to obtain sound evidence for the decisions that are made, as well as supporting redirection of resources where necessary. The GovMetric system is used by the Council for consultation exercises (e.g. budget consultation 2015/16) and to aid the gathering of customer feedback on service delivery at the point of interaction (e.g. through the feedback request on the Council web site www.gloucester.gov.uk). Wider use of GovMetric will be considered within the review of the Council's corporate performance management approach (see **Appendix 2**).

5.0 Core Principle 2: Members and officers work together to achieve a common purpose with clearly defined functions and roles

5.1 Members are responsible to the electorate and serve as long as their term of office lasts. Officers are responsible to the authority and carry out the Council's work under the direction of the Council, Executive and Committees.

5.2 The relationship between Councillors and Officers is essential to the successful working of the Council. This relationship within the authority is characterised by mutual respect and trust. The Council has adopted a 'Councillor – Officer Relations' protocol to help councillors and officers perform effectively by giving guidance on their respective roles, expectations and relationship with each other.

5.3 During 2014/2015 Members of both Gloucester City Council and Gloucestershire County Council endorsed the appointment of a joint role of Managing Director for the City Council and a Joint Strategic Commissioning Director for Gloucestershire County Council. The fundamental role of this new position was for the progression and development of both Councils' strategic objectives by ensuring the essential links are in place across both organisations through understanding the needs and capacity of our community. Following a recruitment and selection process in March 2015 an appointment was made and the position was filled with effect from 6th July 2015.

5.4 The Council has adopted a Scheme of Delegation detailing the delegation of responsibilities and functions to the Council, Cabinet, individual Cabinet Members, Committees, and officers.

5.5 Under the Local Authorities (Members Allowances) (England) Regulations 2003, local authorities are required to have in place a scheme which sets out payments of allowances to Councillors. The scheme of payments at the City Council is based on the recommendations of the independent Members' Allowances panel. The last detailed review of Members Allowances took place in 2010 when a small increase to the Basic Allowance was proposed by the Panel and agreed by the Council, along with a small number of other amendments. Since that time the Panel has recommended that allowances be frozen at the 2010/11 levels each year and the Council has recommended the Panel's recommendations on each occasion.

5.6 The current review of the scheme of payments for Members has recently been concluded by the independent Members' Allowances panel. The recommendation for a revised Members Allowance Scheme for 2015/16 was approved by Council at its meeting on 22nd January 2015.

- 5.7 Under Section 38 of the Localism Act 2011, the Council must approve and publish a senior pay policy statement before the start of the financial year to which it applies. The Council is expected to keep the statement under review and publish a new version each year. The Senior Pay Policy Statement for 2015/16 was approved by Council at its meeting on 18th March 2015.
- 6.0 Core Principle 3: Promote values for the authority and demonstrate the values of good governance through the upholding of high standards of conduct and behaviour**
- 6.1 The Council has adopted codes of conduct for Members and Officers. The Code of Conduct for Members was amended during 2012/13 to take account of changes required by the Localism Act 2011. The revised Member Code of Conduct was approved by Council in July 2012. Within 2015/16, the Monitoring Officer received 2 formal complaints against Members. One complaint was held to be unfounded and the other complaint was resolved informally, in line with the Council's relevant standards. This has been confirmed within the Standards Report presented to Audit and Governance Committee as at 18th January 2016 (covering the period 1st April 2015 to the date of Committee). A verbal update by the Council Monitoring Officer, to summarise the full 2015/16 position, is scheduled for Audit and Governance Committee on 20th June 2016.
- 6.2 Staff are also expected to maintain high standards of behaviour at all times. The standards of behaviour and other related matters are set out in an Officer Code of Conduct which is based on a national model. A copy of this Code is contained in the Council's Constitution. The Council's Constitution also contains a number of protocols in respect of Member/Officer and Member/Member relations, and a whistle-blowing policy for employees.
- 6.3 The Council has a complaints procedure that enables dissatisfied members of the public to raise concerns. The Complaints Policy was last revised and agreed by Council in September 2014. The Council views all comments, whether they are complaints or compliments, as a valuable way of collecting continual feedback about services and identifying how it can improve the services it provides. Complainants may also refer matters to the local government ombudsman for investigation once they have been through the Council's complaint system if they are dissatisfied with the Council's response. Two complaints were upheld by the Ombudsman within 2015/16 (both were council tax liability disputes) and were reported to Audit and Governance Committee on 18th January 2016. In both cases the Ombudsman decision was there was fault by the Council, however the Ombudsman considered that the steps taken by the Council to rectify the situations were satisfactory and that no further action was required in either case.
- 6.4 The Council's Audit and Governance Committee receives an annual report on complaints and compliments monitoring - the 2015/16 report is due to be presented to Audit and Governance Committee at the June 2016 meeting.
- 7.0 Core Principle 4: Take informed and transparent decisions, which are subject to effective scrutiny and managing risk**

- 7.1 The Council is committed to efficient and effective decision-making and for ensuring that those responsible for decision-making are clearly identifiable to local people and that the decision-makers explain the reasons for their decisions.
- 7.2 In accordance with the statutory requirement, the Council has established an Overview and Scrutiny function. The Overview and Scrutiny function is a central element of the Council's aims and objectives and a key part of the democratic structure. The Overview and Scrutiny Committee meets in public to discuss and make recommendations on the development of policies and to hold the Cabinet and Cabinet Members to account for both their actions and performance.
- 7.3 The Council's Democratic Services team maintains the up to date Register of Members' Interests on behalf of the Monitoring Officer and also ensures that Members are reminded at least annually to update their record. Declarations of Interest are a standard agenda item for each main Committee meeting. The requirement for staff to declare interests is included in the 'Officers' Code of Conduct' – Council Constitution Part 5, Codes and Protocols.
- 7.4 Risk Management is essentially about good management practice and effective decision making. It can be defined as:
- 'The culture, processes and structures that are directed towards effective management of potential opportunities and threats to the Council achieving its priorities and objectives'*
- 7.5 The Council recognises that all aspects of business risk must be managed. The Council has a Risk Management Strategy, the purpose of which is to provide a framework for the effective management of risks within the authority. It contains Strategy objectives, linked to the Council's key aims, and guidance on the application of risk management principles and practice, including the risk management cycle and a standardised approach for the scoring of risks. The Strategy was last reviewed and approved by Members in January 2015, by Audit and Governance Committee and Cabinet. Officer review of the Strategy was completed in 2015/16 and confirmed no Strategy update was required. A planned action is in place for review of the Risk Management Strategy against expected new standards within 2016/17 (see **Appendix 2**).
- 7.6 The Senior Management Team and Members (through Audit and Governance Committee and Cabinet) are responsible for reviewing the Council's Strategic Risk Register. The Strategic Risk Register has been a regular agenda item for 2015/16 SMT meetings to ensure any risks associated with the Council's aims and objectives have been identified and are being managed. The last Member review of the Strategic Risk Register was undertaken by Audit and Governance Committee in November 2015 and Cabinet in December 2015.
- 7.7 The Council has established an Audit and Governance Committee. The Terms of Reference for this Committee are in accordance with the best practice guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) entitled "Audit Committees – practical guidance for Local Authorities and Police", 2013 Edition.

- 7.8 Prior to the 1st April 2015, the Head of Legal and Policy Development and Monitoring Officer identified any forthcoming relevant legislation and together with the relevant Director, was responsible for ensuring that the Cabinet was appraised of the implications and what action the Council might need to take. From the 1st April 2015, this role has been undertaken by One Legal, the Council's legal services provider, following the introduction of a formal shared service agreement.
- 7.9 The Council has an agreed Whistleblowing policy which applies to all employees, contractors working for the Council on Council premises, suppliers and those providing services under a contract with the Council in their own premises. A review of the Whistleblowing policy, together with all the other Council anti-fraud policies was undertaken in March 2015.
- 7.10 New guidance has been issued within 2016 regards Fighting Fraud and Corruption Locally, which is supported by the CIPFA Counter Fraud Centre. The Council will undertake a self-assessment against the new guidance within 2016/17 (including review of the Council's Anti-Fraud and Corruption Strategy), to confirm the Council's position and identify areas for development (see **Appendix 2**).
- 8.0 Core Principle 5: Develop the capacity and capability of Members and officers to be effective**
- 8.1 The Council is developing a Workforce and Organisational Development Strategy, which includes a refresh of the Council values. Approval of the Strategy is targeted for within 2016/17 (see **Appendix 2**) and coverage is planned to include (but not be exclusive to):
- Communication – The inclusion of all staff. Clear and concise messages. We want our employees to have access to the information they need at the right time and in the right way.
 - Staff Engagement – Increase motivation, increase morale and reduce absences. We want employees to feel listened to, consulted and involved in the decision making and our culture and values to be understood and demonstrated throughout the Council.
 - Leadership and Management - To develop management and leadership capacity. To build confidence in managers to lead changes and develop new behaviours for themselves and staff. We want our leaders and managers to demonstrate our values and portray the behaviours and characteristics that both support and motivate our employees whilst leading, driving forward, challenging and taking responsibility for continuous improvement through innovation and the ability to think 'out of the box'.
 - Workforce - To build capability through developing the right skills to be a successful organisation. We want a committed and motivated workforce which is skilled and flexible, which can adapt to the changing needs of both our customers and the Council, and which feels valued and empowered.
 - Resourcing and Talent Management - To attract and retain staff and maximise productive output. Succession planning. We want the right people,

with the right skills at the right time, in the right place to be delivering excellent service.

8.2 Access to Member Development is a key element of the Local Code of Corporate Governance. In January 2016, the Member Development Working Group, with cross party membership, was formed to review Member development. The terms of reference for this Group were as follows:

- Provide a Councillor-led strategic approach to councillor development;
- Provide a high-quality and relevant Member induction programme;
- Monitor, advise and promote internal and external Councillor learning and development activities;
- Ensure that Member development activities are in line with the Council's objectives and address forthcoming local government and legislative changes;
- Champion Councillor learning and development opportunities in the respective groups; and
- Evaluate the investment in Councillor learning and development to assess achievement and improve future effectiveness.

8.3 Member training in 2015/16 included the following:

- Compulsory new Member training – covering the Council's Democratic process; the Standards and Code of Conduct; and Access to and management of information – Members' rights and responsibilities;
- Licensing and the Committees;
- Planning and the Committee; and
- Audit and Governance Committee training.

8.4 An output of the Member Development Working Group was a detailed Member Induction Timetable 2016/17 for new and returning Members. This training will be delivered following the May 2016 elections.

9.0 Core Principle 6: Engage with local people and other stakeholders to ensure robust public accountability

9.1 Council, Cabinet and Committee meetings are open to the public with agendas and minutes being publicly available. Members of the public are able to ask questions at such meetings and, with effect from 27 March 2014, the Council decided to allow the public to record its public meetings. A protocol setting out the Council's rules on recording has been adopted and is contained in the Council's Constitution.

9.2 The Council publishes a leaflet with its Council Tax demands, which summarises financial performance and, at the end of each financial year, publishes a Statement of Accounts. A comprehensive annual budget consultation process is also undertaken with residents, voluntary sector groups and local businesses.

9.3 The Council has agreed and published a petitions scheme that details guidance and procedures for the way in which it deals with petitions from members of the public. This may include a debate at Council or the matter being considered by the Cabinet, appropriate Committee, or a Forum.

- 9.4 In order to increase transparency and accountability in local government, central government introduced a legal requirement for councils to report upon the remuneration of senior employees. This information was published as part of the City Council's annual accounts and the Senior Pay Policy Statement for 2015/16 (see AGS para 5.7).
- 9.5 The Council has a strong track record of partnership working with the public, private and voluntary sectors. It has established:
- A charitable trust, Aspire Sports and Cultural Trust, to manage its leisure services.
 - Marketing Gloucester Ltd, to promote the City.
 - Entered into three strategic partnership contracts with the private sector for the provision of:
 - Streetcare services (street cleansing, waste collection, grounds maintenance and public conveniences) (Amey);
 - Revenues and Benefits services (Civica); and
 - IT managed services (Civica).
- 9.6 As a result of the appointment of a joint Managing Director and Commissioning Director (see para.5.3) and a number of formal partnerships being put in place for a small number of back office services, in June 2015, Cabinet approved a High Level Implementation Plan for further partnership working with Gloucestershire County Council.
- 9.7 A Memorandum of Understanding between the City Council and Gloucestershire County Council has been agreed which underpins the commitment of both organisations to work together to improve service delivery. The purpose and scope of the Agreement is to agree and implement a programme that will look at all back office services and appropriate frontline customer services being delivered by Gloucestershire County Council on behalf of Gloucester City Council. As part of this programme, consideration will also be given to exploring and implementing those areas of the business that Gloucestershire County Council could commission from the City Council or assist the City Council in delivering objectives within its Council Plan. Examples of joint working between the two Councils within 2015/16 are:
- The appointment of a joint role of Managing Director for the City Council and a Joint Strategic Commissioning Director for Gloucestershire County Council: approved at Council on 18th March 2015;
 - Internal Audit and Risk Management shared service: approved at Council on 18th March 2015;
 - Human Resources shared service: approved at Council on 17th June 2015; and
 - Payroll service delivery by Gloucestershire County Council through a Service Level Agreement: service provision in place from June 2012 onwards.
- 9.8 Monitoring arrangements for the major partnerships are delivered through a combination of client/contractor meetings, partnerships/shared service boards, the Senior Management Team and Members (Cabinet and/or Overview and Scrutiny Committee).

10.0 Review of effectiveness

- 10.1 Gloucester City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior management team within the authority who have responsibility for the development and maintenance of the governance arrangements, the annual report of the Head of Audit, Risk and Assurance, and also by reports issued by the Council's external auditors and other review agencies and inspectorates.
- 10.2 The processes that have been applied in maintaining and reviewing the effectiveness of the governance framework are as follows (paragraphs 10 to 16):

11.0 The Council

- 11.1 The Council has adopted a Constitution that controls how the Council is structured and the Council's decision-making procedure, designed to support open and accountable decision-making. During 2015/16 a number of changes were made to the Constitution to ensure it remained up to date, principally to reflect changes required as a result of the departure of the Chief Executive and the sharing of the Head of Paid Service role between the two Corporate Director posts (approach in place up to the appointment of the City Council Managing Director – in post from July 2015). These changes were agreed by Council on 21st May 2015. A copy of the Constitution can be found on the Council's website at www.gloucester.gov.uk
- 11.2 Following further organisational change within 2015/16 and the appointment of the City Council Managing Director, subsequent review of the Council Constitution was completed in quarter 4 2015/16 and led by the Head of Paid Service. The Constitution review purpose was to identify required minor amendments to reflect organisational change; amendments proposed to streamline the Constitution; and amendments to realign decision-making structure to ensure they meet the needs the needs of the Council. The updated Constitution was submitted to Council for review and adoption on 23rd May 2016.

12.0 The Cabinet

- 12.1 The Council determines the budgetary and policy framework. The principal decision-making body is the Cabinet (Executive). The Cabinet took all Key Decisions in 2015/16. Key Decisions are subject to pre-scrutiny by the Overview and Scrutiny Committee.
- 12.2 The key statutory document that sets the agenda for a rolling programme of future key decisions is the Forward Plan; hence this is a critical factor in the Council's overall decision-making process.
- 12.3 Executive decisions taken by Cabinet and individual Cabinet Members are published and may be subject to a call-in process for examination by the Overview and Scrutiny Committee.

13.0 The Audit and Governance Committee

- 13.1 Good corporate governance requires independent, effective assurance about both the adequacy of corporate, operational and financial management and reporting, and the management of other processes required to achieve the organisation's

corporate and service objectives. Effective audit committees help raise the profile of good governance, risk management, internal control and financial reporting issues within an organisation, as well as providing a forum for the discussion of matters raised by internal and external auditors.

- 13.2 The Terms of Reference for the audit and governance elements of the Audit and Governance Committee cover the core functions of an audit committee as identified in the CIPFA guidance 'Audit Committees – Practical Guidance for Local Authorities and Police'. The Audit and Governance Committee used an annual work programme to manage the business of the Committee during 2015/16.
- 13.3 An Audit and Governance Committee role is to promote and maintain high standards of conduct by Councillors and co-opted Members. The Annual Standards Report was presented to Audit and Governance Committee in January 2016.
- 13.4 In accordance with good practice guidance for audit committees, the 2015/16 Annual Report of the Audit and Governance Committee (which details the work and achievements of the Audit and Governance Committee during 2015/16), is due to be reported to Council on 21st July 2016 (following review and recommendation by Audit and Governance Committee due on 20th June 2016).

14.0 Overview and Scrutiny Committee

- 14.1 As part of the Council's Overview and Scrutiny arrangements, it was agreed that the Overview and Scrutiny Committee would 'provide and co-ordinate the input to an annual report to Full Council on such issues or topics as the Committee saw fit'. The Annual Report setting out the work and achievements of the Council's Overview and Scrutiny function during 2015/16 is due to be reported to Council on 21st July 2016.
- 14.2 The Overview and Scrutiny Committee used an annual work programme to manage the business of the Committee during 2015/16 and there was an agreed programme of reviews to be carried out by Task and Finish Groups, with regular reporting on progress being made to the full Committee.

15.0 Internal Audit

- 15.1 Internal Audit is a legislative requirement of the Accounts and Audit Regulations 2015. The Regulations state '*A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.*'
- 15.2 With effect from 1st June 2015, the existing internal audit shared service between Gloucester City Council and Stroud District Council was extended to include Gloucestershire County Council, who became the new host authority for the shared service, which also included a risk management service across all three partners. As a result of the new host authority, the City Council internal audit staff were transferred to Gloucestershire County Council.
- 15.3 The governance arrangements for the new internal audit shared service include a Shared Services Board which consists of the Chief Financial Officers (s151

Officers) from each of the three Councils. The role of this Board is to oversee the strategic delivery of the internal audit and risk management function / service to each authority.

15.4 The Public Sector Internal Audit Standards (PSIAS) require the authority to review the effectiveness of its internal audit function at least once a year, and that the findings of this review should be included in the Annual Governance Statement.

15.5 The review for 2015/16 consisted of an External Quality Assessment (an independent assessment of the effectiveness of an internal audit function) of the Gloucestershire County Council internal audit service. This review was undertaken during May 2015 by the Chartered Institute of Internal Auditors and included a review of the team's conformance to the International Professional Practice Framework (IPPF) as reflected in the PSIAS, benchmarking the function's activities against best practice and assessing the impact of internal audit on the organisation. There are 56 fundamental principles to achieve with more than 150 points of recommended practice in the IPPF. The independent assessment identified 100% conformance. The Chartered Institute of Internal Auditors stated: *'It is our view that GCC's internal audit function conforms to all 56 principles. This is excellent performance given the breadth of the IPPF and the challenges facing the function'*. The internal audit shared service plans to apply consistent systems and processes which will support compliance across the shared service partners.

15.6 Internal Audit work is carried out to the standards outlined in the PSIAS. The Standards require the Chief Internal Auditor to provide an objective and evidence based annual opinion to those charged with governance on the effectiveness of the Councils governance arrangements, which includes the adequacy of the mitigating controls in place that manage the key risks. The opinion then feeds into the Council's Annual Governance Statement. The Head of Audit Risk Assurance (Chief Internal Auditor's) annual report 2015/16 concluded:

'A satisfactory level of assurance can be given that there is a generally sound system of internal control in place at the Council (designed to meet the Council's objectives). In providing my opinion it should be noted that assurance can never be absolute. The most that Internal Audit can provide is a reasonable assurance that there are no major weaknesses in risk management arrangements, control processes and governance.'

15.7 The Standards also state that, within this written report to those charged with governance, the Council's Chief Internal Auditor should identify any issues that are relevant to the preparation of the Annual Governance Statement. The 2015/16 report by the Chief Internal Auditor states:

'From the risk based Internal Audit assignment work undertaken during 2015/16, there are no issues of which I am aware which I regard as sufficiently significant to be considered in relation to the preparation of the Council's Annual Governance Statement. Whilst the Internal Audit work undertaken did result in one audit with an Unsatisfactory level of assurance (Choice Based Lettings), in my view, the weaknesses identified are not deemed to be significant governance issues.'

16.0 External Audit and Other Review/Assurance mechanisms

External Audit

- 16.1 External Audit is part of the process of accountability for public money. It makes an important contribution to the stewardship of public resources and the corporate governance of public services. The scope of External Audit work covers not only the audit of financial statements but also aspects of corporate governance.
- 16.2 In September 2015, the Council's external auditor produced their 'Report to those charged with governance' (ISA 260) relating to their audit of the Council's 2014/15 financial statements. The headlines from the ISA 260 report were that:
- The auditors anticipated issuing an unqualified audit opinion by the 30 September 2015 (which was subsequently issued).
 - The auditors reported that the Council's Annual Governance Statement 2014/15 *'complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and it was not misleading or inconsistent with other information (they were) aware of from (their) audit of the financial statements.'*
 - The audit identified a small number of presentational adjustments required to the accounts were compliant with the Code of Practice on Local Authority Accounting in the UK 2014/15, which had subsequently been adjusted by management.
 - The auditors noted a continued improvement in place for the production of the accounts and the supporting working papers.
 - The auditors concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Gloucestershire Airport

- 16.3 The Council is a 50% shareholder of Gloucestershire Airport, which is a company limited by shares, and is subject to the requirements set by the Companies Act. There is a Board of Directors, including a Managing Director and Head of Operations, which monitors the company's performance and is responsible for internal control activities. The statutory accounts are audited each year by a private firm of accountants, and presented to the board and shareholders; they are approved at the AGM. The Council's Head of Finance or designated representative receives regular management accounts for the airport.
- 16.4 The City Council commissioned a strategic review of the airport in 2013. The review findings included recommendations that the shareholding councils should carry out a further review of governance arrangements. A report on the governance arrangements was issued by York Aviation in June 2014 and the recommendations from the report were approved by Council in July 2014. The approved governance recommendations have now been actioned and were in place in 2015/16 – including a quarterly Shareholder Forum and the appointment of a Non-Executive Director.

Head of Finance Statement (Chief Financial Officer - s151 Officer)

- 16.5 To comply with the CIPFA Code of Practice on Local Authority Accounting, a specific statement is required to be reported in the Annual Governance Statement on whether the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief

Financial Officer in Local Government (2010) to ensure an effective system of internal control is maintained and operated in connection with the resources concerned. The Head of Finance has confirmed that the authority's financial management arrangements conform with the CIPFA Statement, and has also made the following comments in paragraphs 16.6 to 16.12 below:

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

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

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

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

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

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

16.9 During 2015/16 the Council has continued to implement and improve the ownership and accountability for financial management. All budget holders receive regular monthly budget meetings to ensure delivery and value for money. Formalised regular reporting to and subsequent formal scrutiny by members has also been embedded

16.10 The Council has completed its financial statements for the last three consecutive financial years earlier than ever before in the life of the Council. The challenge was to make these changes sustainable. The embedded Financial Services team stability has assisted in delivering improved financial management and reporting for the Council. This has ensured both short term and long term service resilience.

- 16.11 Risk Management is the process by which risks are identified, evaluated and controlled, and is a key element of the governance framework. Ongoing reviews of the strategic risk register has been undertaken throughout the year to ensure any risks associated with the achievement of the Council's aims and objectives in the Council Plan 2014-2017 have been identified. Regular reviews of service plans and risk registers and the Strategic Risk Register are carried out by SMT supported by the Officer Risk Management Champion.
- 16.12 The Council's governance controls have been strengthened within 2015/16 through the implementation of the:
- Revised Corporate Governance Board: The Group meets bi-monthly with the goal to review the Council's governance framework, identify areas for development and action them accordingly. Actions within 2015/16 have included update of the Constitution (AGS para 11.2) and approval and roll out of the Annual Governance Statement assurance checklist process.
 - New Information Governance Group: The Group meets bi-monthly, is led by the Council's Senior Information Risk Owner and contains representatives from ICT, Legal, Internal Audit and Finance. The Group's remit within 2015/16 has included review and implementation of the Council's policy management system, review and update of core information governance policies (e.g. the Data Protection Policy, IT Acceptable Use Policy and Public Service Network (PSN) Policy), and review of Information Commissioner's Office (ICO) matters.

Other Sources of Assurance

- 16.13 Every Director/Head of Service is responsible for delivering the objectives set out in their service plan. Directors/Heads of Service are responsible for identifying and managing the risks that may affect delivery of their service objectives. This work includes monitoring the effectiveness of controls put in place to mitigate the risks and carrying out remedial action where controls are weak or not in place. Each Director, and nominated Head of Service, is required to assist the preparation of the AGS for the Council by providing an assurance statement for the internal control framework operating within their service(s). An assurance checklist is initially completed and signed off by each nominated Head of Service following their self-assessment, identifying any areas of positive governance initiatives and/or significant control issues, the actions taken to address them and the timescales for completion. For 2015/16 the statements were then submitted to the Section 151 Officer for review, to provide assurance that appropriate governance arrangements are in place within all services within the Council.
- 16.14 To enable the Council to provide reliable evidence to underpin the assessment of risk and control, each section within the assurance statements / self-assessment checklist provides Management with the opportunity to summarise the key types of assurance they receive and the level of reliance they place on that assurance.
- 16.15 If, having considered the checklists submitted by the Heads of Service, the Section 151 Officer is satisfied that appropriate arrangements are in place in each area, or that any weaknesses identified have a timescale for improvement, he will be able to countersign the statement. Any remedial actions identified are monitored by the

Section 151 Officer to ensure all actions are completed within the specified timescales.

16.16 When the Senior Management Team are confident that there are robust governance arrangements in place within their areas of responsibility, or whether any further improvement actions are needed, the signed assurance statements and an overarching composite statement are provided to the Managing Director, highlighting any improvement areas for final sign off. This is designed to provide final assurance to the Leader and the Managing Director that there are appropriate arrangements in place within all areas under the control of each Director for the proper governance of Council business.

16.17 Key themes raised by the Heads of Service Assurance Statements 2015/16 were as follows:

- The Council has had reasonably good governance arrangements in place within 2015/16.
- Governance good practice or development areas actioned within the year:
 - Revised Corporate Governance Board (AGS para 16.12);
 - New Information Governance Group (AGS para 16.12);
 - Enhanced officer/member decision making processes (AGS para 11.2);
 - Review of Constitution (AGS para 11.1 and 11.2);
 - New Members Induction Programme (AGS para 8.4); and
 - Members Development Working Group (AGS para 8.2).
- Governance areas for development and improvement within 2016/17 (see **Appendix 2**):
 - Business Continuity Management;
 - Risk management in partnerships and contracts;
 - Sustainable development – climate change, environmental risk;
 - Anti-fraud and corruption strategy and whistleblowing procedures – new CIPFA Code of Practice released – review and update required; and
 - HR – work force strategy planning.
- Other key areas of consideration (see **Appendix 2**):
 - Devolution – future governance arrangements;
 - Chief Internal Auditor to undertake a self-assessment against new CIPFA guidance on the Annual Governance Statement and its associated assurance framework – action plan to be discussed and agreed at Governance Board.

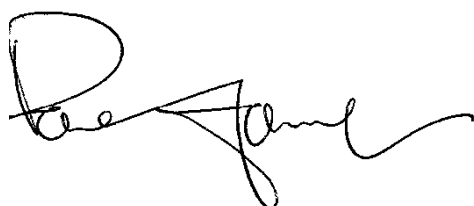
16.18 The Leader and Managing Director of the Council have a responsibility to ensure that the document is supported by an embedded assurance framework, reliable evidence and accurately reflects the Council's governance framework.

17.0 Significant governance issues

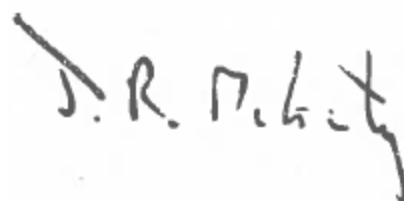
17.1 To the best of our knowledge, the governance arrangements, as defined above and within the Council's Local Code of Corporate Governance, have been effectively

operating during the year with the exception of those areas identified in **Appendix 2**. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

A handwritten signature in black ink, appearing to read 'Paul James', with a stylized, cursive script.

Paul James
Leader of the Council

A handwritten signature in black ink, appearing to read 'Jon McGinty', with a stylized, cursive script.

Jon McGinty
Managing Director

Progress on 2014/15 Governance Improvement Actions

The Annual Governance Statement 2014/15, approved by Audit and Governance Committee on 1st July 2015, did not raise specific governance areas for resolution/development and therefore did not include an Improvement Plan – 2014/15 Governance Improvement Actions. Progress review not required.

Improvement Plan – 2015/16 Governance Improvement Actions

As a result of the 2015/16 review of governance arrangements, the following governance issues were identified.

Review reference	Action	Target date
Local Code of Corporate Governance Core Principle 1	<p>Governance in working with others: The Council is required to focus on the purpose of the authority and on outcomes for our customers and stakeholders and creating and implementing a vision for the local area.</p> <p>The Council has joined with ten of our public sector partners to have one conversation with government about how through devolution we can achieve better outcomes and reduced costs.</p> <p>Action: The devolution bid, if successful, includes a commitment to a new governance arrangement. This is a statutory process and will be led by the Managing Director. The process will include consultation and engagement with the organisations involved and other stakeholders.</p>	To be determined - depending upon outcome of bid
Revised CIPFA Guidance on Delivering Good Governance 2016	<p>CIPFA - Delivering Good Governance in Local Government : Framework (2016 Edition): The Council currently prepares and publishes an Annual Governance Statement in accordance with the CIPFA Delivering Good Governance in Local Government 2007 (Addendum 2012).</p> <p>This guidance/framework has been refreshed and defines the principles that should underpin the governance arrangements of the Council and applies to the annual governance statements prepared for the financial year 2016/17 onwards.</p> <p>Action: The Chief Internal Auditor to test the Council's governance arrangements and be able to demonstrate that its governance structures comply with the core and sub principles contained within the revised framework. To then develop and maintain, on behalf of the Council, a local code of governance / governance arrangements reflecting the principles set out.</p>	31st March 2017

Review reference	Action	Target date
Local Code of Corporate Governance Core Principle 3	<p>Anti-Fraud and Corruption Strategy: The Council is required to promote values for the authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour.</p> <p>The Fighting Fraud and Corruption Locally 2016–2019 strategy has been developed by local authorities and counter fraud experts and supported by the CIPFA Counter Fraud Centre.</p> <p>It is the definitive guide for council leaders, chief executives, finance directors and all those with governance responsibilities. The strategy includes practical steps for fighting fraud, shares best practice and brings clarity to the changing anti-fraud and corruption landscape.</p> <p>Action: During 2016/17 the Chief Internal Auditor will undertake a self-assessment against the new guidance to measure the Council’s counter fraud and corruption culture and response and propose enhancements as required.</p>	31st March 2017
Annual Governance Statement para 4.4	<p>Corporate performance management:</p> <p>The Council Plan details the priorities and strategic objectives of the local authority. Performance review and management against the Corporate Plan is needed to ensure internal and external (e.g. stakeholder) awareness and understanding of the Council’s progress against the objectives and further action required.</p> <p>Action: The Corporate Director (Partnerships) will undertake a review of the Council’s corporate performance management approach, to ensure that they reflect the needs and the structure of the organisation.</p>	30 th September 2016

Review reference	Action	Target date
Annual Governance Statement para 7.5	<p>Risk Management Strategy and approach: Risk management is a core part of the Council's corporate governance framework and internal control environment. It is one of the six core principles within the Council's Code of Governance (part of the Council Constitution) – 'taking informed and transparent decisions which are subject to effective scrutiny and managing risk'.</p> <p>The Council's Risk Management Strategy should reaffirm and improve effective risk management in the Council, comply with good practice and in doing so, effectively manage potential opportunities and threats to the organisation achieving its objectives. The Strategy should also support the consideration and auctioning of risk management within Council partnerships and contracts.</p> <p>Action: The Chief Internal Auditor will review the Council's risk management arrangements (including the Risk Management Strategy) against the latest ISO 31000 risk management standard. The review findings will be reported to Audit and Governance Committee and will inform future risk management development at the Council.</p>	31 st March 2017
Annual Governance Statement para 8.1	<p>Workforce and Organisational Development Strategy: Key element for development of the capacity and capability of officers to be effective. A Strategy will mitigate the risk of a lack of competence, probity and professionalism within the authority leading to diminished performance, inappropriate behaviour, and failure to comply with governance arrangements.</p> <p>Action: HR Business Partner and Managing Director to draft the Council Workforce and Organisational Development Strategy, to include a refresh of the Council values. Draft document to be reviewed by Senior Management Team prior to formal approval process and roll out.</p>	31 st March 2017

Review reference	Action	Target date
Annual Governance Statement para 16.17	<p>Manager Assurance Statements: Governance areas for development and improvement within 2016/17 identified by the Managers Assurance Statements should be considered for further action by the Council.</p> <p>Areas identified within the Manager Assurance Statements 2015/16 but not included within the preceding identified 2015/16 Governance Improvement Actions Plan actions :</p> <ul style="list-style-type: none"> • Business Continuity Management; and • Sustainable development – climate change, environmental risk. <p>Action: Senior Management Team to consider the Business Continuity Management and sustainable development themes raised within the 2015/16 Managers Assurance Statements, and identify appropriate actions (with timescales) to aid improvement of the Council's governance arrangements.</p>	31 st March 2017

AUDIT REPORT

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

We have audited the financial statements of Gloucester City Council for the year ended 31 March 2016 on pages 26 to 76. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2016 and of the Authority's and the Group's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages 82 to 105 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether Gloucester City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Gloucester City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Gloucester City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the financial statements of Gloucester City Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Darren Gilbert

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

100 Temple Street

Bristol BS1 6AG