

**GLOUCESTER CITY COUNCIL
2017/18 STATEMENT OF ACCOUNTS**

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INTRODUCTION

Gloucester City Council

Welcome to the Statement of Accounts 2017/18

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 £1.8m for 2017/18 which is over 10% of the original budget. Our updated Medium Term Financial Plan (Money Plan) provides a clear strategic direction for the Council finances through to 2021/22. We are confident of achieving the savings targets we have set ourselves for 2018/19 of £200k 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 £190.42 for 2017/18. This represents around 12% of an average bill of £1,590.61. 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. Non-financial performance
5. An explanation of the financial statements

The 2017/18 statement of accounts will be published in July 2018.

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 Policy and Resources (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 2018. 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 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 2018.

2. An Introduction to Gloucester City

Gloucester City is a district council in the County of Gloucestershire with one parish council, Quedgeley Town Council. 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.

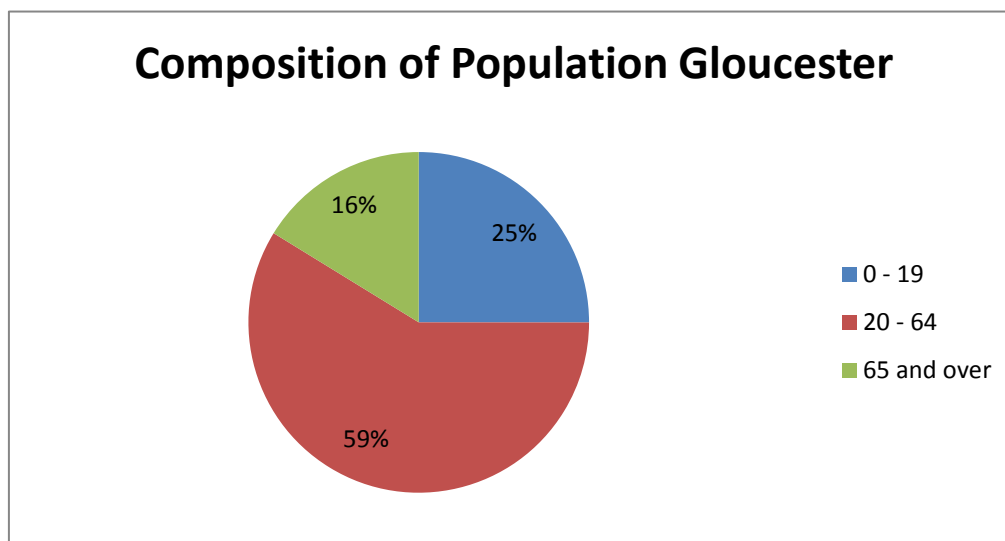
It has one of the richest heritage offerings in the country, from its time as a Roman colony, to one of the three most important medieval cities in England, then its development into an industrial centre. It is home to one of the finest medieval buildings in the country: the breath-taking cathedral which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

The famous Kingsholm stadium, home of Gloucester Rugby Club, is renowned for hosting world class rugby with the club one of the leading clubs in the country and part of the premiership. 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, Bakers Quay, 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 2016 reported that Gloucester's estimated population was 128,355 with the age profile as presented below.



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.

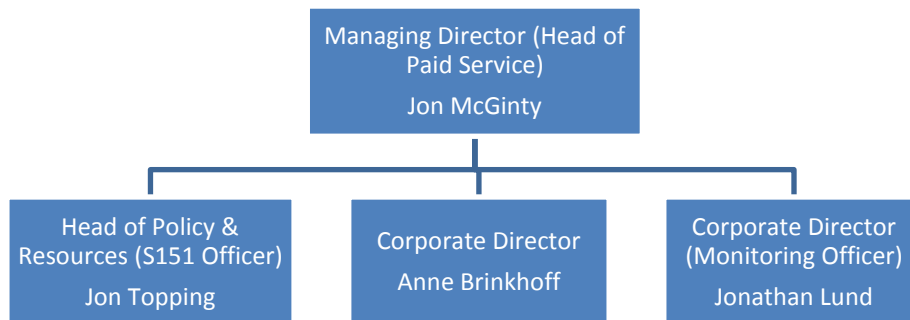
In 2017/18 Gloucester had 18 wards. Residents of the City were represented by 39 Councillors during 2017/18, the Council hold elections every 4 years the last being in May 2016.

The political make up of the Council for 2017/18 was:

Party	No of Councillors
Conservative Party	22 Councillors
Labour Party	10 Councillors
Liberal Democratic Party	7 Councillors

Overall control of the Council sits with the Conservative party with a majority of 5 seats. Representatives from Conservative, Labour and Liberal Democrat hold seats on the Council.

The Council employs a work force of approximately 185 staff to manage and deliver services to residents under the direction of the Senior Management Team. The senior management structure and statutory officers in place during 2017/18 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 2017/18:

Mayor and Deputy Mayor in the 2017/18 Municipal Year

Mayor - Councillor S Morgan
Sheriff and Deputy Mayor - Councillor P Toleman

NARRATIVE REPORT

3. About Gloucester City Council (Cont.)

Cabinet in 2017/18

Leader of the Council and Cabinet Member for Regeneration & Economy - Councillor P James
Deputy Leader of the Council - Councillor J Watkins
Cabinet Member Performance and Resources - Councillor D Norman MBE
Cabinet Member Communities and Neighbourhoods - Councillor J Watkins
Cabinet Member Housing & Planning - Councillor C Organ
Cabinet Member Environment - Councillor R Cook
Cabinet Member for Culture & Leisure - Councillor L Noakes

Chair of Committees in 2017/18

Licensing Committee - Councillor H Norman
Overview and Scrutiny Committee - Councillor T Coole
General Purposes Committee - Councillor K Williams
Planning Committee - Councillor G Taylor
Audit and Governance Committee - Councillor A Gravells

Chief Officers in 2017/18

Managing Director (Head of Paid Service) - Mr J McGinty
Corporate Director - Mrs A Brinkhoff
Corporate Director (Monitoring Officer) - Mr J Lund
Head of Policy & Resources (Section 151 Responsible Officer) - Mr J Topping

4. A summary of Financial Performance

The 2017/18 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 £14.555m was approved by Cabinet and Council in February 2017. The Money Plan (www.gloucester.gov.uk/council/performance-and-spending/budget-and-finance/Pages/5-Year-Money-Plan.aspx) identified targeted reductions in 2017/18 of £1.649m. The Money Plan included an increase in Council Tax of £5 which resulted in an income from Council Tax of £6.990m.

In producing the Money Plan for 2017-18 to 2021-22 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 to significantly review its future organisational arrangements in order to provide value for money services. The Council to address the high level of savings required commenced a transformation programme called "Together Gloucester" to deliver £1m savings. The resultant reorganisation delivered in excess of the target and the transformation programme continues.

The net revenue budget approved by Council in February was £14.55m. The actual net expenditure for the year was £14.92m including transfers to and from earmarked reserves.

Funding was £177k better than budgeted and the combined position has seen a £19k decrease in the General Fund.

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.

NARRATIVE REPORT

4. A summary of Financial Performance (cont)

Service	2017/18	Year End	
	Budget	Outturn	Variance
	£000	£000	£000
Economic Development	209	228	19
Asset Management	857	1,009	152
Commercial Property	(2,237)	(3,017)	(780)
Parking	(1,004)	(1,140)	(136)
Senior Management	468	496	28
Markets and Street Trading	(330)	(109)	221
Museums	388	579	191
Food and Drink	(87)	(56)	31
Guildhall	172	238	66
Aspire Client	247	271	25
TIC	(15)	33	48
Great Place	20	18	(2)
Marketing Gloucester	367	366	(1)
Waste and Streetcare	4,475	4,612	137
Neighbourhood Management	45	(5)	(50)
Countryside and Allotments	85	97	12
Head of Place	68	65	(3)
Cemetery and Crematorium	(1,265)	(1,214)	51
Flooding and Emergency Planning	105	58	(47)
Internal Audit	180	187	6
Financial and Corporate	1,311	1,128	(183)
Revenues and Benefits Admin	705	653	(52)
Housing Subsidy	(479)	(82)	397
IT	1,418	1,426	9
Human Resources	261	280	19
Communications	86	74	(12)
Legal Services	382	352	(30)
Contact Centre and Customer Services	421	441	20
Democratic Services	709	698	(12)
Voluntary Sector Grants	170	123	(47)
Community Strategy and Other Projects	320	250	(70)
Licensing	(258)	(233)	25
Shopmobility	61	62	1
Health and Safety	19	31	12
Environmental Health	392	386	(6)
Housing Strategy and Social Impact Bond	21	(92)	(113)
Private Sector Housing	17	52	35
Homelessness	910	1,042	132
Planning	199	424	225
Total Service Expenditure	9,416	9,731	316

As identified in the table below a final position of an overspend of £0.019m compared to a budgeted

Service	2017/18	Year End	
	Budget	Outturn	Variance
	£000	£000	£000
Interest Income	(36)	(215)	(179)
Interest Expenditure	990	1,515	525
Minimum Revenue Provision	820	529	(291)
Corporate Pension Contribution	3,130	3,364	234
Additional Staff Restructuring Saving	230	0	(230)
Total Corporate Costs	5,134	5,193	59
Transfer to / (from) General Fund	174	(19)	193

NARRATIVE REPORT

4. A summary of Financial Performance (cont.)

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

Service	2017/18	Year End	Variance
	Budget	Position	
Council Tax Funding	(7,080)	(7,083)	(3)
Retained Business Rates	(3,860)	(4,025)	(165)
Revenue Support Grant	(1,102)	(1,102)	0
New Homes Bonus	(2,687)	(2,696)	(9)
Total Funding	(14,729)	(14,906)	(177)

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

1. Cost in providing temporary accommodation in support of homelessness
2. The non-delivery of savings targets by Guildhall and Museums services
3. Planning income falling below budgeted levels.
4. Saving on Car Park rent
5. Increased income from the business rates pool
6. Reduced income from the markets service

The gross cost of service provision amounts to £119.443m and this has been analysed by type as shown in the table below:

Expenditure Type	2017/18	2016/17
	£000	£000
Employee Expenses	9,364	9,169
Other Service Expenses	67,276	66,986
Other Operating Expenditure	829	1,191
Capital charges and investment property expenditure	25,887	5,788
Business rates expenditure	16,188	17,658
Gross Cost of Services	119,544	100,792

The Council received gross income of £101.240m and this is analysed in the table below:

Income Type	2017/18	2016/17
	£000	£000
Government Grants	42,574	44,883
Income from Council Tax and non-specific grant income	39,973	35,363
Fees, Charges & Other Service Income	16,485	13,100
Interest and Investment property income and other operating income	2,208	2,287
	101,240	95,633

NARRATIVE REPORT

4. A summary of Financial Performance (cont.)

The capital budget was approved by Cabinet and Council in February 2017, with subsequent approvals bringing the final capital budget to £11.492m for 2017/18. Capital expenditure for 2017/18 was £7.761m.

There was an underspend on the revised capital budget compared to budgeted expenditure of £3.728m, these underspends will be carried forward into 2018/19 capital programme to meet on going capital commitments.

A summary of the capital expenditure is shown below. Of the £7.761m spend, £7.039m 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 2017/18 are also shown below:

Capital Expenditure	£000
Kings Quarter development	4,446
Kings Walk Shopping Centre enhancements	1,070
City Centre Improvement Fund	78
HCA Regeneration - Commercial Rd Public Realm	591
GCC Building Improvements	6
ICT Projects	292
Housing projects	724
Drainage and Flood Protection Works	43
Townscape Heritage Initiative - HLF	112
Ranger Centre Barns/Storage	18
Horsbere Brook Local Nature Reserve works	2
Play Area Improvement Programme	5
Crematorium Cremator Improvements	34
Other Grant Funded Projects	282
Elmbridge Open Space Improvements	6
Robinswood All Paths Project	5
Retaining Wall	47
	7,761

In addition to the Capital Expenditure below the Council incurred £858k of restructuring costs relating to the "Together Gloucester" staff restructure which were funded from capital receipts under the flexible use of capital receipts regulations.

The property deal relating to the Kings Walk shopping centre added a right of use asset of £19.89m to the balance sheet of the authority which was funded by the long term lease liability.

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

Source of Funding	£000
Section 106	221
Usable Capital receipts	1,193
Grants	6,329
Revenue	18
	7,761

NARRATIVE REPORT

5. Accounting Issues and Developments

Pension Fund Deficit

The Council's share of the deficit on the Pension Fund, as at 31 March 2018, has decreased from £68.629m to £63.964m see note 41 for further details.

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 2017-22 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

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 2017/18 include:

- The past decade has seen significant progress in regeneration across the city. 2017 was another year of real achievement in this regard and 2018 promises to be action-packed as well.
- Phase 1 of the Bakers Quay scheme is now nearly complete and will deliver a new Premier Inn, Brewers Fayre restaurant, a drive through Costa coffee, 46 apartments and 3 new commercial units
- Work on the new bus station is entering the final stages with completion of this excellent new facility expected in September 2018. Progression of a Local Development Order for the Blackfriars area of Gloucester
- Major improvements to Kings Walk Shopping Centre will be seen during 2018/19 with an investment of over £4.9m in capital improvements including the old BHS and a £1m investment in the multi storey car park.
- Working with the University of Gloucestershire on the development of new student accommodation at Blackfriars plus new 3G pitches for the whole community as part of the business school development at Oxstalls.
- Further assistance to Project Pilgrim at Gloucester Cathedral.
- Work on the Kings Quarter development continues at pace with a planning application to be submitted in the summer of 2018.
- The Tourist Information Centre won the gold award for the best information centre in the country at the Visit England Excellence awards 2017.
- A new & enhanced recycling service has been implemented with residents now able to recycle corrugated cardboard, mixed plastics and textiles. This new service has already proved more cost effective to deliver and resulted in us sending less waste to landfill, thus boosting our recycling rates. This service saw an increase in collection of over 25% at Christmas 2017.
- 2017 saw a reduction in rough sleeping across the City of 35%. The Council has put in place a Social Impact Bond to enable funding of £900k for the Action Gloucestershire programme to help entrenched rough sleepers.
- Our Asset-Based Community Development approach is seeing 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. They have sparked initiatives from street parties to dance clubs to community luncheons, bringing together communities and promoting wellbeing and health
- The Gloucester Lottery (www.gloucesterlottery.co.uk) completed its first year in February 2018 having raised over £28,000 for good causes. It is a weekly lottery created to support good causes in Gloucester. Tickets are only £1 per week, with 60% going to local causes and prizes up to £25,000.

The Council has changed its corporate non-financial performance indicator system and a new system Pentana has been procured to deliver future indicators. The annual performance report for non financial data will be presented to the Cabinet following scrutiny by the Overview & Scrutiny committee in June 2018 (click link here)

NARRATIVE REPORT

7. Significant Changes in Accounting Policies

There have been no significant changes to accounting policies in the financial year. The service breakdown included in the Comprehensive Income and Expenditure Statement is now broken down by the Council's own portfolio structure which now excludes recharges of costs between portfolios. Within the core financial statements there is an Expenditure and Funding analysis which provides a reconciliation between the figures in the Income and Expenditure Statement to the Council's own Outturn Report.

Further Information

Further details of the accounts can be obtained from the Head of Policy & Resources, 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 76-79.

Jon Topping
Head of Policy & Resources (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 Policy and Resources).

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.

Comprehensive Income and Expenditure Statement including the Expenditure and Funding Analysis shows the cost of providing services in the year in accordance with International Financial Reporting Standards. The Expenditure and Funding Analysis reconciles this to the amount chargeable to the General Fund reserve in the year.

Balance Sheet shows the Council's financial position on 31 March 2018. 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 Policy & Resources (Section 151 Officer);
- * Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- * To approve the Statement of Accounts.

Responsibilities of Head of Policy & Resources (Section 151 Officer)

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

In preparing the statement of accounts, the Head of Policy & Resources (Section 151 Officer) has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's [and the Group's] ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority [and the Group] will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error,

The Statement of Accounts presents a true and fair view of the financial position of Gloucester City Council at 31 March 2018 and its income and expenditure for the year ended on that date.

Signed

Dated

Jon Topping
Head of Policy & Resources (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 2017/18 financial year and its financial position at 31 March 2018. 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 2017/18 and the Service Reporting Code of Practice 2017/18, 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 2.6% based on the indicative rate of return on the adoption of the AA corporate bond basis. This is at the IAS19 valuation date, subject to removal of recently re-rated bonds from the index.
- The assets of the LGPS attributable to the council are included in the Balance Sheet at their fair value as follows:
 - Quoted securities – current bid price;
 - Unquoted securities – professional estimate;
 - Unitised securities – current bid price; and
 - Property – market value.
- The change in the net pensions liability is analysed into the following components:

Service Cost comprising

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

Remeasurements comprising:

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

STATEMENT OF ACCOUNTING POLICIES

7 EMPLOYEE BENEFITS (continued)

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

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

Discretionary Benefits

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

8 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

9 FINANCIAL INSTRUMENTS

Financial Liabilities

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

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

STATEMENT OF ACCOUNTING POLICIES

9 FINANCIAL INSTRUMENTS (continued)

Available-for-Sale Assets

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

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

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

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

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

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

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

10 FOREIGN CURRENCY TRANSLATION

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

11 GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

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

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

12 HERITAGE ASSETS

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

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

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

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

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

STATEMENT OF ACCOUNTING POLICIES

13 INTANGIBLE ASSETS

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

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

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

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

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

14 INTEREST IN COMPANIES AND OTHER ENTITIES

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

15 INVENTORIES AND LONG TERM CONTRACTS

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

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

16 INVESTMENT PROPERTY

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

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

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

17 LEASES

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

STATEMENT OF ACCOUNTING POLICIES

17 LEASES (continued)

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals are apportioned between:

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

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

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

Operating Leases

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

18 OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

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 (2016/17 £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 2017/18 valuation identified no assets meeting the component accounting thresholds. The same position was found for 2016/17.

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 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 (except certain items that are shown at fair value) in accordance with the Financial Reporting Standard 102 (FRS102).

Since Investment Property and Property, Plant and Equipment (PPE) assets held by the airport have been valued at fair value no adjustments are required to the value of non-current assets on consolidation with the Council's accounts.

CORE FINANCIAL STATEMENTS

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL MOVEMENT IN RESERVES STATEMENT For the years ended 31 March 2017 & 2018

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	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2016	5,211	2,712	2,358	10,281	7,288	17,569
Movement in Reserves during 2016/17						
Total Comprehensive Income and Expenditure	(4,542)	-	-	(4,542)	(4,060)	(8,602)
Adjustments between accounting basis and funding basis under regulation (Note 6)	5,253	(792)	1,316	5,777	(5,777)	-
Increase/(Decrease) in 2016/17	711	(792)	1,316	1,235	(9,837)	(8,602)
Balance at 31 March 2017	5,922	1,920	3,674	11,516	(2,549)	8,967
Movement in Reserves during 2017/18						
Total Comprehensive Income and Expenditure	(18,304)	-	-	(18,304)	16,248	(2,056)
Adjustments between accounting basis and funding basis under regulation (Note 6)	18,736	(1,137)	493	18,092	(18,092)	-
Increase/(Decrease) in 2017/18	432	(1,137)	493	(212)	(1,844)	(2,056)
Balance at 31 March 2018	6,354	783	4,167	11,304	(4,393)	6,911

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP MOVEMENT IN RESERVES STATEMENT For the years ended 31 March 2017 & 2018

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 2016	10,281	1,577	11,858	7,288	10,185	17,473	29,331
<i>Movement in Reserves during 2016/17</i>							
Total Comprehensive Income and Expenditure	(4,542)	(2,883)	(7,425)	(4,060)	2,816	(1,244)	(8,669)
Adjustment between company reserves	-	-	-	-	-	-	-
Adjustments between accounting basis and funding basis under regulation	5,777	-	5,777	(5,777)	-	(5,777)	-
<i>Increase/(Decrease) in 2016/17</i>	1,235	(2,883)	(1,648)	(9,837)	2,816	(7,021)	(8,669)
Balance at 31 March 2017	11,516	(1,306)	10,210	(2,549)	13,001	10,452	20,662
<i>Movement in Reserves during 2017/18</i>							
Total Comprehensive Income and Expenditure	(18,304)	93	(18,211)	16,248	127	16,375	(1,837)
Adjustment between company reserves	-	-	-	-	-	-	-
Adjustments between accounting basis and funding basis under regulation	18,092	-	18,092	(18,092)	-	(18,092)	-
<i>Increase/(Decrease) in 2017/18</i>	(212)	93	(119)	(1,844)	127	(1,717)	(1,837)
Balance at 31 March 2018	11,304	(1,213)	10,091	(4,393)	13,128	8,735	18,825

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL EXPENDITURE AND FUNDING ANALYSIS

For the year ended 31 March 2018

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority (government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17					EXPENDITURE AND FUNDING ANALYSIS	2017/18				
General Fund Outturn excluding earmarked reserve movement	Adjusted for Movement on Earmarked Reserves	Net Expenditure Chargeable to the General Fund Balance	Adjustment between the funding and accounting basis (note 28)	Net Expenditure in the Comprehensive Income and Expenditure Statement		General Fund Outturn excluding earmarked reserve movement	Adjusted for Movement on Earmarked Reserves	Net Expenditure Chargeable to the General Fund Balance	Adjustment between the funding and accounting basis (note 28)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000		£000	£000	£000	£000	£000
1,009	40	969	(132)	1,101	Communities and Neighbourhoods	617	72	545	(432)	977
1,654	(36)	1,690	(914)	2,604	Culture	1,448	73	1,375	(316)	1,691
4,189	181	4,008	(1,171)	5,179	Environment	3,612	(80)	3,692	(786)	4,478
2,045	43	2,002	(463)	2,465	Housing and Planning	1,429	(41)	1,470	(1,189)	2,659
5,338	(53)	5,392	(465)	5,857	Performance and Resources	5,158	(139)	5,297	(1,051)	6,348
(719)	95	(814)	(2,810)	1,996	Regeneration and Economy	(2,534)	(432)	(2,102)	(3,530)	1,428
13,516	270	13,247	(5,955)	19,202	Net Cost of Services	9,730	(547)	10,277	(7,304)	17,581
(13,536)	420	(13,958)	702	(14,660)	Other Income and Expenditure	(9,711)	998	(10,709)	(11,432)	723
(20)	690	(711)	(5,253)	4,542	(Surplus) or Deficit	19	451	(432)	(18,736)	18,304
		5,211			Opening General Fund balance including earmarked reserves at 1st April			5,922		
		711			Add surplus / (deficit) in year			432		
		5,922			Closing General Fund balance including earmarked reserves at 31 March			6,354		

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT For the year ended 31 March 2018

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	2017/18			2016/17
	Gross Expenditure	Gross Income	Net Expenditure	Restated * Net Expenditure
	£000	£000	£000	£000
Communities and Neighbourhoods	1,547	(570)	977	1,101
Culture	3,435	(1,744)	1,691	2,604
Environment	8,591	(4,113)	4,478	5,179
Housing and Planning	4,532	(1,873)	2,659	2,465
Performance and Resources	51,796	(45,448)	6,348	5,857
Regeneration and Economy	6,739	(5,311)	1,428	1,996
(Surplus) / Deficit on Operations	76,640	(59,059)	17,581	19,202
Other Operating Expenditure (Note 8)	829	(315)	514	1,568
Financing and investment income and expenditure (Note 9)	25,887	(1,893)	23,994	2,678
Taxation and Non-specific Grant Income (Note 10)	16,188	(39,973)	(23,785)	(18,906)
(Surplus)/Deficit on Provision of Services	119,544	(101,240)	18,304	4,542
<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	(12,087)	-	(12,087)	(6,754)
Deficit on revaluation of available-for-sale financial assets	246		246	
Re-measurement of the net defined benefit liability (Note 41)		(4,407)	(4,407)	10,814
Other Comprehensive Income and Expenditure	(11,841)	(4,407)	(16,248)	4,060
Total Comprehensive Income and Expenditure	107,703	(105,647)	2,056	8,602

* 2016/17 portfolio split has been restated to exclude intra-service recharges. Please see Note 28 for details.

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

For the year ended 31 March 2018

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	2017/18			Restated
	Gross Expenditure	Gross Income	Net Expenditure	2016/17
	£000	£000	£000	Net Expenditure £000
Communities and Neighbourhoods	1,547	(570)	977	1,101
Culture	3,435	(1,744)	1,691	2,604
Environment	8,591	(4,113)	4,478	5,179
Housing and Planning	4,532	(1,873)	2,659	2,465
Performance and Resources	51,796	(45,448)	6,348	5,857
Regeneration and Economy	6,739	(5,311)	1,428	1,996
(Surplus)/Deficit on Operations	76,640	(59,059)	17,581	19,202
Other Operating Expenditure (Note 8)	829	(315)	514	1,568
Financing and investment income and expenditure (Note 9)	25,887	(1,893)	23,994	2,678
Taxation and Non-specific Grant Income (Note 10)	16,188	(39,973)	(23,785)	(18,906)
Deficit on Provision of Services	119,544	(101,240)	18,304	4,542
Share of the (Surplus)/Deficit on the provision of Services				
Joint Ventures			(283)	94
Share of Tax Expenses				
Joint Ventures			190	(129)
Group Deficit			18,211	4,507
<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			(12,087)	(6,754)
Actuarial (Gains) / Losses on pension assets / liabilities			(4,407)	10,814
Deficit on revaluation of available-for-sale financial assets			246	
Share of Other Comprehensive Income and Expenditure				
Joint Ventures			(127)	102
Group Other Comprehensive Income and Expenditure			(16,375)	4,162
Total Comprehensive Income and Expenditure			1,836	8,669

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL BALANCE SHEET

As at 31 March 2018

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	31/03/2018 £000	31/03/2017 £000
Property, Plant & Equipment	11	79,767	63,639
Investment Property	12	18,598	22,817
Heritage Assets	13	6,683	6,127
Intangible Assets	14	402	749
Long Term Investments	15,44	5,189	435
Long Term Debtors	15,19(i)	748	892
Long Term Assets		111,387	94,659
Short Term Investments	15	7,000	-
Assets held for Sale	16	83	-
Inventories	17	47	44
Short Term Debtors	15,19	10,640	7,875
Cash and Cash Equivalents	20	6,284	2,696
Current Assets		24,054	10,615
Total Assets		135,441	105,274
Short Term Borrowing	15,21(i)	(12,652)	(14,764)
Short Term Creditors	15,21	(6,168)	(3,459)
Provisions (<1yr)	22	(1,580)	(1,347)
Current Liabilities		(20,400)	(19,570)
Provisions	22	(207)	(197)
Long Term Borrowing	15,21(ii)	(34,762)	(5,000)
Capital Grants Received in Advance	35	(6,070)	(2,911)
Deferred Income		(3,127)	-
Other Long Term Liabilities	41	(63,964)	(68,629)
Long Term Liabilities		(108,130)	(76,737)
Net Assets		6,911	8,967
Usable Reserves	23	11,304	11,516
Unusable Reserves	24	(4,393)	(2,549)
Total Reserves		6,911	8,967

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP BALANCE SHEET

As at 31 March 2018

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.

	Note	31/03/2018 £000	31/03/2017 £000
Property, Plant & Equipment	11	79,767	63,639
Investment Property	12	18,598	22,817
Heritage Assets	13	6,683	6,127
Intangible Assets	14	402	749
Long Term Investments	15,44	4,754	-
Long Term Debtors	15,19(i)	748	892
Investment in Joint Venture		12,350	12,130
Long Term Assets		123,302	106,354
Short Term Investments	15	7,000	-
Assets held for Sale	16	83	-
Inventories	17	47	44
Short Term Debtors	15,19	10,640	7,875
Cash and Cash Equivalents	20	6,284	2,696
Current Assets		24,054	10,615
Total Assets		147,356	116,969
Short Term Borrowing	15, 21(i)	(12,652)	(14,764)
Short Term Creditors	15,21	(6,168)	(3,459)
Provisions (<1yr)	22	(1,580)	(1,347)
Current Liabilities		(20,400)	(19,570)
Provisions	22	(207)	(197)
Long Term Borrowing	15,21(ii)	(34,762)	(5,000)
Capital Grants Received in Advance	35	(6,070)	(2,911)
Deferred Income		(3,127)	
Other Long Term Liabilities	41	(63,964)	(68,629)
Long Term Liabilities		(108,130)	(76,737)
Net Assets		18,826	20,662
Usable Reserves	23	10,091	10,210
Unusable Reserves	24	8,735	10,452
Total Reserves		18,826	20,662

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL CASH FLOW STATEMENT For the year ended 31 March 2018

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. No separate group cash flow is presented as there are no differences between the group and council cash flow.

	Notes	2017/18 £000	2016/17 £000
Deficit on the provision of services		(18,304)	(4,542)
Adjustments in respect of non-cash movements		30,010	7,868
Adjustments in respect of items that are investing and financing activities		(7,958)	(3,746)
Net Cash Flows from Operating Activities	25	3,748	(420)
Net Cash Flows from Investing Activities	26	(7,917)	(2,981)
Net Cash Flows from Financing Activities	27	7,757	4,476
<i>Net Increase/(Decrease) in cash and cash equivalents</i>		3,588	1,075
Cash and cash equivalents at the beginning of the year		2,696	1,621
Cash and cash equivalents at the end of the year		6,284	2,696

	2017/18 £000	2016/17 £000
The Balance of Cash and Cash Equivalents and Bank Overdraft		
Cash and Cash Equivalents	6,284	2,696
Balance at 31st March	6,284	2,696



NOTES TO THE CORE FINANCIAL STATEMENTS

NOTES TO THE CORE FINANCIAL STATEMENTS

1 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT ADOPTED

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. There are standards which are to be adopted in 2018/19 which may impact upon the Council's accounts.

IFRS 15 (Revenue from Contracts with Customers) uses a control based model of recognising revenue. It is not anticipated that the Council will have any material revenue streams affected by the Standard as the timing of income is consistent with the provision of Council services.

IFRS 9 (Financial Instruments) introduces extensive changes to the classification and measurement of financial assets. The impact will be to reclassify the Council's available for sale financial investment. No material change in value is anticipated.

IAS 7 (Statement of Cash Flows - Disclosure Initiative) may require further disclosure around Cash Flows from Financing Activities. The Kings Walk shopping centre deal is likely to fall within the scope of this standard but the additional disclosure required, if any, is likely to be minimal.

IAS 12 (Income Taxes) applies to deferred tax assets related to debt instruments measured at fair value. This is not believed to have an impact on the Council's Group.

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.

The rental guarantee sum received for the Kings Walk shopping Centre has been treated as deferred income and is to be released to the Council's General Fund over five years. The sum received was £4.78m. In 2017/18 £697k was released to the General Fund with the remainder being released in upcoming financial years.

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 2018 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 £46k 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 £13.715 million. The assumptions, however, interact in complex ways. During 2017/18 the Council's actuaries advised that the net pensions liability had decreased by £2.636 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 £822k would have to be set aside.
Arrears	At 31 March 2018, the Council had a balance of sundry debtors of £2.682 million. A review of the aged debt profile and recovery percentages suggested that an allowance for doubtful debts of approximately 18.3% 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 allowance of £27k.

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 £11.492 million. The revaluation includes a loss of £594k recognised in the surplus/(deficit) in the provision of services and a £12.086m gain recorded in other comprehensive income and expenditure

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 41.

5 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Council's Audit and Governance Committee on 23rd July 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

As at 23rd July 2018 (Audit and Governance Committee approval) one post balance sheet events has been identified. An employment tribunal on 27th June brought costs of £101k against the Council. These have been included in the accounts as a creditor at the balance sheet date.

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)

2017/18 Information

	Usable Reserves £'000		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
Adjustments to the Revenue Resources			
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>			
Pension Costs (transferred to or from Pensions Reserve)	259	-	-
Charges for depreciation of non-current assets	(3,328)	-	-
Revaluation losses on Property Plant and Equipment and assets held for sale	(594)	-	-
Movement in the fair value of investment property	(22,294)	-	-
Capital Grants and Contributions	7,044	-	(7,044)
Revenue expenditure funded from capital under statute	(1,583)	-	-
Council tax and NNDR net deficit transferred to the Collection Fund Adjustment Account	886	-	-
Revenue financing of capital expenditure	18	-	-
Holiday Pay transferred to the Accumulated Absences Account	11	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(599)	-	-
Total adjustments to Revenue Resources	(20,180)	-	(7,044)
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	914	(914)	-
Statutory and voluntary provision for the repayment of debt transferred to the Capital Adjustment Account	529	-	-
Total adjustments between Revenue and Capital Resources	1,443	(914)	-
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance new capital expenditure	-	2,053	-
Application of capital grants and contributions to fund Capital expenditure	-	-	6,551
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(2)	-
Total adjustments to Capital Resources	-	2,051	6,551
Total Adjustments	(18,736)	1,137	(493)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2016/17 Information

	Usable Reserves £'000		
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
Adjustments to the Revenue Resources			
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>			
Pension Costs (transferred to or from Pensions Reserve)	566	-	-
Charges for depreciation of non-current assets	(3,801)	-	-
Revaluation losses on Property Plant and Equipment and assets held for sale	(1,710)	-	-
Movement in the fair value of investment property	(2,032)	-	-
Capital Grants and Contributions	1,886	-	(1,886)
Revenue expenditure funded from capital under statute	(357)	-	-
Council tax and NNDR net deficit transferred to the Collection Fund Adjustment Account	(678)	-	-
Holiday Pay transferred to the Accumulated Absences Account	17	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(1,467)	-	-
Total adjustments to Revenue Resources	(7,576)	-	(1,886)
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	1,861	(1,861)	-
Administrative costs of non-current asset disposals funded by capital receipts	-	-	-
Statutory and voluntary provision for the repayment of debt transferred to the Capital Adjustment Account	461	-	-
Total adjustments between Revenue and Capital Resources	2,322	(1,861)	-
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance new capital expenditure	-	2,655	-
Application of capital grants and contributions to fund Capital expenditure	-	-	570
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(2)	-
Total adjustments to Capital Resources	-	2,653	570
Total Adjustments	(5,253)	792	(1,316)

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 2017/18.

Reserve No.		Balance at	Transfers	Transfers	Balance at	Balance at	Transfers	Transfers	Balance at
		31/03/2017	Out 2017/18	In 2017/18	31/03/2018	31/03/2016	Out 2016/17	In 2016/17	31/03/2017
		£000	£000	£000	£000	£000	£000	£000	£000
General Fund:									
1	3 Choirs Reserve	-	-	-	-	5	5	-	-
2	Historic Buildings Reserve	53	-	-	53	53	-	-	53
3	Portfolio Reserves	48	-	12	60	35	-	13	48
4	Members Allocation Reserve	4	3	-	1	9	5	-	4
5	Shopmobility Reserve	29	-	-	29	29	-	-	29
6	Regeneration Reserve	552	117	-	435	510	-	42	552
7	Insurance Reserve	10	-	-	10	10	-	-	10
8	Land Adoption Reserve	881	80	-	801	710	-	171	881
9	VAT Shelter Reserve	513	50	273	736	291	-	222	513
10	Business Rates Reserve	620	437	651	834	200	-	420	620
11	Trading Development Reserve	50	-	-	50	50	-	-	50
12	Environmental Reserve	1,000	-	-	1,000	1,000	-	-	1,000
13	Pension Contingency	-	-	-	-	275	275	-	-
14	Repairs Reserve	400	50	50	400	400	-	-	400
15	Community Builder Reserve	30	-	55	85	-	-	30	30
16	Planning Grant Reserve	30	-	35	65	-	-	30	30
17	Economic Development Reserve	20	-	-	20	-	-	20	20
18	Flooding Works Reserve	10	-	-	10	-	-	10	10
19	Meet and Greet Reserve	4	-	-	4	-	-	4	4
20	Police Contribution Reserve	15	-	-	15	-	-	15	15
21	Lottery Reserve	-	-	19	19	-	-	-	-
22	Great Places Reserve	-	-	93	93	-	-	-	-
Total		4,269	737	1,188	4,720	3,577	285	977	4,269

Reserve

No. Further details of reserve balances

- 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 18/19
- 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.
- 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.
- 15 **Community Builder Reserve**
A reserve to fund future community building work.
- 16 **Planning Grant Reserve**
A reserve to hold funder to meet the costs of the required Self Build and Brownfield registers
- 17 **Economic Development Reserve**
The Council has put aside some funding to meet the costs of business grants given.
- 18 **Flooding Works Reserve**
This reserve holds fund which the Council will use on future flood prevention capital projects
- 19 **Meet and Greet Reserve**
The reserve holds the remainder of the funding that the Council has put to one side to fund the Coach Meet and Greet Scheme
- 20 **Police Contribution Reserve**
This reserve holds funding committed to fund a joint study, with the Police, into the impacts of participatory budgeting.
- 21 **Lottery Reserve**
This reserve holds funding generated by Gloucester Lottery to be distributed to the voluntary sector
- 22 **Great Place Reserve**
This reserve holds funding committed to fund a joint study, with the Police, into the impacts of participatory budgeting.

NOTES TO THE CORE FINANCIAL STATEMENTS

8 OTHER OPERATING INCOME AND EXPENDITURE

	GCC	GCC	Group	Group
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
Precepts and Grants paid to parish councils	236	252	236	252
(Gains) / Losses on disposal of non current assets	(315)	(394)	(315)	(394)
Revaluation losses arising on revaluation of non-current assets	593	1,710	593	1,710
Total	514	1,568	514	1,568

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	GCC	GCC	Group	Group
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
Interest payable and similar charges	1,515	242	1,515	242
Interest and Investment property income	(1,893)	(2,236)	(1,893)	(2,236)
Pensions Interest and Expected Return on pensions assets	1,690	1,941	1,690	1,941
Expenditure on investment properties	388	699	388	699
Changes in fair value of investment properties	22,294	2,032	22,294	2,032
Total	23,994	2,678	23,994	2,678

10 TAXATION AND NON-SPECIFIC GRANT INCOME

	GCC	GCC	Group	Group
	2017/18 £000	2016/17 £000	£000	2016/17 £000
Income from the collection fund - Council Tax income	(7,319)	(7,042)	(7,319)	(7,042)
Collection Fund (Surplus) / Deficit	(886)	678	(886)	678
Business rates tariff	15,480	16,882	15,480	16,882
Business rates levy	708	157	708	157
Retained Business Rates	(19,704)	(21,249)	(19,704)	(21,249)
Revenue Support Grant (RSG)	(1,092)	(1,856)	(1,092)	(1,856)
New homes bonus	(2,696)	(3,831)	(2,696)	(3,831)
Business rates Section 31 grant	(1,222)	(741)	(1,222)	(741)
Other Grants	(10)	(18)	(10)	(18)
Capital Grants	(7,044)	(1,886)	(7,044)	(1,886)
Total	(23,785)	(18,906)	(23,785)	(18,906)

NOTES TO THE CORE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT Movements on Balances

Movements in 2017/18	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 2017	60,457	11,444	13,736	9,523	1,129	1,060	97,349
Additions	(30)	273	217	407	4,439		5,306
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,321					2	2,323
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	(264)						(264)
Derecognition – Disposals	(4)					(441)	(445)
Assets Impairment recognised in the Revaluation Reserve	(12)			(68)			(80)
Impairment recognised in the Surplus/Deficit on the Provision	(452)			(116)			(568)
Transfers between classes	3,299					96	3,395
Assets Written Off		(267)					(267)
At 31 March 2018	65,315	11,450	13,953	9,746	5,568	717	106,749
Accumulated Depreciation and Impairment							
At 1 April 2017	19,326	6,421	5,696	2,252	-	15	33,710
Depreciation Charge	1,321	817	471	390		18	3,017
Derecognition – Disposals						(7)	(7)
Assets Impairment	(220)			(18)			(238)
Assets written Off		(213)					(213)
Revaluation	(9,287)						(9,287)
At 31 March 2018	11,140	7,025	6,167	2,624	-	26	26,982
Net book value as at 31 March 2018	54,175	4,425	7,786	7,122		691	79,767
Net book value as at 1 April 2017	41,131	5,023	8,040	7,271	1,129	1,045	63,639

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Comparative Figures 2016/17

Movements in 2016/17	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 2016	54,588	8,618	13,456	9,064	80	418	86,224
Additions	1,466	2,826	280	459	1,049	-	6,080
Revaluation increases/(decreases) recognised in the Revaluation Reserve	6,176	-	-	-	-	578	6,754
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	(1,367)	-	-	-	-	(18)	(1,385)
Derecognition – Disposals*	-	-	-	-	-	-	-
Assets Impairments	(324)	-	-	-	-	-	(324)
Other movements in cost or valuation	(82)	-	-	-	-	82	-
At 31 March 2017	60,457	11,444	13,736	9,523	1,129	1,060	97,349
Accumulated Depreciation and Impairment							
At 1 April 2016	17,572	5,598	5,221	1,868	-	7	30,266
Depreciation Charge	1,754	823	475	384	-	8	3,444
Derecognition – Disposals	-	-	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-	-	-
At 31 March 2017	19,326	6,421	5,696	2,252	-	15	33,710
Net book value as at 31 March 2017	41,131	5,023	8,040	7,271	1,129	1,045	63,639

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation

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

- 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 2018.

All assets are owned freehold unless otherwise stated.

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

Capital Commitments

As at 31st of March 2018, the Council has entered into various contracts with companies regarding the Bus Station and Kings Quarter regeneration to the tune of £7.9m (£0, 2017). A breakdown of the schemes and contracts are analysed below.

Contractors	Scheme	Contracted Amount £'000	Spend as at 31/03/2018 £'000	Outstanding Commitment £'000
Britannia Construction Ltd	Bus Station	1,097	1,097	0
Kier Construction	Bus Station	6,100	2,527	3,573
LDA Design	Kings Qtr	214	183	31
GVA Grimley Ltd	Kings Qtr	448	0	448
		7,859	3,807	4,052

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	
	2017/18	2016/17
	£000	£000
Rental income from investment property	(1,679)	(2,191)
Direct operating expenses arising from investment property	388	699
Net gain	(1,291)	(1,492)

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	
	2017/18	2016/17
	£000	£000
Balance at beginning of the year	22,817	24,424
Additions:		
- Purchases		882
- Subsequent expenditure	21,552	404
Net gains/(losses) from fair value adjustments	(22,294)	(2,032)
Adjustment		
Transfers:		
- To/From Property, Plant and Equipment / Surplus Assets	(3,277)	-
- From Community Assets	(117)	-
- To/From assets for sale	(83)	32
Disposals		(893)
Balance at end of the year	18,598	22,817

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 Museum of Gloucester and The Gloucester Life 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 2018 are as follows:

	GCC and Group	
	2017/18 £'000	2016/17 £'000
Numismatics (including Tokens, Coins, Seals & Dyes)	478	437
2D & 3D Fine & Decorative Arts (including Oil Paintings) & Ceramics	2,024	1,848
Archaeology including Table Set	1,069	976
Silver	710	648
Domestic life exhibits	343	314
Furniture	299	273
Working life exhibits	204	187
Horological Instruments	338	309
Books	102	93
Blackfriars Priory	60	60
SWRDA Asset Transfer	225	225
Miscellaneous items	831	758
Total	6,683	6,128
At valuation	6,399	5,843
At cost	284	284
Total	6,683	6,127

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

	GCC and Group	
	2017/18 £000	2016/17 £000
Balance at beginning of the year	6,127	6,127
Revaluation surplus/(deficit)	556	-
Reclassified to investment property	-	-
Additions	0	-
Balance at end of the year	6,683	6,127

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.

Movements in intangible assets during the year are shown below:

	Computer Software	
	2017/18 £'000	2016/17 £'000
Gross book value at the beginning of the year	4,453	4,299
Additions	71	154
Assets written off	(1,038)	-
Gross book value at the end of the year	3,486	4,453
Amortisation at the beginning of the year	3,704	3,347
Amortised during year	311	357
Assets written off	(931)	-
Amortisation at the end of the year	3,084	3,704
Net book value at the end of the year	402	749

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

	2017/18	2016/17
	£000	£000
Balance at the beginning of the year:		
- Gross carrying amounts	4,453	4,299
- Accumulated amortisation	3,704	3,347
- Net carrying amount	749	952
Movement in 2017/18		
Additions:	71	154
Assets Written Off	107	-
Amortisation for the period	311	357
Net carrying amount at the end of the year	402	749
Comprising:		
- Gross carrying amounts	3,486	4,453
- Accumulated amortisation	3,084	3,704
	402	749

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	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000	£000	£000	£000	£000
Investments								
Loans and receivables			7,000	-			7,000	-
Available-for-sale financial assets	4,754	-	-	-	4,754	-	-	-
Unquoted equity investment at cost	435	435	-	-	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-	-
Total Investments	5,189	435	7,000	-	4,754	-	7,000	-
Debtors								
Loans and receivables	748	892	10,640	7,875	748	892	10,640	7,875
Financial assets carried at contract amounts	-	-	-	-	-	-	-	-
Total Debtors	748	892	10,640	7,875	748	892	10,640	7,875
Borrowings								
Financial liabilities at amortised cost	(5,000)	(5,000)	(12,652)	(14,764)	(5,000)	(5,000)	(12,652)	(14,764)
Present Value of Lease liability	(29,762)	-	-	-	(29,762)	-	-	-
Total borrowings	(34,762)	(5,000)	(12,652)	(14,764)	(34,762)	(5,000)	(12,652)	(14,764)
Creditors								
Financial liabilities at amortised cost	-	-	(6,168)	(3,459)	-	-	(6,168)	(3,459)
Financial liabilities carried at contract amount	-	-	-	-	-	-	-	-
Total creditors	-	-	(6,168)	(3,459)	-	-	(6,168)	(3,459)

Income, Expenses, Gains and Losses-GCC

	2017/18					2016/17				
	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	1,515	-	-	-	1,515	242	-	-	-	242
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Increases/(Reductions) in fair value	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Fee expense	-	-	-	-	-	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	1,515	-	-	-	1,515	242	-	-	-	242
Interest income	-	(215)	-	-	(215)	-	(45)	-	-	(45)
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	-	(215)	-	-	(215)	-	(45)	-	-	(45)
Gains on revaluation	-	-	-	-	-	-	-	-	-	-
Losses on revaluation	-	-	246	-	246	-	-	-	-	-
Net gain/(loss) for the year	-	-	246	-	246	-	-	-	-	-

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 2018 are 2.34% to 2.77% for loans from the PWLB and 0.43% to 0.97% 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:

	2017/18		2016/17	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities				
Long-term Borrowings	(5,000)	(6,314)	(5,000)	(5,826)
Long-term lease liability	(29,762)	(29,762)	-	-
Short-term Borrowings	(12,652)	(12,652)	(14,764)	(14,764)
Short-term Creditors	(6,168)	(6,168)	(3,459)	(3,459)

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.

	2017/18		2016/17	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Assets				
Long-term Investments	5,189	5,189	435	435
Short-term Investments	7,000	7,000	-	-
Long-term Debtors	748	748	892	892
Short-term Debtors	10,640	10,640	7,875	7,875

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 long term investment is made up of original £435k investment in airport joint venture, which is difficult to value, hence shown at amortised cost and the £5m investment in units of CCLA property shares at original price of 324p. The fair value is based on bid price of 297.33p per unit (£4.757m) as at year end date applying the Route 1 approach

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	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
Balance at the beginning of the year	-	606	-	-
Additions	-	-	-	-
Disposals	-	(574)	-	-
Gain / Loss on revaluation	-	-	-	-
Assets transferred to / from held for sale				
-Investment property	83	(32)	-	-
Balance at the end of the year	83	-	-	-

NOTES TO THE CORE FINANCIAL STATEMENTS

17 INVENTORIES

	2017/18	2016/17
	£000	£000
Consumable stores		
Balance outstanding at start of year	44	41
Purchased	8	7
Consumed	(5)	(4)
Balance outstanding at year-end	47	44

18 CONSTRUCTION CONTRACTS

As at 31st of March 2018, the Council entered into various contracts with companies for the construction of Bus Station and Kings Quarter regeneration to the tune of £7.9m (£0, 2017). The bus station is expected to be completed in the Autumn of 2018 and the Kings Quarter scheme is expected to be the subject of a planning application in the 2018/19 year.

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	
	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000
Central government bodies	316	464	316	464
Other Local authorities	716	622	716	622
Other entities and individuals	9,608	6,789	9,608	6,789
Total debtors	10,640	7,875	10,640	7,875

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	
	2017/18	2016/17
	£'000	£'000
Loans to vulnerable people for house renovations	51	62
Loans to Marketing Gloucester	97	97
Loans to Gloucestershire Airport Ltd-see below	506	627
Other loans	94	106
Total	748	892

Gloucestershire Airport loan details :-

	Current Interest Rate (%)	GCC and Group	
		2017/18	2016/17
		£'000	£'000
10 Year loan			
Balance at 31 March	1.8	627	746
Less: Amount repayable within twelve months included in short-term debtors		(121)	(119)
		506	627
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	-	70
Less: Amount repayable within twelve months included in short-term debtors		-	(70)
		-	-
Total		506	627

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	
	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000
Cash held by the Council	4	4	4	4
Bank current accounts	6,280	2,692	6,280	2,692
Total Cash and Cash Equivalents	6,284	2,696	6,284	2,696

NOTES TO THE CORE FINANCIAL STATEMENTS

21 SHORT-TERM CREDITORS

	GCC		Group	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
Central Government Bodies	811	357	811	357
Other Local Authorities	1,108	435	1,108	435
Other Entities & Individuals	188	76	188	76
Council Taxpayers	141	160	141	160
Business Ratepayers	230	916	230	916
Deferred Income	956	0	956	0
Lease Liability	243	0	243	0
Sundry creditors	2,491	1,515	2,491	1,515
Total	6,168	3,459	6,168	3,459

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	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
Aspire Sports and Cultural Trust	-	3	-	3
Charity deposits	152	151	152	151
Short-term borrowings with other local authorities	7,497	14,500	7,497	14,500
Accrued interest on short-term and long-term borrowings	3	110	3	110
Greater Manchester Pension Fund	5,000	-	5,000	-
	12,652	14,764	12,652	14,764

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 (%)	2017/18 Amortised Cost £000	2017/18 Fair Value £000	2016/17 Amortised Cost £000	2016/17 Fair Value £000
BAE Systems	3.95	5,000	6,314	5,000	7,331
Long Term Lease liability	5.80%	29,762	29,762	0	-
Total		34,762	36,076	5,000	7,331

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.

	2017/18 £000	2016/17 £000
Between 1 and 2 years	-	-
Between 2 and 5 years	-	-
Between 5 and 10 years	-	-
More than 10 years	34,762	5,000
	34,762	5,000

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 Compensa tion Claims	Total
	£000	£000
Balance at 1 April 2017	197	197
Additional provisions made in 2017/18	58	58
Amounts utilised in 2017/18	(48)	(48)
Balance at 31 March 2018	207	207
Consists of:		
Insurance claims provision	207	207
Balance at 31 March 2018	207	207

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 2017	1,187	160	1,347
Additional provisions made in 2017/18	600	62	662
Amounts used in 2017/18	(286)	(143)	(429)
Balance at 31 March 2018	1,501	79	1,580
Consists of:			
NNDR Appeals	1,501	-	1,501
Restructuring Provision	-	10	10
Legal Services provision	-	18	18
Accumulated Absence provision	-	51	51
Balance at 31 March 2018	1,501	79	1,580

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 2018. 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.

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
	2017/18 £000	2017/18 £000	2016/17 £000	2016/17 £000
Revaluation Reserve	38,065	47,943	26,998	37,289
Pensions Reserve	(63,964)	(64,771)	(68,629)	(69,667)
Capital Adjustment Account	22,442	26,500	40,670	44,418
Deferred Capital Receipts Reserve	49	49	51	51
Collection Fund Adjustment Account	(691)	(691)	(1,577)	(1,577)
Short-term Accumulating Compensated Absences Account	(51)	(51)	(62)	(62)
Financial Instruments Available for Sale Reserve	(243)	(243)		
Total Unusable Reserves	(4,393)	8,735	(2,549)	10,452

(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.

	2017/18 £000	2016/17 £000
	Total	General
Balance at 1 April	26,998	20,921
Upward revaluation of assets	12,833	6,766
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(747)	(12)
Surplus on revaluation of assets	39,084	27,675
Difference between fair value depreciation and historical cost depreciation	(594)	(677)
Amount written off to the Capital Adjustment Account	(425)	-
Balance at 31 March	38,065	26,998

(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 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	GCC Only	
	2017/18 £000	2016/17 £000
Balance at 1 April	40,670	45,673
Reversal of items relating to capital expenditure debited or credited		
Charges for depreciation and impairment of non current assets	(3,017)	(3,444)
Revaluation losses on Property, Plant and Equipment and assets	(594)	(1,710)
Amortisation of intangible assets	(311)	(357)
Revenue expenditure funded from capital under statute	(1,583)	(356)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(599)	(1,467)
	34,566	38,339
Adjusting amounts written out of the Revaluation Reserve	1,019	677
Net written out amount of the cost of non-current assets consumed in	35,585	39,016
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital	2,053	2,655
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	6,551	570
Direct Revenue Financing	18	-
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	529	461
	44,736	42,702
Movements in the market value of Investment Properties debited or credited to the CIES	(22,294)	(2,032)
Balance at 31 March	22,442	40,670

NOTES TO THE CORE FINANCIAL STATEMENTS

24 UNUSABLE RESERVES (CONTINUED)

(iii) 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.

	2017/18 £000	2016/17 £000
Balance at 1 April	(68,629)	(58,381)
Re-measurement of the net defined benefit liability	4,406	(10,814)
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	(3,969)	(3,412)
Employer's pensions contributions and direct payments to pensioners payable in the year	4,228	3,978
Balance at 31 March	(63,964)	(68,629)

(iv) 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.

	2017/18 £000	2016/17 £000
Balance at 1 April	51	53
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	(2)	(2)
Balance at 31 March	49	51

NOTES TO THE CORE FINANCIAL STATEMENTS

24 UNUSABLE RESERVES (CONTINUED)

(v) 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.

	2017/18 £000	2016/17 £000
Balance at 1 April	(1,577)	(899)
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	886	(678)
Balance at 31 March	(691)	(1,577)

(vi) 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.

	2017/18 £000	2016/17 £000
Balance at 1 April	(62)	(79)
Settlement or Cancellation of Accrual made at the end of the preceding year	62	79
Amounts accrued at the end of the current year	(51)	(62)
Balance at 31 March	(51)	(62)

(vii) Financial Instruments Available for Sale Reserve

The Financial Instruments available for sale reserve holds the movements in the value in available for sale financial instruments to reflect the difference between statutory requirements and proper accounting practices for such assets

	2017/18 £000	2016/17 £000
Balance at 1 April	0	0
Movement in the fair value of available for sale assets	(243)	0
Balance at 31 March	(243)	0

NOTES TO THE CORE FINANCIAL STATEMENTS

25 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	Council 2017/18 £000	Council 2016/17 £000
(Deficit)/surplus on Provision of Services	(18,304)	(4,542)
<i>Adjustments in respect of non-cash movements</i>		
Depreciation of property, plant and equipment	3,017	3,444
Revaluation losses charged to net cost of services	22,888	3,743
Amortisation of intangible assets	311	356
Decrease/(Increase) in short-term debtors	(2,765)	567
Increase in creditors	5,836	(1,672)
Decrease/(Increase) in long-term debtors	144	191
(Increase)/decrease in inventories	(3)	(3)
(Decrease) in provisions	243	341
Carrying amount of non-current assets and non-current assets held for sale sold	599	1,467
Adjustment in respect of pension fund deficit	(259)	(566)
	30,011	7,868
<i>Adjustment for items that are investing and financing activities</i>		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(914)	(1,860)
Capital Grants credited to CIES	(7,044)	(1,886)
	(7,958)	(3,746)
Net Cash flows from Operating Activities	3,749	(420)
<i>The cash flows from operating activities include the following items:</i>		
Interest received	145	60
Interest paid	(1,512)	(245)

26 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	Council 2017/18 £000	Council 2016/17 £000
Purchase of property, plant and equipment, investment property and intangible assets	(7,037)	(7,520)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	917	1,863
Short-term/long-term investments purchases	(12,000)	16
Capital Grants Received	10,203	2,660
Net cash flows from investing activities	(7,917)	(2,981)

27 CASH FLOW STATEMENT – FINANCING ACTIVITIES

	Council 2017/18 £000	Council 2016/17 £000
Lease Incentives Received	9,870	-
Repayments of short- and long-term borrowing	(2,113)	4,476
Net cash flows from financing activities	7,757	4,476

NOTES TO THE CORE FINANCIAL STATEMENTS

28 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS FOR THE EXPENDITURE AND FUNDING ANALYSIS

The expenditure and funding analysis (EFA), documents the adjustments made to the Comprehensive Income and Expenditure Statement to get back to the funding position. The following note splits out the detail of the adjustments made between the two positions.

(i) Adjustments between accounting basis and funding basis 2017/18

	Adjustments for Capital Items	Adjustments for Pensions	Other Adjustments	TOTAL
	£000	£000	£000	£000
Communities and Neighbourhoods	(307)	(121)	(4)	(432)
Culture and Leisure	(139)	(177)	-	(316)
Environment	(601)	(188)	3	(786)
Housing and Planning	(943)	(253)	7	(1,189)
Performance and Resources	(594)	(461)	4	(1,051)
Regeneration and Economy	(2,289)	(215)	(1,026)	(3,530)
Net Cost of Services	(4,873)	(1,415)	(1,016)	(7,304)
Other Income and Expenditure	(15,547)	1,675	2,440	(11,432)
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit	(20,420)	260	1,424	(18,736)

(ii) Adjustments between accounting basis and funding basis 2016/17

	Adjustments for Capital Items	Adjustments for Pensions	Other Adjustments	TOTAL
	£000	£000	£000	£000
Communities and Neighbourhoods	(71)	(74)	13	(132)
Culture and Leisure	(830)	(82)	(2)	(914)
Environment	(1,083)	(89)	1	(1,171)
Housing and Planning	(311)	(152)	0	(463)
Performance and Resources	(642)	82	95	(465)
Regeneration and Economy	(1,094)	(104)	(1,613)	(2,810)
Net Cost of Services	(4,031)	(419)	(1,506)	(5,955)
Other Income and Expenditure	(1,588)	984	1,306	702
Difference between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Surplus or Deficit	(5,619)	565	(200)	(5,253)

The Comprehensive Income and Expenditure Statement has been restated for 2016/17 to exclude inter-service recharges. The amounts, and impact, is as follows.

Portfolio	Original 2016/17 CIES	2016/17 Recharge	Revised 2016/17 CIES
	£000	£000	£000
Communities and Neighbourhoods	1,976	875	1,101
Culture and Leisure	3,570	966	2,604
Environment	6,837	1,658	5,179
Housing and Planning	4,969	2,504	2,465
Performance and Resources	1,820	(4,037)	5,857
Regeneration and Economy	30	(1,966)	1,996
Net Cost	19,202	0	19,202

29 ACQUIRED, DISCONTINUED AND TRANSFERRED OPERATIONS

There have been no acquired or discontinued or transferred operations during 2017/18.

NOTES TO THE CORE FINANCIAL STATEMENTS

30 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.

	2017/18			2016/17		
	£000	£000	£000	£000	£000	£000
	Income	Expenditure	Net	Income	Expenditure	Net
City Estates	(1,225)	204	(1,021)	(1,702)	191	(1,511)
St.Oswald's Park	(11)	18	7	(4)	-	(4)
Eastgate Market	(263)	216	(47)	(269)	255	(14)
Other markets	(52)	44	(8)	(68)	24	(44)
Lettings & Catering Services	(555)	985	430	(398)	355	(43)
Total	(2,106)	1,467	(639)	(2,441)	825	(1,616)

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

	2017/18 £000	2016/17 £000
Net surplus on Trading Operations	(639)	(1,616)
Net surplus credited to Other Operating Expenditure	(639)	(1,616)

31 MEMBERS' ALLOWANCES

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

	2017/18 £000	2016/17 £000
Allowances	340	331
Expenses	2	1
Total	342	332

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

32 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:

	2017/18 £'000	2016/17 £'000
Fees payable to KPMG LLP for		
- External audit services	71	63
- Certification of grant claims and returns	15	10
Total audit fees	86	73

NOTES TO THE CORE FINANCIAL STATEMENTS

33 OFFICERS' REMUNERATION

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

Senior Officer	Managing Director		Corporate Director		Corporate Director		Head of Policy and Resources - Section 151 Officer	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Salary, fees & allowances	115,969	115,721	84,216	£74,025	84,203	69,658	£76,656	72,255
Bonuses	-	-	-	-	-	-	-	-
Expenses allowance	-	-	-	-	-	-	-	-
Compensation for loss of employment	-	-	-	-	-	-	-	-
Employer's pension contribution	20,529	18,958	14,736	£11,104	14,736	10,449	£13,410	10,838
Any other emoluments	-	-	-	-	-	-	-	-
Total	£136,498	£134,679	£98,952	£85,129	£98,939	£80,107	£90,066	£83,093

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

*The Section 151 Officer role was the Head of Finance up to 01 June 2017

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	
	2017/18	2016/17
£50,000 to £54,999	1	2
£55,000 to £59,999	-	1
£60,000 to £64,999	1	-
£65,000 to £69,999	-	-
£70,000 to £74,999	-	-
£75,000 to £79,999	-	1

34 TERMINATION BENEFITS

Details of termination benefits paid in 2017/18 are as follows:

	Number of Compulsory		Number of Other		Total Exit Packages by		Total Cost of Exit	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	Number of Compulsory Redundancies	Number	Number of Other Departures Agreed	Number	Number	Number	£'000	£'000
Less than £20,000	6	1	17	4	23	5	167	34
Between £20,000 and £40,000	3	1	8	-	11	1	314	22
Between £40,000 and £60,000	-	-	3	-	3	-	162	-
Between £60,000 and £80,000	-	-	2	-	2	-	142	-
Between £80,000 and £100,000	-	-	-	-	-	-	-	-
Between £100,000 and £150,000	-	-	-	-	-	-	-	-
Total	9	2	30	4	39	6	785	56

NOTES TO THE CORE FINANCIAL STATEMENTS

35 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

	2017/18 £'000	2016/17 £'000
<i>Credited to Taxation and Non-Specific Grant Income</i>		
Revenue Support Grant	(1,092)	(1,856)
Capital Grants	(7,044)	(1,886)
New Homes Bonus	(2,696)	(3,831)
Business Rates Section 31 Grant	(1,222)	(741)
Transition Grant	(10)	(10)
Transparency Grant	-	(8)
	(12,064)	(8,332)
<i>Credited to Services</i>		
Homelessness and other housing	(466)	(10)
Mandatory Rent Allowances	(40,846)	(42,752)
Rent Rebates	(377)	(379)
Community Grants	-	(35)
Other	(885)	(600)
	(42,574)	(43,776)
Total grants	(54,638)	(52,108)

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

	31/03/2018 £'000	31/03/2017 £'000
Capital Grants Received in Advance		
Bodiam Avenue	35	35
Coney Hill South	56	56
Cotswold View	271	271
Flood income	61	30
Green Farm	81	81
British Energy	150	150
Hempsted Grange	-	143
Hammersons	55	55
Railway Triangle	2	2
St Oswalds	56	56
Travis Perkins	423	450
Tolsey Gardens	31	31
Kings Walk Contributions	4,105	-
Other contributions	744	1,551
Total	6,070	2,911

There are no capital grants received in advance that are classified as current liabilities.

NOTES TO THE CORE FINANCIAL STATEMENTS

36 RELATED PARTIES

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

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.). Grant receipts held as received in advance at 31 March 2018 are shown in Note 35.

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.

	2017/18			2016/17		
	Number of Related Parties	Payments Made or Due £'000	Income Rec'd £'000	Number of Related Parties	Payments Made or Due £'000	Income Rec'd £'000
Central Government						
Revenue Support Grant	1	-	(1,092)	1	-	(1,856)
Other Government grants	1	-	(5,279)	1	-	(5,235)
Council Tax and Housing Benefit grants	1	-	(43,131)	1	-	(43,131)
NNDR	1	26,136	-	1	27,367	-
Other Local and Police Authorities						
Precepts	2	51,159	-	2	48,719	-
Gloucestershire County Council inc Pension Fund contributions	8	4,228	-	8	3,978	-
Gloucestershire Airport Limited Loan interest and rents	1	-	(63)	2	-	(51)
Quedgeley Parish Council	1	236	-	1	252	-
Others						
Gloucester Law Centre	1	38	-	1	76	-
Gloucester Wildlife Trust	-	-	-	-	35	-
Marketing Gloucester Limited	2	264	-	2	419	-
Aspire Sports and Cultural Trust	2	428	(438)	2	463	(351)
Hucclecote Community Association	1	2	-	-	-	-
Active Gloucestershire	1	15	-	-	-	-
Gloucester Docks Estate Company	1	67	-	-	-	-
Create Gloucestershire	1	23	-	-	-	-
Llanthony Secunda Priory	1	30	-	-	-	-
Strike a Light	1	16	-	-	-	-

Amounts due to or from related parties included in debtors and creditors as at 31 March 2018:

	2017/18 £'000	2016/17 £'000
Short-term Debtors	1,054	582
Long-term Debtors	603	724
Short-term Creditors	2,290	1,437
Short-term Borrowings	7,497	14,500

NOTES TO THE CORE FINANCIAL STATEMENTS

37 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2017/18	2016/17
	£000	£000
Opening Capital Financing Requirement	25,671	21,481
Capital investment		
- Property, Plant and Equipment, heritage assets and assets held for sale	5,306	6,080
- Investment Properties	21,552	1,286
- Intangible Assets	71	154
- Revenue Expenditure Funded from Capital under Statute (REFCUS)	1,583	356
	54,183	29,357
Sources of finance		
- Usable Capital Receipts	(2,053)	(2,655)
- Capital Grants and Contributions	(6,551)	(570)
- Revenue Financing	(18)	-
Revenue Provision (including Minimum Revenue Provision)	(529)	(461)
Closing Capital Financing Requirement	45,032	25,671
Explanation of movements in year		
Increase in underlying need to borrow for capital investment:		
- Supported by Government financial assistance	-	-
- Unsupported by Government financial assistance	-	4,661
- Representing liability on new finance lease	19,890	-
Amounts 'set aside' for debt repayment	(529)	(461)
Capital Grant repaying expenditure financed by borrowing in prior year	-	(10)
Increase / (Decrease) in Capital Financing Requirement	19,361	4,190

38 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 2018.

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

Operating Leases

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

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

Rentals received during the year and included in the net cost of services were £1.290 million (2016/17:£1.747 million). The future minimum lease payments receivable under non-cancellable leases in future years are as follows:

	2017/18	2016/17
	£'000	£'000
Not later than 1 year	842	1,529
Later than 1 year and not later than 5 years	3,251	5,299
Later than 5 years	92,043	124,969
Total	96,136	131,797

NOTES TO THE CORE FINANCIAL STATEMENTS

38 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 £0.393 million in 2017/18 (2016/17 :£0.490 million) made up as follows:

	2017/18	2016/17
	£'000	£'000
Minimum lease payments	393	490
Contingent rentals	-	-
Sub-lease payments receivable	-	-
Total	393	490

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

	2017/18	2016/17
	£'000	£'000
Not later than 1 year	287	476
Later than 1 year and not later than 5 years	1,056	1,772
Later than 5 years	18,174	31,997
Total	19,518	34,245

Finance Leases

The Council has one finance lease. This was entered into in 17/18 and represents a change in the Council's interest in the Kings Walk shopping centre. Upon completion the Council recognised a lease liability relating to future rental payments of £29.762m. A right of use asset was recognised with a value of £19.892m representing the lease liability of £29.762m after deduction of lease incentives received on completion of £9.870m. The asset has subsequently been revalued to a value of £2.9m representing the fair value as determined by independent valuers. This value is recorded within Property Plant and Equipment on the Balance Sheet. The previous Shopping Centre arrangement had been categorised as an investment property.

The interest cost recorded as financing expenditure in year was £1.292m

Income received from tenants at the centre in 2017/18, net of the Authority's costs was £1.27m. Income of £697k was also recognised from a rental guarantee deposit held. The remaining balance of this deposit is £4.083m and this is recorded as a creditor within the balance sheet.

The lease liability is recorded as long-term borrowing within the balance sheet with a value of £29.762m. Accrued interest of £243k is included within current creditors.

The table below shows future lease payments at both their expected cash flow and their present value as at the balance sheet date.

	Total Lease Payments	Present Value
	£'000	£'000
Not later than 1 year	1,429	1,277
Later than 1 year and not later than 5 years	6,012	4,668
Later than 5 years	94,853	22,835
Total	102,295	28,780

39 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.

40 CAPITALISATION OF BORROWING COSTS

No borrowing costs were capitalised during the year.

NOTES TO THE CORE FINANCIAL STATEMENTS

41 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:

	2017/18 £000	2016/17 £000
Comprehensive Income and Expenditure Account		
<i>Net Cost of Services :</i>		
Current service cost (apportioned across services)	2,078	1,448
Effects of settlements	-	(15)
Settlements and Curtailments (included in Non-Distributed costs)	201	38
<i>Financing and Investment Income and Expenditure</i>		
Net interest expense	1,690	1,941
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3,969	3,412
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)	1,739	12,173
-Actuarial gains/(losses) arising from changes in demographic assumptions	-	926
-Actuarial gains/(losses) arising from business combination and disposal	-	-
-Actuarial gains/(losses) arising from changes in financial assumptions	2,667	(23,913)
-Other	-	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	8,375	(7,402)
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	(3,969)	(3,412)
Actual amount charged against the General Fund Balance for pensions in the year:		
- employer's contributions payable by the general fund to the scheme	4,228	3,978
- retirement benefits payable to pensioners	-	-
	8,634	(6,836)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2018 is a net deficit of £35.680 million (2016/17: £40.086 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	
	2017/18 £000	2016/17 £000
	Opening balance at 1 April	160,434
Current service cost	2,078	1,448
Effect of Settlements		(82)
Interest cost	3,970	4,578
Contributions by scheme participants	330	368
Effects of business combinations and disposals		-
Remeasurement gains and losses:		
-Actuarial (gains)/losses arising from changes in demographic assumptions	-	(926)
-Actuarial (gains)/losses arising from changes in financial assumptions	(2,667)	23,913
-Other		
Losses/(gains) on curtailments	201	38
Benefits paid	(5,651)	(5,585)
Closing balance at 31 March	158,695	160,434

NOTES TO THE CORE FINANCIAL STATEMENTS

41 DEFINED BENEFIT PENSION SCHEMES (Continued)

Reconciliation of fair value of the scheme (plan) assets

Local Government Pension Scheme

	2017/18 £000	2016/17 £000
Opening balance at 1 April	91,805	78,301
Interest income	2,280	2,637
<i>Remeasurement gain/(loss):</i>		
The return on plan assets, excluding the amount included in the net interest expense	1,739	12,173
Effect of Settlements		(67)
Effect of business combinations and disposals		-
Employer contributions	4,228	3,978
Contributions by scheme participants	330	368
Benefits paid	(5,651)	(5,585)
Closing balance at 31 March	94,731	91,805

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-18 £'000	31-Mar-17 £'000
<i>Present value of liabilities:</i>		
Local Government Pension Scheme	(158,695)	(160,434)
<i>Fair value of assets:</i>		
Local Government Pension Scheme	94,731	91,805
Deficit in the scheme	(63,964)	(68,629)

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 £63.964 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 2018 was £4.228 million (2016/17: £3.978 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 2018.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2017/18	2016/17
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	22.4	22.4 years
- Women	24.6	24.6 years
Longevity at 65 for future pensioners:		
- Men	24	24.0 years
- Women	26.4	26.4 years
Rate of increase in salaries	2.70%	2.70%
Rate of increase in pensions	2.40%	2.40%
Rate for discounting scheme liabilities	2.60%	2.50%
Take-up of option to convert annual pension into Retirement lump sum	68%	68%

NOTES TO THE CORE FINANCIAL STATEMENTS

41 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%	13,715
0.5% Increase in the salary increase rate	1%	1,009
0.5% Increase in the pension increase rate	8%	12,591

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	2017/18				2016/17			
	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	4,595	-	4,595	5%	4,453	-	4,453	5%
Manufacturing	2,464	-	2,464	3%	2,387	-	2,387	3%
Energy & Utilities	1,802	-	1,802	2%	1,747	-	1,747	2%
Financial Institutions	3,807	-	3,807	4%	3,690	-	3,690	4%
Health & Care	1,523	-	1,523	2%	1,476	-	1,476	2%
Information Technology	235	-	235	0%	228	-	228	0%
Other	2,872	-	2,872	3%	2,783	-	2,783	3%
Debt Securities								
Corporate Bonds (investment grade)	4,444	-	4,444	5%	4,307	-	4,307	5%
Corporate Bonds (non-investment grade)	342	-	342	0%	331	-	331	0%
UK Government	6,861	-	6,861	7%	6,650	-	6,650	7%
Other	1,042	-	1,042	1%	1,009	-	1,009	1%
Private Equity								
All	-	241	241	0%	-	233	233	0%
Real Estate								
UK Property	4,616	1,481	6,097	6%	4,474	1,435	5,909	6%
Overseas Property	-	514	514	1%	-	498	498	1%
Investment Funds and Unit Trusts								
Equities	3,762	42,765	46,527	49%	3,646	41,444	45,090	49%
Bonds	5,728	532	6,260	7%	5,551	515	6,066	7%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	-	-	0%	-	-	-	0%
Other	-	3,664	3,664	4%	-	3,551	3,551	4%
Derivatives								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	53	-	53	0%	52	-	52	0%
Other	20	-	20	0%	19	-	19	0%
Cash and Cash Equivalents								
All	1,368	-	1,368	1%	1,326	-	1,326	1%
Totals	45,535	49,196	94,731	100%	44,129	47,676	91,805	100%

NOTES TO THE CORE FINANCIAL STATEMENTS

41 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 2020.

The Council is anticipated to pay £4.094m contributions to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is 15.8 years for 2017/18.

42 CONTINGENT LIABILITIES

The Council is currently involved in an employment dispute with a former member of staff. The likelihood or quantum of potential future costs are not known at the balance sheet date.

NOTES TO THE CORE FINANCIAL STATEMENTS

43 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, financial institutions and other local authorities 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.

The Council maintains strict credit criteria and it is considered that the risk of default remains low.

The Council's maximum exposure to credit risk in relation to its short-term investments and deposits with banks and other financial institutions of £6.28million (2016/17: £2.692million) 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 44. Long-term debtors, as detailed in note 19(i), include the loans to Gloucestershire Airport Limited totalling £0.506 million (2016/17:£0.627 million) and are considered to have a low credit risk.

The Council does not generally allow credit for customers and £740k, of the debtors balance of £10.64 million (see Note 15) is past its due date for payment as follows:

	£'000
Less than 4 months	138
4 months- 1 year	416
More than 1 year	186
Total	740

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
	%	31/03/2018 %
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

43 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 2018, 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	5,000	3.95%	198	4.95%	248	(50)
Short-term-variable	12,652	0.66%	84	1.66%	210	(127)
	17,652		281		458	(177)
Investments						
Short-term-variable	7,000	0.56%	39	1.56%	109	70
Net loss/(gain) on deficit/(surplus) for the year						(107)

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.

44 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-18 £'000	31-Mar-17 £'000	31-Mar-18 £'000	£'000
Share capital - Gloucestershire Airport Ltd	435	435		
Government Stock	-		-	-
CCLA	4,754		4,754	
Total	5,189	435	4,754	-

During the year the Council invested £5m to purchase units of CCLA shares, a property investment funds at a market price of 324p per unit. As at 31st March, the bid price per unit was 297.33p (£4,757k), hence the fair value amount as reflected in balance sheet and recognised through the income and expenditure accounts. This being an application of the Route 1 fair value approach.

NOTES TO THE CORE FINANCIAL STATEMENTS

45 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, using equity accounting principle

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 2018 reflected the following:

	2017/18 £000	2016/17 £000
After tax operating (loss)/profit	186	71
Net assets	24,699	24,260

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

45 NOTES TO THE GROUP ACCOUNTS (continued)

The Group Balance Sheet has been prepared by combining the Council's 50% share of the Airport's net assets as a long-term investment, eliminating the share capital. Since FRS102 requires Investment Property (and allows Property, Plant and Equipment at 'deemed cost') to be measured at fair value, the revaluation adjustments previously applied to bring the airport's accounts into line with the Council's accounting policies are no longer required. For the purposes of the airport's accounts its non-current assets were revalued at fair value as at 31st March 2015, 2016 and 2017 by an external valuer.

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 £1.55million (2016/17:£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
	£ 2017/18 £000	£ 2017/18 £000	£ 2016/17 £000	£ 2016/17 £000
Turnover	5,580	2,790	4,428	2,214
Profit on ordinary activities before taxation	566	283	(187)	(94)
Tax on profit on ordinary activities	(380)	(190)	258	129
Profit for the financial year after taxation	186	93	71	35
Fixed Assets	33,876	16,938	33,241	16,621
Current Assets	751	375	990	495
Liabilities due within one year	1,781	890	2,007	1,004
Liabilities due after one year	6,532	3,266	5,887	2,944
Net pension liability	1,614	807	2,077	1,039
		12,350		12130
Less: Investment		(435)		-435
Share of Assets consolidated using the equity approach		11,915		11695

The Airport did not pay any dividend for the year ended 31st March 2018 (2017: £Nil).

The accounts of GAL for the year ending 31 March 2018 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

45 NOTES TO THE GROUP ACCOUNTS (continued)

ADJUSTMENTS BETWEEN GROUP ACCOUNTS AND GCC ACCOUNTS

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 2018					
	Note	2017/18			2016/17
		£'000	£'000	£'000	£'000
		Council Tax	Business Rates	Total	Total
INCOME					
Non Domestic Rates					
Collectable from Business Ratepayers	2,4		(51,966)	(51,966)	(52,852)
Council Tax					
Collectable from Council Tax Payers	1	(59,655)		(59,655)	(56,709)
		(59,655)	(51,966)	(111,621)	(109,561)
EXPENDITURE					
Non-Domestic Rates					
Payment to Gloucester City Council			20,909	20,909	21,894
Payment to Central Government			26,136	26,136	27,367
Payment to Gloucestershire County Council			5,227	5,227	5,473
Council Tax Precepts					
Gloucester City Council		7,226		7,226	6,945
Gloucestershire County Council		43,286		43,286	41,097
Police and Crime Commissioner for Gloucestershire		7,873		7,873	7,622
Write-Offs		(54)	796	742	170
Change in bad debt provisions		15	(1,106)	(1,091)	538
Interest on NNDR refunds				-	10
Change in Provision for NNDR Appeals			785	785	761
Cost of NNDR Collection			175	175	179
Distribution of previous years' estimated Collection Fund surplus/(deficit)		750	(3,012)	(2,262)	(811)
		59,096	49,910	109,006	111,245
(Increase)/Decrease in Fund		(559)	(2,056)	(2,615)	1,684
Balance of Fund at beginning of year		(1,183)	4,306	3,123	1,439
Balance of Fund at 31 March		(1,742)	2,250	508	3,123

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	55	5/9	31
A	13,919	6/9	9,279
B	14,148	7/9	11,004
C	12,254	8/9	10,892
D	5,311	9/9	5,311
E	3,382	11/9	4,134
F	793	13/9	1,145
G	140	15/9	233
H	3	18/9	5
Total	50,005		42,035
Less: Council Tax Support Scheme			(4,942)
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)			(387)
Council Tax Base for 2017/18			36,706
Council Tax Base for 2016/17			36,240

The Council Tax Base for 2017/18 multiplied by the Average Band D Council Tax Charge gives the Total of Precepts and Demands for the Year:

Tax Base	36,706
	X
Average Band D Charge	1,584.17
Precepts and Demands (£000s)	58,148

Properties within the boundaries of Quedgeley Parish Council pay an additional Council Tax sum to fund the activities of the Parish Council. For the 2017/18 year this was as follows.

Tax Base	6,204
	X
Average Band D Charge	38.09
Precept	236

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 2018 was £129.452 million (£126.007 million at 31 March 2017) and the national non-domestic multiplier for 2017/18 was 47.9p (2016/17 :49.7p), resulting in net income after transitional, small property, empty property and mandatory reliefs of £51.314 million (£52.852 million in 2016/17).

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 2017/18.

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 2017/18 was £15.480 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 2017/18 is £1.742 million (2016/17 surplus £1.183 million). This is apportioned as follows:

	2017/18 £'000	2016/17 £'000
Gloucestershire County Council	(1,293)	(876)
Police and Crime Commissioner for Gloucestershire	(239)	(161)
Gloucester City Council	(210)	(146)
Total	(1,742)	(1,183)

The fund surplus is to be partly distributed to the respective parties in 2017/18 as a surplus of £1 million was declared in January 2017.

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 surplus of £2.056 million in 2017/18 (£1.705m deficit in 2017/18). The closing deficit is apportioned between the relevant bodies as follows.

Apportionment of Net Deficit relating to NNDR	2017/18 £'000	2016/17 £'000
Gloucestershire County Council	225	430
Central Government	1,125	2,153
Gloucester City Council	900	1,723
Total	2,250	4,306

The fund deficit is to be fully recovered from the respective parties in 2018/19 as a deficit of £2.254 million was declared in January 2018.

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 2018 was £3.752 million. This has been split amongst the three recipients of Business Rates Income according to their respective share.

	2017/18 £'000	2016/17 £'000
Central Government	1,877	1,483
Gloucester City Council	1,501	1,186
Gloucestershire County Council	375	297
Total	3,752	2,966

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.