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INTRODUCTION AND FOREWORD

Gloucester City Council

Welcome to our Statement of Accounts

The financial year 2007/8 was the third and final year in the span of the Council's corporate plan, the 'Blueprint for Change'. A council tax increase of 3% was set for the year in line with the plan for annual 3% increases.

The average council tax band in Gloucester is band B and the council tax set for this band was £126.82. The City's council tax again provided excellent value for money and was 19% below the average tax for all Gloucestershire districts.

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

We have improved the way we present our financial information. This is because we want residents and others to understand how the Council's services are financed. For 2006/7 we set out the information in an annual report, which was published in September 2007. This can be found on the council's website at:-

[http://www.gloucester.gov.uk/AnnualReport 20067](http://www.gloucester.gov.uk/AnnualReport%2020067)

The 2007/8 annual report will be published in October 2008.

Finally, two 'thank you's'.

Firstly, to the Accountancy and Exchequer Services Team, which has produced this document at a time of considerable change in the council.

Secondly, 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.

Keith Birtles

(Section 151 Officer to 14.07.08)

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's responsibilities

The authority 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 authority, that officer is the Director (Section 151 Officer).
- * to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- * to approve the Statement of Accounts.

Responsibilities of The Director (Section 151 Officer)

The Director (Section 151 Officer) is responsible for the preparation of the authority'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 Director (Section 151 Officer) has:

- * selected suitable accounting policies and then applied them consistently;
- * made judgements and estimates that were reasonable and prudent;
- * stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the statement of accounts;
- * complied with the Code;
- * kept proper accounting records which were up to date;
- * taken reasonable steps for the prevention and detection of fraud and other irregularities.

This Statement of Accounts presents fairly the financial position of Gloucester City Council at 31 March 2008 and its income and expenditure for the year ended 31 March 2008.

Signed Dated

Peter Gillett CPFA
Director of Resources (Section 151 Officer)

Signed Dated

M. Lawlor
Chair of Audit Committee 29 September 2008

ANNUAL GOVERNANCE STATEMENT

1.0 Scope of responsibility

- 1.1 Gloucester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Gloucester City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Gloucester City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Gloucester City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.gloucester.gov.uk or can be obtained from the Council's Head of Internal Audit. This statement explains how Gloucester City Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of an Annual Governance Statement.

2.0 The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Gloucester City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Gloucester City Council for the year ended 31st March 2008 and up to the date of approval of the statement of accounts.

3.0 The governance framework

- 3.1 Governance is about how the Council ensures it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 3.2 The Council has adopted a Local Code of Corporate Governance that is based around a number of key principles. These principles are identified below, together with a commentary on the current level of organisational compliance.

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

- 4.1 In February 2005, the Council approved a new corporate strategy, the Blueprint for Change. It set out the authority's strategic objectives and priorities for improvement within the authority's overall vision. The details of the strategy for improvement over a three year period are set out in the 'Blueprint', with the three main elements being:
1. Services to be reviewed to explore new ways of delivering them and ensure they deliver value for money
 2. A new three-year financial strategy to put the council on a stable footing, provide money to invest in future improvements, and, ensure council tax increases stay at 3%
 3. The council to focus on three priorities:
 - Streetcare
 - Regeneration
 - Efficiency and effectiveness

The revised key aims were

- A safe and clean city
 - A prosperous modern city, protecting its heritage
 - A city for leisure and culture
 - A city with good housing and health
 - An effective and well-run city council
- 4.2 The Council's major policy objectives, as detailed in the 'Blueprint for Change', is subject to an annual progress review and updating by the Council.
- 4.3 The Council's annual work programme (approved at the Annual Council meeting) forms the basis of the Forward Plan. This contains details of the key decisions and major policy decisions to be considered by the Cabinet and Council respectively, over the next four months. The Forward Plan is reviewed and approved by Cabinet monthly and is subject to scrutiny by the Overview and Scrutiny Management Committee. A copy of the Forward Plan is also published on the Council's web site.
- 4.4 Performance against key aims, as set out in the Blueprint for Change and in Service Delivery plans, is monitored on a monthly basis via the Performance Monitoring reports to the senior management team, Cabinet and Scrutiny Committees. These

reports highlight progress against performance indicators and, very importantly, highlight potential problem areas thereby allowing the authority to address these at an early stage.

- 4.5 The Council has taken steps to further improve its performance management arrangements. This includes setting up a high level Performance Improvement Monitoring Group (PIG) to focus specifically on performance issues across the organisation.
- 4.6 The Best Value performance plan gives an annual report on progress against the Corporate Strategy.
- 4.7 The financial year ending 31st March 2008 was the final year of the Council's corporate strategy 'Blueprint for Change'. In February 2008, the Council approved a new corporate strategy entitled 'Building a Better Gloucester'. The new strategy is the next step, building on the achievements of the Blueprint for Change, it sets out the council's plan for the next three years focusing on the outcomes that the residents of Gloucester have stated are important.
- 4.8 The four key aims of the new strategy are:
 1. Put Gloucester on the map – Make Gloucester a locally, nationally and internationally respected and recognised city.
 2. A thriving 21st century city – Progress key regeneration schemes with relevant partners.
 3. A city with strong and cohesive communities – Involve local people and encourage ownership and pride in the locality.
 4. The city council is a top-performing organisation – Make efficient and effective use of our resources, deliver our promises, and provide quality and Value for Money.

5.0 Members and Officers work together to achieve a common purpose with clearly defined functions and roles

- 5.1 Members are responsible to the electorate and serve as long as their term of office lasts. Officers are responsible to the authority and carry out the Council's work under the direction of the Council, Executive and Committees.
- 5.2 The relationship between Councillors and Officers is essential to the successful working of the Council. This relationship within the authority is characterised by mutual respect, informality and trust. The Council has adopted a 'Councillor – Officer Relations' protocol to help councillors and Officers perform effectively by giving guidance on their respective roles and expectations, and, on their relationship with each other.
- 5.3 The Council has adopted a Scheme of Delegation detailing the delegation of responsibilities and functions to the Council, Cabinet, individual Cabinet Members, Committees, and, Officers.

- 5.4 In November 2007, and again in January 2008, managers were asked to review the Scheme of Delegation, detailed within the Constitution, in the light of changes in legislation, statutory instruments, guidance on best practice, Council decisions or anything else that required amendment. In addition, the Corporate Governance Group were asked to review the Council's Financial Regulations and Contract Standing Orders.
- 5.5 Any identified updated references to legislation, minor amendments and additions required by legislation and minor corrections were carried out by the Assistant Director (Democratic, Legal and Personnel Services). All other identified changes were submitted for Council approval in May 2008.
- 6.0 Promote values for the authority and demonstrate the values of good governance through the upholding of high standards of conduct and behaviour.**
- 6.1 The Council has adopted codes of conduct for Members and Officers. The code of conduct for Members is in accordance with the National Code of Local Government Conduct. The code of conduct for Officers will be amended following the implementation of the national framework document. The codes are contained in Part 5 of the Council's Constitution.
- 6.2 Following the summer emergency 2007, the Council's Flood Recovery Task and Finish Group recommended that consideration should be given to introducing Criminal Records Bureau (CRB) checks for all Councillors in the light of their activities during the emergency. In addition to looking at the possibility of introducing CRB checks for Members, the Council's Political Group Leaders also requested further information on the City Council's policy on CRB checks for staff. This review is still on-going as at the date of this Statement.
- 7.0 Take informed and transparent decisions which are subject to effective scrutiny and managing risk.**
- 7.1 The Council is committed to efficient and effective decision-making and for ensuring that those responsible for decision-making are clearly identifiable to local people and that they explain reasons for decisions. To help meet this commitment the Constitution lays down all of the procedures to be followed within the Authority, and includes a section on Decision Making Criteria and Committee Reporting Procedures.
- 7.2 In accordance with the statutory requirement the Council has established an overview and scrutiny function. Overview and scrutiny committees have a range of different roles. Included within this range of roles are four key legislative roles: holding the executive to account, policy development and review, best value reviews and external scrutiny. The above roles all need to add value to what the Council does.
- 7.3 One of the challenges to the City Council is make the role of scrutiny, and its Members, more visible and to encourage Members to engage in the scrutiny process. Following an initial officer report on the role of Members and the scrutiny process, Members requested further work to be undertaken and a further report is due to be considered by the Cabinet during the current financial year.

- 7.4 Risk Management is essentially about good management practice and effective decision making. It can be defined as:
- ‘A logical and systematic method of establishing the context, identifying, analysing, evaluating, treating monitoring and communicating risks associated with any activity, function or process in a way that will enable organisations to minimise losses and maximise opportunities’.
- 7.5 The Authority recognises that all aspects of business risk must be managed. The Council has a Risk Management Strategy, the purpose of which is to provide a framework for the effective management of risks within the authority. The Strategy was updated during the year, and was agreed by Cabinet in January 2008. The strategy contains the objectives of the strategy – linked to the council key aims and guidance on the risk management cycle and scoring of risks.
- 7.6 Cabinet are responsible for annually reviewing the Council’s Strategic Risk Register. A recent Internal Audit report on Risk Management identified that the last review of the Strategic Risk Register was carried out by Corporate Management Team (CMT) on 28 November 2006, and with the support of the Risk Management Group updated the risk register scoring. There is no evidence of a formal review of the Register by Cabinet.
- 7.7 A formal review of the Strategic Risk Register is to be carried out to update the register to identify any risks associated with the achievement of the Council’s aims and objectives in the new corporate strategy ‘Building a Better Gloucester’. This review is being undertaken by Gloucester Leadership Team (GLT), with the assistance of the Risk Management Group, and a report will be presented to Cabinet in due course.
- 7.8 The Council has established an Audit Committee. The Terms of Reference for the Audit Committee are included in the Council’s Constitution (Part 2 Articles of the Constitution). A review of the Terms of Reference carried out during the year, against the CIPFA best practice guide, identified a couple of areas of non-compliance. They were:-
- To commission work from internal and external audit
 - To maintain an overview of the council’s constitution in respect of codes of conduct and behaviour
 - To review any issue referred to it by the chief executive or a director, or any council body.
- 7.9 The above items, except the overview of codes of conduct and behaviour have been included in a revised Terms of Reference for the Audit Committee which was approved by Council in May 2008 as part of the Review of the Constitution.
- 7.10 The overview of the Council’s Constitution in respect of codes of conduct and behaviour was not included as this forms part of the Terms of Reference of the Standards Committee.

- 7.11 Within the council, various procedures and Committees/Boards have been established to ensure compliance with policies and laws. Many different Officers are involved in this area, although the statutory Monitoring Officer (Head of Legal Services), is pivotal in ensuring lawful administration, responsible decision making, use of permissive powers and responsive setting of policy.
- 7.12 The Head of Legal Services identifies any forthcoming relevant legislation and, together with the relevant Director, is responsible for ensuring that the Cabinet is appraised of the implications and what action the Council may need to take e.g. Corporate Homicide and Manslaughter Act, Local government and Involvement in Health Act.
- 7.13 With regard to compliance with agreed Council policies, one area of concern that was identified during 2007/08 was non-compliance with Contract Standing Orders and Financial Regulations. These instances of non-compliance have been reported to the senior management team, Cabinet and the Audit Committee via the Internal Audit Plan - Quarterly Monitoring Reports prepared by the Head of Internal Audit.
- 7.14 The Council has an agreed whistle-blowing policy under which members of staff may raise any concerns. In a survey carried out by the Council's External Auditor on staff's perceptions of the effectiveness of the Council's overall arrangements for preventing and detecting fraud and corruption, it was found that there was a broad knowledge of the whistle-blowing arrangements across the Council, but there were some gaps to be filled.

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

- 8.1 The Council has a framework of training and service development plans at corporate, service unit and individual levels to ensure that employees are equipped to deliver the Council's agreed objectives.
- 8.2 The Council had its Investor in People (IiP) award renewed in December 2005, and is planning for a re-assessment during the latter part of the 2008-09 financial year. The IiP award is a national standard which sets a level of good practice for the training and development of people to achieve business goals.
- 8.3 In April 2007, the Cabinet approved a formal Member Training and Development Programme to commence in May 2007. This entailed the provision of individual development plans for Members covering specific training needs of individual Members (e.g. dependent on the Committee allocation) as well as ensuring that each Member was better placed to fulfil his/her responsibilities as a local Councillor.
- 8.4 It was agreed that that the Training and Development Programme would be reviewed after twelve months of operation.

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

- 9.1 One of the main strategies within the 'Blueprint for Change' is the Partnerships strategy. The Council has a strong track record of partnership working with the public, private and voluntary sectors and this was recognised as a key strength in its 2004 Corporate Performance Assessment.

- 9.2 The Council has set up an Arm's Length Management Organisation, Gloucester City Homes (GCH), to manage, maintain and improve the council housing stock, and has entered into a strategic partnership contract with the private sector for the provision of Streetcare services (street cleansing, waste collection, grounds maintenance and public conveniences).
- 9.3 The Council has set up a client side monitoring function for both the GCH and Streetcare partnerships. In addition Partnering Boards have been established, consisting of representatives from the City Council, the partner, and the local community, with one of their main roles being to agree the standards and performance to be achieved and to monitor performance.
- 9.4 A recent internal audit report on the client side monitoring of the Streetcare Partnership concluded that due to the lack of adequate performance data, there was only limited reporting of performance and therefore only limited assurance could be obtained that the objectives of the partnership agreement were being met.
- 9.5 An Action plan to implement the recommendations from the internal audit report has been agreed by the Interim Manager.
- 9.6 The Council has established three overview and scrutiny committees which support the work of the Cabinet and the Council as a whole. They allow citizens to have a greater say in Council matters by holding public enquiries into matters of local concern. These lead to reports and recommendations which advise the Cabinet and the council as a whole on its policies, budget and service delivery.
- 9.7 The Council's Local Code of Corporate Governance requires the production of an annual report on the activity of the scrutiny function. This is currently not produced.

10.0 Review of effectiveness

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

11.0 The Council

- 11.1 The Council has adopted a Constitution that controls how the Council is structured and how it reaches decisions. The Constitution can be found on the Council's website at www.gloucester.gov.uk.
- 11.2 The decision-making procedure laid out in the Constitution details the procedures designed to support open and accountable decision-making. The Assistant Director (Legal, Democratic & Personnel Services) was responsible for reviewing the continued relevance and effectiveness of the Constitution. Under the Council's new

management structure, effective from April 2008, this is now the responsibility of the Director of Strategy and Development. All amendments (except minor amendments which can be approved by the AD (LDPS)) are taken to full Council.

12.0 The Cabinet

- 12.1 The Council determines the policy framework. The principal decision-making body is the Cabinet (Executive) whose decisions are subject to scrutiny by a number of Scrutiny Committees i.e. Scrutiny Committee for the Built Environment; Scrutiny Committee 2, and, Overview and Scrutiny Management Committee.
- 12.2 The Cabinet takes all Key Decisions. Key Decisions are subject to pre-scrutiny by the Overview & Scrutiny Management Committee.
- 12.3 The key statutory document that sets the agenda for a rolling programme of future key decisions is the Forward Plan; hence this is a critical factor in the Council's overall decision- making process.
- 12.4 All 'executive' decisions taken by Cabinet, individual Cabinet Members and Officers are circulated to all councillors and may be subject to a call-in process for examination by the relevant Scrutiny Committee.

13.0 The Audit Committee

- 13.1 A review of the effectiveness of the Audit Committee is a mandatory requirement of the Use of Resources Judgement, Internal Control Level 3, KLOE 4.2, which states:-

'the council can demonstrate that it is effectively delivering the core functions of an audit committee, as identified in the CIPFA guidance; that it provides challenge to the Executive when required and provides for effective leadership on governance, financial reporting and audit issues'.

- 13.2 The CIPFA guidance referred to in the Use of Resources Judgement, is the publication entitled 'Audit Committees Practical Guidance for Local Authorities'. This guidance includes a self-assessment checklist on measuring the effectiveness of the Audit Committee.
- 13.3 The review identified a small number of areas of non-compliance against the CIPFA checklist. An Action Plan has been agreed to implement the required actions.

14.0 The Standards Committee

- 14.1 The Council has established a Standards Committee whose role is to promote and maintain high standards of conduct by Councillors and co-opted Members. The Annual Report to the Standards Committee provides details of the work carried out over the municipal year.

15.0 Internal Audit

- 15.1 Internal Audit operates under the Accounts and Audit (Amendment) (England) Regulations 2006, which require the maintenance of an adequate and effective system of internal audit of accounting records and control systems. The Regulations also require the Authority to review the effectiveness of their system of internal audit once a year, and that the findings of this review should be included in the Annual Governance Statement.
- 15.2 The review was undertaken by the Corporate Governance Group in accordance with guidance issued by the IPF Financial Advisory Network. The overall conclusion from the review was that the system of internal audit at GCC is effective. Although the self-assessment identified a small number of 'gaps' in compliance with the CIPFA Code of Practice, these do not materially effect the reliance the Council can place on the Head of Internal Audit's opinion on the adequacy of the control environment.
- 15.3 Internal Audit work is carried out to the standards outlined in the CIPFA 'Code of Practice for Internal Audit in Local Government in the United Kingdom 2006' (the Code). The Code requires the Head of Internal Audit to 'provide a written report to those charged with governance timed to support the Annual Governance Statement'. The 2007-08 report by the Head of Internal Audit concludes:-
- 15.4 'In the majority of areas audited, there were no major errors or weaknesses identified. However, as in all large organisations, problems do occur from time to time. The main areas of concern identified during the year were, the lack of effective contract management controls over the GCH Decent Homes and Response Repairs contracts, inadequate monitoring of the Streetcare contract, and, in relation to risk management, the lack of a regular review, and Member approval, of the Strategic Risk Register. Where system weaknesses have been identified, recommendations to improve the level of control have been made and accepted by management.
- 15.5 In the systems audited, including systems where agreed audit recommendations have been implemented, I can report that an adequate level of internal control exists'.

16.0 Other review/assurance mechanisms

- 16.1 External Audit is part of the process of accountability for public money. It makes an important contribution to the stewardship of public resources and the corporate governance of public services. The scope of External Audit work covers not only the audit of financial statements but also aspects of corporate governance.
- 16.2.1 In September 2007, the Council's External Auditor produced the Annual Governance Report relating to the 2006/07 audit. In relation to specific corporate governance issues, the only matter raised related to the Council's investment in Barton and Tredworth Development Ltd. The report recommended that further information should be provided to the Audit Committee concerning the governance arrangements.

- 16.3 Risk management is the process by which risks are identified, evaluated and controlled and is a key element of the governance framework. The Council's External Auditor carried out a review of the authority's risk management arrangements in June 2007. The main conclusion from the report was that improvements to risk management had been made and the risk management culture was developing, but there was still work to be done to demonstrate that risk management was embedded in the organisation. An Action Plan, detailing 5 recommendations, has been agreed, with an implementation date of 31st December 2007.
- 16.4 In October 2007, the Council's External Auditor carried out an online survey of all Officers and members to obtain their views on how effective the Council's arrangements and controls are to prevent fraud and corruption. The main conclusion from the report was that most respondents perceive that the Council as a whole has made a significant commitment to fight fraud and corruption, however, areas for improvement were identified. These were raising the general level of awareness of the Council's Whistleblowing arrangements and the Public Interest Disclosure Act, and ensure that all Members and Officers are aware of key ethical governance and counter fraud arrangements, such as registers of interests. An Action Plan, detailing 5 recommendations, has been agreed with an implementation date of 31st March 2009.
- 16.5 A further source of assurance has been obtained from the introduction of Directors Assurance Statements. These Statements have been issued to all Directors, and they have been requested to complete, and to identify any significant internal control issues within their portfolio. Any issues identified have been included in the 2008/09 Annual Governance Statement Action Plan.
- 16.6 We have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Corporate Governance Group, and a plan to address weaknesses and ensure continuous improvement of the system is in place

17.0 Significant governance issues

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

Signed

Paul James
Leader of the Council

Julian Wain
Chief Executive

No.	Core Principle	Significant Governance issue	Responsible Officer	Action Required
				assistance of the Risk Management Group, and a report will be presented to Cabinet in due course. (Para 7.7)
4	Take informed and transparent decisions which are subject to effective scrutiny and managing risk.	Ensure that effective arrangements for whistleblowing are in place.	Director of Resources	Raise the general level of awareness of the Council's Whistleblowing arrangements and the Public Interest Disclosure Act. (Para 7.14)
5	Develop the capacity and capability of members and Officers to be effective	Assess the skills required by Members and Officers and make a commitment to develop those skills to enable roles to be carried out effectively.	Director of Strategy and Development	Review of Member Training and Development Programme (Para 8.4)
6	Engage with local people and other stakeholders to ensure robust public accountability	Produce an annual report on the activity of the scrutiny function.	Director of Strategy and Development	Produce an annual report on the activity of the scrutiny function (Para 9.7)
	Issues identified from Review of Effectiveness			
7	Internal Audit	Lack of effective client side monitoring of the Streetcare contract.	Director of Services and Neighbourhoods/Director of Resources	Ensure agreed internal audit recommendations have been implemented. (Para 15.4)
8	Internal Audit	Lack of effective contract management controls over	Director of Services and	Ensure agreed internal audit recommendations have been

No.	Core Principle	Significant Governance issue	Responsible Officer	Action Required
		GCH Decent Homes and Response Repairs contracts.	Neighbourhoods/Director of resources	implemented. (Para 15.4)
9	External Audit	Governance arrangements for managing the council's investment with Barton & Tredworth Ltd	Director of Resources	The Audit Committee should <ul style="list-style-type: none"> • Receive a periodic update on the council's investment in Barton & Tredworth Ltd • Receive a report on the governance arrangements for managing the Council's investment with Barton & Tredworth Ltd. (Para 16.2)

Local Code of Corporate Governance

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	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
1.	Focus on the purpose of the authority and on outcomes for the community and creation and implementation of a vision for the local area.	1.1 Exercise strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users.	The City Council will: <i>1.1.1 Develop and promote its purpose and vision.</i>	Yes	Blueprint published February 2005. Widely consulted on with communities, partnerships and focus groups. The Blueprint was reviewed each year. The 3 rd year 2007/8 was reviewed in February 2007. A new Corporate Plan was published in February 2008 after promotion through Cabinet, Scrutiny, Council and on the web with discussion with focus groups and community groups.
			<i>1.1.2 Review on a regular basis its vision for the local</i>	Yes	The Corporate Strategy is reviewed annually as indicated in 1.1.1. The LAA

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	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
			<i>area and the implications for the authority's governance arrangements.</i>		proposals incorporated in the strategy together with the relations with the neighbourhood partnerships. The council has been restructured to take account of the change to service delivery.
			<i>1.1.3 Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners.</i>	Yes	The contracts for Accord and the management agreements with GCH set out the common vision. The council has agreed in conjunction with GCH a strategy for its future development. A new Customer Forum has been established for Gloucester City Homes and a Customer Forum also for Enterprise.
			1.1.4 Publish an annual report on a timely basis to communicate its activities and achievements, its	Yes	The council publishes its Annual Performance Plan in June each year. This

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	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
			financial position and performance.		includes the financial figures. The council also produces an Annual Financial Report in September. The first published report of this type was published in 2007.
		1.2 Ensure that users receive a high quality of service whether directly, or in partnership, or by commissioning.	1.2.1 <i>Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.</i>	Yes	Internal satisfaction surveys, focus groups, Call Centre, complaints monitoring, Support Services Review, monthly performance indicators to the Corporate Team and to scrutiny committees.
			1.2.2 <i>Put in place effective arrangements to identify and deal with failure in service delivery.</i>	Yes	The production of PI's on a monthly basis rather than quarterly has enabled the council to pick up on any potential failures in service delivery. The council has a complaints procedure and a

	1	2	3	4	5
	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
					whistleblowing policy which have enabled feedback to take place and to give early indications of any possible problems.
		1.3 Ensure that the authority makes best use of resources and that tax payers and service users receive excellent value for money.	<i>1.3.1 Decide how value for money is to be measured and make sure that the city council or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions.</i>	Yes	The setting of performance indicators takes account of the need for value for money. These are reviewed on an annual basis. The council set the target of delivering a 3% increase for each of 3 years for the council tax increase. Gershon savings have been delivered over and above the statutory requirements. The council tax level for Gloucester is well below average for similar district councils. The environmental impact of policies is considered in all reports which go to Cabinet, Scrutiny and Council.

	1	2	3	4	5
	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
2.	Members and Officers work together to achieve a common purpose with clearly defined functions and roles.	2.1 Ensure effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.	The City Council will: <i>2.1.1 Set out a clear statement of the respective roles and responsibilities of the Cabinet and of the Cabinet Members individually and its approach towards putting this into practice.</i>	Yes	The role of cabinet members is included in the Constitution. This is reviewed annually. The portfolios for cabinet members are changed according to circumstances. In May 2008 new cabinet roles were established and new members appointed.
			<i>2.1.2 Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior Officers.</i>	Yes	This is included in the Constitution.
		2.2 Ensure that a constructive working relationship exists	<i>2.2.1 Determine a scheme of delegation and reserve powers within the</i>	Yes	This is included in the Constitution.

	1	2	3	4	5
	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
		between authority members and Officers and that the responsibilities of authority members and Officers are carried out to a high standard.	<i>constitution, including a formal schedule of those matters specifically reserved for collective decision of the council, taking account of relevant legislation, and ensure that it is monitored and updated when required.</i>		
			2.2.2 Make the Chief Executive responsible and accountable for all aspects of its operational management.	Yes	This is included in the Constitution.
			2.2.3 Develop protocols to ensure that the Leader and Chief Executive	Yes	There is a member/officer protocol which is included in the Constitution. Discussion

	1	2	3	4	5
	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
			<i>negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.</i>		took place prior to the publication of the Corporate Plan.
			2.2.4 Make a senior officer (the S151 Officer) responsible for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.	Yes	This is dealt with.
			2.2.5 Make the Monitoring Officer responsible for ensuring that agreed procedures are	Yes	This is also dealt with.

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	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
			<i>followed and that all applicable statutes and regulations are complied with.</i>		
		2.3 Ensure relationships between the authority and the public are clear so that each knows what to expect of the other.	<i>2.3.1 Develop protocols to ensure there is effective communication between members and Officers in their respective roles.</i>	Yes	The member/officer protocol is included in the Constitution.
			<i>2.3.2 Set out the terms and conditions for remuneration of members and Officers and an effective structure for managing the process, including an effective remuneration panel.</i>	Yes	A panel of outside stakeholders agrees the fees which are payable to members. Officers salaries are judged according to Hay evaluation. Car allowances, travel and subsistence are paid according to the NJC scales.
			<i>2.3.3 Ensure that effective mechanisms exist to monitor service delivery.</i>	Yes	There are local performance indicators, service delivery plans, scrutiny, Performance Plus, the intranet.

	1	2	3	4	5
	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
			<i>2.3.4 Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.</i>	Yes	Council members, community stakeholders and focus groups take part in this work.
			<i>2.3.5 When working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the council.</i>	Yes	The Board for the Streetecare Partnership and for GCH includes job descriptions for councilors.

	1	2	3	4	5
	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
			<p><i>2.3.6 when working in partnership:</i></p> <p><i>(a) ensure that there is clarity about the legal status of the partnership</i></p> <p><i>(b) ensure that representatives of the organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.</i></p>	Yes	<p>The legal status of the Streetcare contract needs to be established. Check whether this contract has been signed.</p> <p>The LAA has been signed up from April 2008. All bodies within the county have agreed its contents. The same applied to the LSP, the predecessor to the LAA. Individual members or Officers of the authority don't have the power to commit the council to any decisions individually.</p>
3.	Promote values for the authority and demonstrate the values of good governance through	3.1 Ensure authority members and Officers exercise leadership by behaving in ways that exemplify high	3.1.1 Ensure that its leadership sets a tone for the organisation by creating a climate of openness, support and	Yes	The intranet is open for comments. There are open discussion forums and any comments made receive responses from the Chief

	1	2	3	4	5
	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
	the upholding of high standards of conduct and behaviour.	standards of conduct and effective governance.	<i>respect</i>		Executive or other directors.
			<i>3.1.2 Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols.</i>	Partial	There is a Code of Conduct which is communicated to staff and proper working practices are outlined.
			<i>3.1.3 Put in place arrangements to ensure that its members and employees are not influenced by prejudice,</i>	Yes	The council has achieved the Equalities Standard at Level 1 and is aiming for Level 2 during 2008. There are staff registers of interest, related

	1	2	3	4	5
	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
			<i>bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.</i>		party transaction forms, registers of gifts and hospitality. This covers strategic management and also at the operational level.
		3.2 Ensure that organisational values are put into practice and are effective.	3.2.1 Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners.	Yes	Corporate competencies were agreed by the council in 2007. These are at two levels – strategic management and operational management. A booklet has been produced for all staff.
			3.2.2 Put in place arrangements to ensure that systems and processes are designed in conformity with	Yes	Ethical standards, equalities matters are included in all reports and new policies.

	1	2	3	4	5
	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
			<i>appropriate ethical standards, and monitor their continuing effectiveness in practice.</i>		
			<i>3.2.3 Develop and maintain an effective standards committee.</i>	Yes	Standards Committee -need to decide whether it has been effective. Gary should comment on this.
			<i>3.2.4 Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority.</i>	Yes	This is demonstrated by the competencies and the Drivers for Change policy.
			<i>3.2.4 In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values</i>	Yes	The council has established values for its partners in equalities, fairness, value for money.

	1	2	3	4	5
	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
			<i>must be demonstrated by partners' behaviour both individually and collectively.</i>		
4.	Take informed and transparent decisions which are subject to effective scrutiny and managing risk.	4.1 Be rigorous and transparent about how decisions are taken and listen and act on the outcome of constructive scrutiny.	4.1.1 <i>Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances its performance overall and that of any organisation for which it is responsible.</i>	Partial	A review of Scrutiny Committee is still in progress. This is a governance issue.
			4.1.2 <i>Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria,</i>	Yes	There are decision making criteria in place.

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	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
			<i>rationale and considerations on which decisions are based.</i>		
			<i>4.1.3 Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.</i>	Yes	These are declared.
			<i>4.1.4 Develop and maintain an effective Audit Committee which is independent of the cabinet and scrutiny functions.</i>	Yes	The council has an effective Audit Committee.
			<i>4.1.5 Ensure that effective, transparent and accessible</i>	Yes	This can be demonstrated by the Complaints Policy,

	1	2	3	4	5
	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
			<i>arrangements are in place for dealing with complaints.</i>		Freedom of Information requests and the workings of these policies.
		4.2 Have good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.	4.2.1 <i>Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.</i>	Yes	The financial background, Gloucester Leadership Team, Cabinet, Cabinet Briefings, Cabinet Scrutiny meetings, implications on reports.
			4.2.2 <i>Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in</i>	Yes	There is a format on reports to ensure that correct advice is source when necessary.

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	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
			<i>advance of decision making and used appropriately.</i>		
		4.3 Ensure that an effective risk management system is in place.	4.3.1 <i>Ensure that risk management is embedded into its culture, with members and managers at all levels recognising that risk management is part of their jobs.</i>	Partial	Obtain Audit Commission view and action any changes recommended.
			4.3.2 <i>Ensure that effective arrangements for whistle-blowing are in place to which Officers, staff and all those contracting with or appointed by the authority have access.</i>	Partial	Contractors, GCH and Enterprise – there will be an action point to review the workings of this policy. The Audit Commission Survey showed that not all staff are confident in the use of the Whistleblowing Policy.
		4.4 Use their legal powers to the full benefit of the	4.4.1 <i>actively recognise the limits of lawful activity</i>	Yes	All reports to GLT, Cabinet or Committee must include

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	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
		citizens and communities in their area.	<p><i>placed on them by, for example, the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities.</i></p> <p>4.4.2 Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on authorities by public law.</p> <p>4.4.3 Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision-</p>		<p>legal implications or legal defects (Leisure Trust and Marketing Alliance).</p> <p>Solicitors should be involved with all project boards dealing with major projects and provide detailed advice on power and problems.</p> <p>The Head of Legal Services received all GLT, Cabinet Briefing, Cabinet and Committee papers which allows a check on what is proposed.</p> <p>New legislation on case law is checked, services informed of it, and its impact, and implemented when necessary (Standards Committee – Local Assessment of Complaints).</p>

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	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
			<i>making processes.</i>		<p>The Constitution contains a Decision Making Protocol providing direction and advice on the correct procedures for taking legally correct decisions. This is reviewed every three years by the Standards Committee (January 2008).</p> <p>Training on the Code, Planning and Licensing Codes and the law of Predetermination and Bias given to Standards Committee, and new members on an annual basis and to all councilors regularly.</p>
5.	Develop the capacity and capability of members and Officers to be effective.	5.1 Make sure that members and Officers have the skills, knowledge, experience	The City Council will: 5.1.1 Provide induction programmes tailored	Yes	The Induction Programme is being revamped. There is a programme in place for staff and also for members. Tony

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	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
		and resources they need to perform well in their roles.	<i>to individual needs and opportunities for members and Officers to update their knowledge on a regular basis.</i> 5.1.2 Ensure that the statutory Officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority.		Hughes is working on a revised programme. New members are always trained. There is finance and risk management training for all political groups. Members of the Audit Committee receive training at the start of their year.
		5.2 Develop the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group	5.2.1 Assess the skills required by members and Officers and make a commitment to develop those skills to enable roles to be carried out effectively.	Partial	There is induction training for staff and members. Gill Shortman, the Interim Personnel Manager has been carrying out some of this work. Training needs are picked up at staff reviews, annual development appraisals. The council has

	1	2	3	4	5
	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
					IIP accreditation and has had it renewed on at least two occasions (2002 and 2005).
			<i>5.2.2 Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.</i>	Yes	The council has employed Noel Beaver to give an outside view on management structures and to assist with recruitment. The council also uses barristers and counsel, consultants. Tribal are assisting on the support services review. Systems thinking – Vanguard have been used as consultants and consultants for complex property matters are also engaged. Performance is reviewed at Scrutiny. At council meetings there are questions to cabinet members. Cabinet is challenged on the delivery of its work programme by Scrutiny and Council. There had been several task and

	1	2	3	4	5
	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
					finish groups for scrutiny review. Examples include the floods, licensing and the Airport Safety Project.
			<i>5.2.3 Ensure that effective arrangements are in place for reviewing the performance of the Cabinet as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs.</i>	Yes	There have been few call-ins of cabinet decisions which may indicate satisfaction with the systems of governance.
		5.3 Encourage new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal.	<i>5.3.1 Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in its work.</i>	Yes	There is community engagement, community partnerships.

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	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
			<i>5.3.2 Ensure that career structures are in place for members and Officers to encourage participation and development.</i>	Yes	Ethnic representation, balance of ages and gender. Young Gloucester mock elections. Most of this engagement takes place within the political groupings. There are at least 50 outside bodies on which there is an opportunity for councillors to serve the community as representatives of the City Council.
6.	Engage with local people and other stakeholders to ensure robust public accountability.	6.1 Exercise leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.	<i>6.1.1 Make clear to themselves, all staff and the community to whom they are accountable and for what.</i>	Yes	This is demonstrated through focus groups, partnerships and the LAA.
			<i>6.1.2 Consider those</i>	Yes	There has been a recent

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	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
			<i>institutional stakeholders to whom it is accountable and assess the effectiveness of the relationships and any changes required.</i>		Peer Review and self assessment. The CAA will be taking over this area.
			6.1.3 Produce an annual report on the activity of the scrutiny function.	No	This is a gap in council delivery. There is no annual report on the scrutiny activities.
		6.2 Take an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning.	6.2.1 Ensure clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements and ensure that they operate effectively.	Yes	The council has received awards for its communications, newsletters to the public, translations of these newsletters, focus groups.

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	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
			<i>6.2.2 Hold meetings in public unless there are good reasons for confidentiality.</i>	Yes	The answer is undoubtedly yes.
			<i>6.2.3 Ensure that arrangements are in place to enable effective engagement with all sections of the community. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.</i>	Yes	Neighborhood partnerships and agreements to be reviewed and changed if necessary.
			<i>6.2.4 Establish a clear policy on the types of issues they will meaningfully consult on or engage</i>	Yes	Policy on community engagement to be implemented.

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	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
			<i>with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result.</i>		
			6.2.5 <i>On an annual basis, publish a performance plan giving information on its vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.</i>	Yes	The answer is yes in line with statutory requirements.
			6.2.6 <i>Ensure that the authority as a whole is open and accessible to the community, service users and its staff and</i>	Yes	This is included in the constitution, Disability Discrimination Act, access for buildings. Very positive press comments. The ratio

	1	2	3	4	5
	Core Principle	Supporting Principles	Local Code of Corporate Governance	The City Council complies Yes/No	If yes, Evidence of Compliance documents, e.g. minutes and reference, date, page X version Y. Corporate Plan page X Constitution Reference Chapter X page Y
			<i>ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.</i>		of positive comments to negative comments is 80:20 in the council.
		6.3 Make best use of human resources by taking an active and planned approach to meet responsibility to staff.	6.3.1 Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.	Yes	Employee Forum, meetings with the trade unions, consultation on the budget with the trade unions. Any restructuring proposals are discussed with the trade unions. Service Delivery Plans – all staff should be involved as with the Corporate Plan right the way through to Service Delivery Plans.

FOREWORD TO THE ACCOUNTS

WHAT IS INCLUDED IN THIS STATEMENT?

The Council's accounts for the year ended 31 March 2008 are set out on pages 50 - 102. The accounts consist of the following :-

- * the Statement of Accounting Policies (pages 50 - 56). This section explains the basis of the figures used in the accounts.

- * the Core financial Statements (pages 57 - 61), comprising:
 - the Income and Expenditure Account, showing the council's total revenue income and expenditure for the year analysed over the main services.
 - the Statement of Movement on the General Fund Balance
 - the Statement of Total Recognised Gains and Losses
 - The Balance Sheet, showing the financial position of the authority as at 31 March 2008
 - a Cashflow Statement summarising the inflows and outflows of cash arising during the year between the Council and third parties.

- * the Supplementary Statements, comprising:
 - the Housing Revenue Account (pages 91 -95), showing separately the revenue income and expenditure during the year relating to the provision of council houses.
 - the Collection Fund (pages 96 - 99), showing the income received from council tax and business ratepayers and how that income has been distributed to the government and to the city council, Gloucestershire County Council and Gloucestershire Police Authority.

- * Group accounts (pages 100 - 102), combining the council's accounts with those of Gloucestershire Airport Ltd (in which the council has a 50% shareholding), GL1 Sports Ltd, (which is wholly owned by the council), Gloucester City Homes Ltd (which is wholly owned by the council), and Barton & Tredworth Developments Ltd (in which the council has a quarter partnership share). The accounts comprise:
 - a group Income and Expenditure Account
 - a reconciliation of the Council's deficit with that of the Group
 - a Group Statement of Total Recognised Gains and Losses
 - a Group Balance Sheet.

A Glossary of terms, explaining some of the terms used in this statement, is shown on pages 103 - 107.

WHAT IS THE COUNCIL'S FINANCIAL POSITION?

REVENUE EXPENDITURE

General Fund

There are changes in accounting policy and in the format of the Statement of Accounts for 2007/08.

The majority of the modifications follow changes to the Statement of Recommended Practice (SORP)

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

Budgeted income and expenditure compared to actual shows net operating expenditure of £38.276 million, £16.5 million more than budget. The adjustments required by statute to be made to the General Fund Balance (including transfers to and from reserves), however, converted this into an increase in the balance of £0.230million, resulting in a balance at 31 March 2008 of £1.645 million. The main differences between the budget and actual expenditure are shown on the next page.

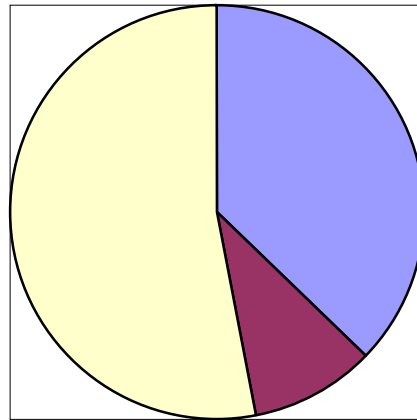
FOREWORD TO THE ACCOUNTS

	Net expenditure 2007/08		
	Revised budget £'000	Actual £'000	Over/(under) Spend £'000
Service			
Central Services to the public	1,503	2,072	569
Cultural, Environmental and Planning Services	13,958	14,985	1,027
Highways, Roads & Transport Services	1,625	3,338	1,713
Housing Revenue Account	(1,522)	9,156	10,678
Other Housing Services	1,129	933	(196)
Corporate and Democratic Core	2,293	2,451	158
Non-distributed Costs	15	237	222
Exceptional Items	125	850	725
Net cost of services	19,126	34,022	14,896
Gains/losses on sale of fixed assets	-	425	425
Parish Council precepts	174	174	-
Deficit on trading accounts	(625)	2,172	2,797
Interest payable	1,898	1,124	(774)
Contribution to Housing Pooled Receipts	1,200	963	(237)
Interest and investment income	(1,596)	(1,682)	(86)
Pensions Interest and Expected Return	1,155	1,166	11
Net operating expenditure	21,332	38,364	17,032
Less Funding			
Council Tax	(6,335)	(6,335)	-
General Government Grant	(1,651)	(1,661)	(10)
Non Domestic Rates	(9,054)	(9,054)	-
	<u>(17,040)</u>	<u>(17,050)</u>	<u>(10)</u>
Deficit for the year	4,292	21,314	17,022
Less amounts required by statute to be excluded from General Fund Balance	2,333	(12,258)	(14,591)
Add amounts required by statute to be included in General Fund Balance	(5,656)	2,160	7,816
Transfers to /from Balances and Reserves	(1,199)	(11,446)	(10,247)
Increase in General Fund Balance in Year	230	230	(0)
General Fund Revenue balance 1 April 2007	(1,415)	(1,415)	-
General Fund Revenue balance 31 March 2008	<u>(1,645)</u>	<u>(1,645)</u>	<u>0</u>

FOREWORD TO THE ACCOUNTS

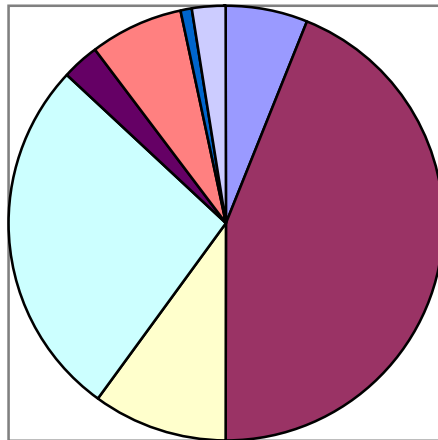
The Council finances its net general fund expenditure from local taxpayers and central government grant. The contribution from these forms of funding are shown below:

WHERE THE MONEY CAME FROM



- Council Tax
- General Government Grants
- Non-Domestic Rates

WHAT THE MONEY WAS SPENT ON



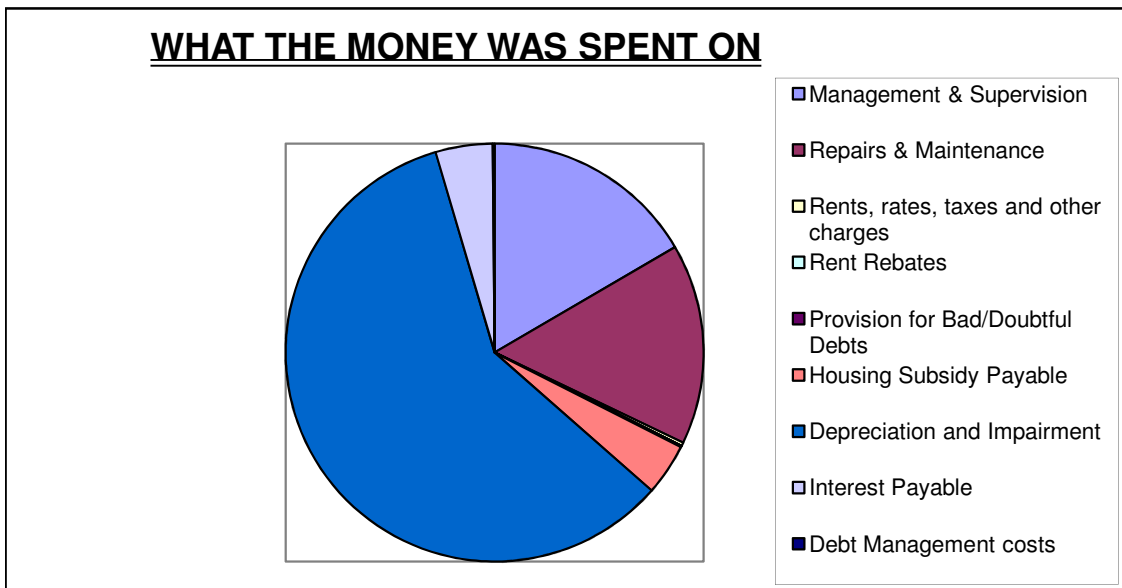
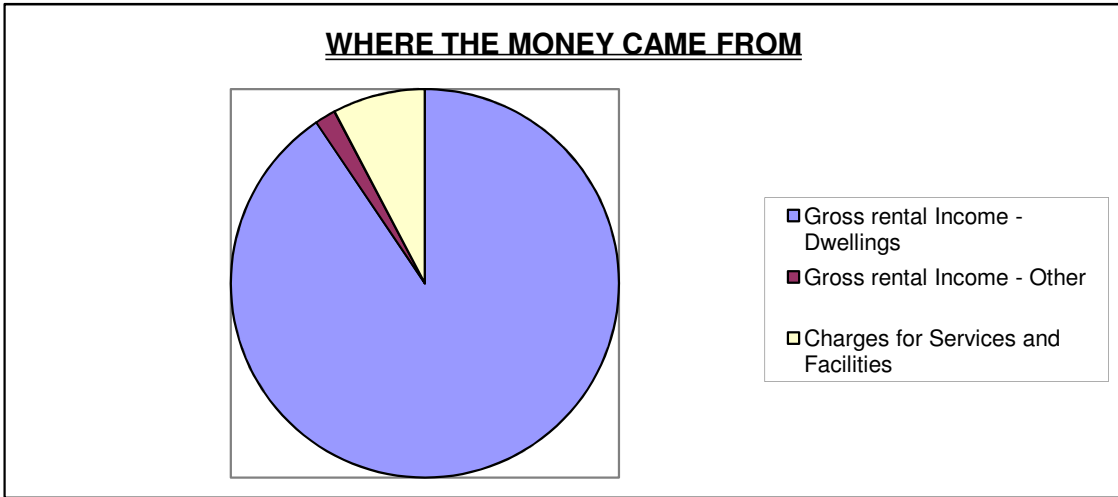
- Central Services to the public
- Cultural, Environmental and Planning Services
- Highways, Roads & Transport Services
- Housing Revenue Account
- Other Housing Services
- Corporate and Democratic Core
- Non-distributed Costs
- Exceptional Items

FOREWORD TO THE ACCOUNTS

Housing Revenue Account (HRA)

The Local Government and Housing Act 1989 requires that all income and expenditure relating to the landlord role of managing public sector council housing is contained (ring fenced) in the Housing Revenue Account (HRA). The accounts for the HRA are shown on pages 91 - 95.

An analysis of the account is shown graphically below:



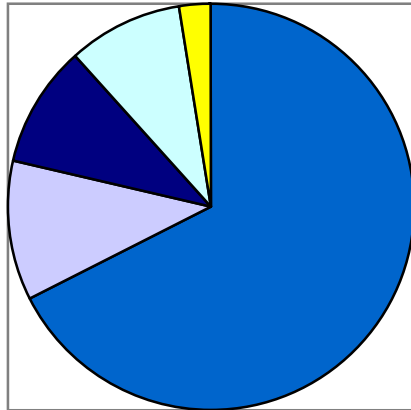
FOREWORD TO THE ACCOUNTS

CAPITAL EXPENDITURE

The City Council's Capital Programme consists of two main elements - the Housing Investment Programme (HIP), comprising expenditure on public and private sector housing, and the General Fund Programme. Estimated expenditure was £ 19.490 million, however due to slippage, outturn expenditure was £ 19.285 million. Further details are found on pages 70-73.

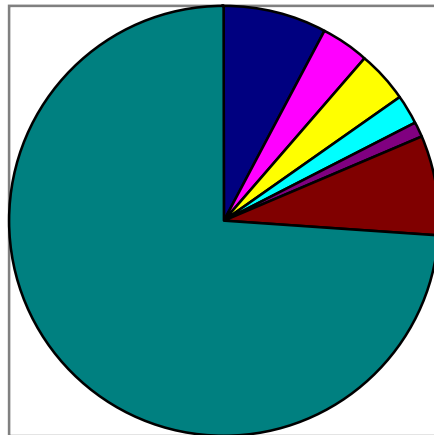
An analysis of the expenditure and the funding for 2007/08 is shown below:

WHERE THE MONEY CAME FROM



- Borrowing
- Capital receipts
- Capital grants and contributions
- Major repairs reserve
- Revenue

WHAT THE MONEY WAS SPENT ON



- Central Services
- Cultural and Related Services
- Environmental Services
- Planning And Development Services
- Highways, Roads, Transport Services
- Housing General Fund
- Housing Revenue Account

FOREWORD TO THE ACCOUNTS

Overall Financial Position

The council's overall financial position at 31 March 2008 is considered to be sound.

The fixed assets held by the council are estimated to have a current value of £260.8 million, of which £171.8 million relates to council dwellings.

Assets less liabilities of the council (Net Assets), as shown on the balance sheet (page 60), totalled £197.5 million at 31 March 2008, an increase of £5.3 million over the previous year. This was mainly due to a decrease in the liability related to the council's pension scheme (which decreased by £6 million) and an increase in tangible fixed assets of £13 million, offset by an increase of £14.8 million in long and short term borrowing.

Long and short term borrowing was £32.2 million at the year end, an increase of £14.8 million over the previous year. The majority of the increased borrowing was to fund expenditure on the Decent Homes Programme on the council's housing stock. The interest on this borrowing is met by government subsidy. The remaining increased borrowing was to fund the work on the new Hempstead Market.

Investments at the year end were £18.7 million, a decrease of £3.7 million over the previous year.

Earmarked revenue reserves, which are reserves set aside for specific purposes, were £5.3 million at the year end, a decrease of £1.2 million over the previous year. Provisions were £0.7 million at 31 March 2008, a reduction of £0.6 million over that of 31 March 2007.

Capital grants and contributions, available to fund future capital expenditure and required to meet development obligations, were £4.4 million at the year end and usable capital receipts, also available to fund capital expenditure, were £2.5 million.

From 2003/04 the council has been required under proper accounting practice to show the surplus or deficit on the council's share of the county pension fund on its balance sheet. At 31 March 2008 the pension fund had a deficit of £32.4 million (decreased from £38.5 million at 31 March 2007). This means that the commitment the council has in the long term to pay retirement benefits exceeds the current market value of the fund's assets by this amount. It is anticipated the deficit on the fund will be made good over the long term by increased contributions by the council and increases in the market value of the fund's investments.

Best Value

Under the Local Government Act 1999 the council has a statutory duty to implement Best Value. This requires the council to publish a Best Value Performance Plan and to undertake service reviews over a period of five years. Copies of the council's Best Value Performance Plan can be obtained from the Assistant Director (Corporate Policy and Performance), North Warehouse, The Docks, Gloucester GL1 2EP.

Preparations for the Euro

The Council is monitoring developments closely and will make adequate preparations in advance, should the UK join the Euro. All new purchases of software are already Euro-compatible. The council has not incurred any significant costs in preparation for the possible introduction of the Euro currency.

FOREWORD TO THE ACCOUNTS

Further Information

Further details of the accounts can be obtained from the Financial Services Manager, Herbert Herbert Warehouse, The Docks, Gloucester, GL1 2EQ. Tel. (01452) 396410. A statement of the accounting policies used is shown on pages 50 - 56 and a glossary explaining some of the technical terms used is included on pages 103 - 107.

Keith Birtles BA CPFA
Director (Section 151 Officer)

STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES

1 ACCOUNTING PRINCIPLES

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007: a Statement of Recommended Practice (the 'SORP'), published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2007.

The format and wording of the statements and many of the notes are derived from the SORP and related guidance notes published by CIPFA (including examples given). Any departures from the code are noted within the relevant notes to the statements.

The code is based on approved accounting standards, except where they conflict with statutory requirements, and is supported by a number of detailed accounting recommendations, including Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRSs), approved by the Accounting Standards Board.

The accounts have been prepared in accordance with the following accounting principles and concepts

- *Relevance* (information is relevant in demonstrating the authority's financial performance and standing)
- *Reliability* (the information shown must be reliable)
- *Comparability* (information must be adequately and consistently disclosed so that it is comparable with that for different periods and authorities)
- *Understandability* (the information should be presented in a way that makes it as easy to understand as possible)
- *Materiality* (the information must be materially accurate)
- *Accruals* (the financial statements should be prepared on an accruals basis - see note 2 below)
- *Going Concern* (the accounts should be prepared on the assumption that the authority will continue in existence for the foreseeable future)
- *Primacy of Legislative Requirements* (where specific legislative requirements and accounting principles conflict, legislative requirements shall apply).

The accounts have been prepared using the historic cost convention, except in the case of certain categories of tangible fixed assets, which are shown on the balance sheet at current value in accordance with the SORP (see note 6 below).

2 ACCRUALS OF INCOME AND EXPENDITURE

Revenue and capital account transactions are shown on an income and expenditure basis. Income is accounted for as it becomes due and any sums payable to the Council at the year end are included as debtors. Any amounts estimated to be uncollectable are deducted from debtors as provisions for bad or doubtful debts. Expenditure is accounted for as it is incurred and any sums owed by the council at the year end are included as creditors.

Debtors and creditors at the year end include estimated sums due from or to the Government or other third parties.

3 SUPPORT SERVICES AND SERVICE ADMINISTRATION

Support Services include Accountancy, Information Technology, Corporate Personnel, Internal Audit, Exchequer Services, Corporate Property, Legal Services, Communications and Performance Management. These, together with service administration costs, are allocated fully to services, the corporate and democratic core and to trading accounts on the basis of time estimated spent by officers. The running costs of the docks offices are allocated to services on the basis of area occupied. The Corporate and Democratic core records the cost of running the Council as a multifunctional, democratic organisation.

STATEMENT OF ACCOUNTING POLICIES

4 TRADING ACCOUNTS

These comprise services, which the council operates on a trading basis and include:

- * the management of property held for investment purposes (city estates)
- * Markets and Lettings
- * Catering Services
- * Translation Services
- * any Legal Services provided to external organisations
- * Building Design Services

5 PENSION COSTS

Employees of the Council are eligible to be members of the Local Government Pension Scheme 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 the contributions to the Pension Fund are made.

However the charge the Council is required by statute to make against council tax is based on the contributions, so the real cost of retirement benefits is reversed out after Net Operating Expenditure and replaced by the actual contributions made to the Fund.

The cost of retirement benefits is made up of:-

- * A Current service cost - the increase in liabilities arising from the additional years of service earned during the year. This is allocated to service revenue accounts in proportion to the pensionable pay of the relevant service's employees.
- * A Past Service Cost - the increase in liabilities arising from current year's decisions but which relate to years of service earned in earlier years. These (if any) are charged to Non-Distributed Costs in the Income and Expenditure Account.
- * An Interest Cost - the expected increase in the liability of the scheme and the expected return on assets. This is charged to Net Operating Expenditure.
- * Gains or losses on settlements and curtailments. These (if any) are charged to Non-Distributed Costs within Net Operating Expenditure

The value of the commitments that the Authority has in the long run to pay for retirement benefits, less the value of assets it has to pay for them - the current net surplus or deficit of the Fund - is recorded on the balance sheet as a net liability or net asset, matched by a reserve.

For the 2007/08 statement of accounts, a rate based on the current rate of return on long dated high quality corporate bonds of equivalent currency and term to scheme liabilities has been used to estimate the scheme liabilities, as required by the SORP.

6 TANGIBLE FIXED ASSETS

Recognition

Tangible fixed assets are assets that have physical substance. Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accrual basis, provided that it yields benefits to the council and the service that it provides extends to more than one financial year.

STATEMENT OF ACCOUNTING POLICIES

Measurement

Tangible fixed assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into its current working condition for its intended use. They are then carried on the balance sheet as follows:-

- * Operational land and buildings are included in the balance sheet at open market value for existing use or, where this could not be assessed because there was no market for the asset, (special operational properties) depreciated replacement cost. If not revalued at the year end they are shown at their last valued amount plus additions less accumulated cost of depreciation. The value of council dwellings has been adjusted to reflect the secure tenancies held by the tenants (i.e. an adjustment to reflect the dwellings' use for social housing), using a discount factor recommended by the government.
- * Non operational land and buildings, including investment properties and assets that are surplus to requirements, are included in the balance sheet at open market value. Property related plant, machinery and fittings, if physically attached to the buildings, are included.
- * Vehicles, plant, furniture and equipment are included in the balance sheet at historical cost net of depreciation as a proxy for current value. Individual items originally costing £5,000 or less are excluded.
- * Infrastructure assets are included in the balance sheet at historical cost, net of depreciation. Items originally costing £5,000 or less are excluded.
- * Community assets, such as open spaces, parks and allotments held under statutory powers, have been valued at nil value. This is a departure from the CIPFA SORP (which recommends they be shown at depreciated historic cost), due to the unavailability of historic data.

Properties are valued on the basis recommended by CIPFA and the government and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Tangible fixed assets are classified into the groupings required by the SORP.

For properties the authority has a rolling programme of asset revaluation. Assets selected for revaluation include properties where circumstances likely to affect their value have changed during the year, for example material enhancement. Approximately one fifth of the properties are revalued each year, so that every asset is revalued at least every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains, except where they arise from the reversal of an impairment loss, in which case they are credited to the service revenue account previously charged with the impairment. The Revaluation Reserve contains revaluation gains recognised since April 2007 only, the date of its implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Operational property is defined as those assets held, occupied or used by the Authority in the direct delivery of services. Non-operational property is that which is not held, occupied or used for the provision of services and includes assets held for the primary purpose of investment and vacant property either awaiting or in the process of being redeveloped or disposed of.

STATEMENT OF ACCOUNTING POLICIES

Impairment

The values of assets are reviewed at the end of each financial year for evidence of any material reduction in value. Where an impairment is identified and is attributable to clear consumption of economic benefit, this is accounted for by charging the loss to the relevant service revenue account. Where the impairment is not attributable to clear consumption of economic benefit, the loss is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess to the relevant service revenue account. Where an impairment loss is charged to the Income & Expenditure Account but there were accumulated gains in the Revaluation Reserve for that asset an amount equal to the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account (CAA).

Prior to 2007/08 revaluation losses were written off against the Fixed Asset Restatement Reserve (FARR), which was replaced at 1 April 2007 by the Revaluation Reserve. As a result, revaluation losses are now treated as impairments. For 2007/08 only, as there are no revaluation gains brought forward (the balance of the FARR having been transferred to the CAA at 31 March 2007), all impairments have been charged to the Income and Expenditure Account.

Disposals

When an asset is disposed of, the value of the asset and the receipt from disposal are charged or credited to Net Operating Expenditure in the Income and Expenditure Account, resulting in a gain or loss on disposal.

Since a gain or loss on the disposal cannot score against council tax, it is reversed out in the the Statement of Movement in the General Fund balance to the Capital Adjustment Account (for the value of the Asset) and to the usable Capital Receipts Reserve (for the disposal value if in excess of £10,000). Any revaluation gains in the Revaluation Reserve for that asset are transferred to the Capital Adjustment Account.

Assets are revalued to market value before sale, so may not show a gain or loss on sale. Gains or losses will therefore only accrue where the asset is disposed of for more or less than the current market value.

A proportion of receipts relating to Right-to-Buy housing disposals (75% for dwellings and 50% for land, net of statutory deductions and allowances), is payable to the Government. This amount is charged to the Income and Expenditure Account but reversed out in the Statement of Movement in General Fund Balance by a transfer from the Capital Receipts Reserve. The balance of housing receipts is used to fund new capital expenditure.

Depreciation

Depreciation is provided for on tangible fixed assets with a finite useful life, by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use, according to the following policy:

- * Non operational assets (investment properties) are not depreciated (in accordance with recommended accounting practice).
- * Newly acquired assets are depreciated from the start of the year following acquisition. Assets in the course of construction are not depreciated until they are brought into use.
- * Depreciation is calculated using the straight-line method by dividing the current gross book value of the asset recorded on the balance sheet at the start of the financial year, over its estimated life. Any increase in value during the year is therefore not depreciated until the following year.

Where major components of assets can be separately identified and have different estimated useful lives, these are depreciated separately.

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

STATEMENT OF ACCOUNTING POLICIES

7 CHARGES TO INCOME AND EXPENDITURE ACCOUNT FOR USE OF ASSETS

All service, support service and trading accounts are charged with

- * a depreciation charge for any tangible fixed assets used
- * an amortisation charge for intangible fixed assets used
- * impairment losses (if any) for fixed assets used if they arise from the consumption of economic benefits or are not able to be met from accumulated gains in the Revaluation Reserve.

Since the council is not required to make such charges to council tax, depreciation charges, intangible asset amortisations and impairments are reversed out in the Statement of Movement in the General Fund Balance, by a transfer to the Capital Adjustment Account, so that they do not have an impact on council tax.

The council is, however, required by statute to make an annual provision from revenue for the reduction in its capital borrowing requirement (Minimum Revenue Provision). This is charged (if applicable) to the Statement of Movement in the General Fund balance.

8 DEFERRED CHARGES

Expenditure on deferred charges arises where (under statutory provisions) capital expenditure is incurred but no tangible or intangible fixed asset is created for the authority, for example when house renovation grants are paid. Deferred charges are written off to the relevant service revenue account in the Income and Expenditure account in the year expenditure is incurred, since they have no value to the authority. To the extent deferred charges are financed by capital resources (other than capital grant credited to revenue), a transfer to the Capital Adjustment Account from the statement of movement in the general fund balance ensures these charges have no impact on council tax.

9 INTANGIBLE ASSETS

Intangible fixed assets arise where capital expenditure is incurred on assets that do not have physical substance, such as computer software, from which the council will benefit over a number of years. Intangible assets are amortised to the appropriate service revenue account over their expected useful lives, starting in the year after purchase, on a straight line basis. They are valued at historic cost. The expected useful lives of the asset are reviewed at the end of each financial year and extended as necessary. Given such assets held do not have a readily ascertainable market value, they are not revalued in accordance with FRS10. The costs include expenditure on preparing and developing computer software as well as the cost of licences, as permitted by statutory provisions.

10 GRANTS AND CONTRIBUTIONS

Grant and contributions from the government and third parties are recognised as income due when the authority satisfies the conditions of the grant and there is reasonable assurance the money will be received.

Revenue grants are credited to the service to which they relate, to match the relevant expenditure, unless they cover general expenditure, in which case they are credited to the Income and Expenditure account after net operating expenditure

- Capital grants and contributions used or "applied" to finance capital expenditure are credited to the Capital Grants Deferred Account if they are used to fund operational fixed tangible or intangible fixed assets that are being amortised to the revenue account over a number of years
- to the relevant service revenue account if they are used to fund deferred charges written off in one year

Grants and contributions not used to fund capital expenditure, because it has not yet been incurred, are held as receipts in advance (creditors) until the relevant expenditure is incurred.

STATEMENT OF ACCOUNTING POLICIES

Grants used to finance operational fixed tangible assets are released from the capital grants deferred account to the relevant service revenue account over the useful life of the asset to match the depreciation charged on the asset to which it relates. If no depreciation is charged, for example if asset is not in operational use, the grant is not written down.

Grants used to fund intangible assets being written off to revenue over a number of years are amortised to the revenue account over an appropriate period in line with the amortisation of the intangible asset.

Because the grants have been used to fund capital expenditure, a corresponding transfer is made from revenue to the Capital Adjustment Account via the Statement of Movement in the General Fund balance.

11 LEASES

Finance Leases

The council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the council. Rental payments under finance leases are apportioned between the finance charge (interest) and the principal element, i.e. the reduction of the liability to pay future rentals (if any). The finance element of rentals is charged to the Income & Expenditure Account (Interest payable). Fixed assets leased under a finance lease are shown as tangible operational assets accounted for in accordance with the policy on such assets. Any outstanding liability is held on the balance sheet as a long term liability.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable under operating leases are charged to revenue on an accruals basis.

12 PROVISIONS AND RESERVES

A distinction is made between provisions and reserves.

Provisions are amounts set aside to meet any liabilities or losses which are likely or certain to be incurred but where the amount or the timing of any payment cannot be quantified with any certainty. Contributions to provisions are charged directly to the appropriate service revenue account in the year the authority becomes aware of the likely loss incurred based on an estimate of the likely settlement.

When expenditure is incurred to which the provision relates, it is charged direct to the provision. Estimated settlements are reviewed at the end of each financial year, with any over or under provision credited or debited to the service revenue account.

Reserves are amounts set aside for purposes falling outside the definition of provisions and can be used to assist in meeting uneven expenditure flows. Transfers to revenue reserves are charged to the statement of movement in general fund balance in the year the transfer takes place. Transfers from the reserves are made to the same account to finance the expenditure when it is charged to the service revenue account, so that there is no net charge against council tax in that year. Revenue reserves include earmarked reserves set aside for specific policy purposes and revenue balances, which represent reserves set aside for purposes such as general contingencies and cash flow management. Capital reserves are not available for revenue purposes and in some cases can only be used for specific statutory purposes.

The usable capital receipts reserve, revaluation reserve and pensions reserve are examples of capital reserves.

13 STOCKS

Stocks shown are valued at cost. This is a departure from SSAP9 (which requires stocks to be valued at the lower of cost and net realisable value), however the different treatment is immaterial to the accounts. Some minor stocks are not valued and are excluded from the balance sheet.

STATEMENT OF ACCOUNTING POLICIES

14 CAPITAL RECEIPTS

Receipts arising from the sale of fixed assets in excess of £10,000 and repayment of capital loans and grants are treated in accordance with the requirements of the Local Government and Housing Act 1989, as amended by the Local Government Act 2003 and associated regulations. A proportion of Housing Revenue Account (HRA) receipts is paid to a central pool maintained by the government.

Receipts arising from the sale of fixed assets are accounted for on an accruals basis.

Capital receipts which are due but not received are credited to a Capital Receipts Deferred account within Deferred Credits and transferred to usable capital receipts unapplied when received.

15 DEFERRED CREDITS

These include receipts arising from the sale of assets and from the repayment of loans (for example mortgages) which are receivable in future years.

16 CONTINGENT LIABILITIES AND ASSETS

These are potential or possible liabilities or assets depending on the outcome of certain events. They are not included in the accounting statements but are detailed in the notes to the balance sheet.

17 INTERESTS IN COMPANIES

The council has interests in a number of companies. In the council's single entity account the interests are recorded at amortised cost. In the group accounts, the accounts of the companies have been consolidated with the council's accounts on the Equity basis: the council's share of companies' assets and liabilities (adjusted so that they are consistent with the Council's accounting policies) has been apportioned in proportion to the council's share of the individual companies equity, in the case of subsidiaries, after eliminating inter-organisation transactions and balances.

18 FINANCIAL LIABILITIES

These are shown at amortised cost. Annual charges for interest payable are charged to Income and Expenditure based on the amortised cost multiplied by the effective rate of interest for the instrument.

Gains or losses arising on the early repayment of borrowing are credited or debited to Net Operating Expenditure in the Income and Expenditure Account in the year of settlement, unless the transaction involved the modification or exchange of the loan, in which case the gains or losses are added to the cost of the loan, which is then written down to the Income and Expenditure Account over the life of the loan by an adjustment to the effective interest rate.

Where such gains or losses (also known as discounts and premiums) have been charged to the Income and Expenditure Account, government regulations allow the impact on the general fund balance to be spread over a number of years. A transfer is therefore made to the Statement of Movement in the General Fund Balance from a Financial Instruments Adjustment Account on the balance sheet for any difference between the charges required by the SORP and those allowed by statute.

19 FINANCIAL ASSETS

Financial assets are classified into two types:

*Loans and receivables - assets that have fixed or determinable payments and are not quoted in an active market. These are shown on the balance sheet at amortised cost with their fair values (if different) shown as a note. Annual credits for interest receivable are based on the amortised cost multiplied by the effective rate of interest for the instrument. Where assets are impaired because of the likelihood of default, the cost of the loan is amortised, reducing the amount receivable and charging the loss to Income and Expenditure.

*Available-for Sale assets - assets that have a quoted market price or do not have fixed or determinable payments. These are shown on the balance sheet at fair value unless this cannot be measured reliably, in which case the instrument is shown at amortised cost (I.e. cost less any impairment losses). Where there are no fixed payments, income (e.g dividends) is credited to Income and Expenditure when receivable.

20 VAT

Income and expenditure excludes any amounts related to Value added Tax (VAT) as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH

2007 Net £'000	Service	Note	2008		
			Expenditure £'000	Income £'000	Net £'000
	Central Services to the public				
897	Local tax collection		7,982	7,048	934
251	Elections		296	3	293
24	Emergency planning		24	-	24
(279)	Local land charges		216	354	(138)
245	General grants and bequests		282	1	281
3	Central Support Services		894	216	678
1,141			9,694	7,622	2,072
	Cultural, Environmental and Planning Services				
	Cultural Services				
1,594	Culture and Heritage		2,446	659	1,787
3,716	Recreation and Sport		7,055	2,408	4,647
381	Tourism		772	359	413
	Environmental Services				
(148)	Cemeteries and Crematorium		936	1,038	(102)
1,285	Environmental Health		1,820	476	1,344
144	Flood defence and land drainage		216	28	188
2,937	Waste collection	3	4,010	1,047	2,963
1,026	Street cleansing	3	1,134	1	1,133
	Planning and Development Services				
240	Building control	8	617	424	193
167	Development control		862	749	113
669	Planning policy		999	225	774
308	Economic development		266	34	232
1,271	Community development		2,298	995	1,303
-	Service Management and Support Services		3	6	(3)
13,590			23,434	8,449	14,985
	Highways, Roads and Transport Services				
12	Transport planning, policy and strategy		498	509	(11)
112	Structural Roads Maintenance	3	32	32	-
1,298	Routine Roads Maintenance	3	919	76	843
(1,027)	Parking Services	3	4,122	3,124	998
1,133	Public Transport		1,584	76	1,508
1,528			7,155	3,817	3,338
(1,302)	Housing Revenue Account		24,047	14,891	9,156
	Other Housing Services				
450	Housing Strategy		660	(45)	705
47	Housing Advice		47	-	47
6	Housing Advances		4	-	4
175	Private Sector Renewal		1,481	1,593	(112)
380	Homelessness		710	395	315
(352)	Housing Benefit Payments		27,072	27,295	(223)
331	Housing Benefits Administration		1,029	843	186
22	Welfare Services		96	84	12
-	GF Housing management		(1)	-	(1)
1,059			31,098	30,165	933
16,016	COST OF SERVICES C/F		95,428	64,944	30,484

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH

2007 Net £'000	Service	Note	2008		
			Expenditure £'000	Income £'000	Net £'000
16,016	COST OF SERVICES B/F		95,428	64,944	30,484
	Corporate & Democratic Core				
1,225	Democratic representation and management		1,307	4	1,303
1,097	Corporate management		1,234	86	1,148
2,322			2,541	90	2,451
(857)	Non Distributed Costs		237	-	237
	Exceptional Items				
-	Flood recovery and defence costs		307	217	90
-	Senior Management Restructuring		760	-	760
-			1,067	217	850
17,481	NET COST OF SERVICES		99,273	65,251	34,022
-	(Gains) / Losses on the disposal of fixed assets		425		
149	Precepts paid to parish councils		174		
(868)	Net deficit / (surplus) on trading operations	4	2,172		
1,595	Interest payable and similar charges		1,124		
2,145	Contribution to Housing Pooled Receipts		963		
(1,394)	Interest and Investment Income		(1,682)		
1,125	Pensions Interest and Expected Return on pensions assets	42	1,166		4,342
20,233	NET OPERATING EXPENDITURE				38,364
	Principal sources of finance -				
(5,962)	Income from the collection fund		(6,335)		
(1,689)	General Government Grants -Revenue Support Grant (RSG)		(1,519)		
(1,274)	-Local Authority Business rates growth incentive scheme (LABGI)		(132)		
-	-Second Homes Grant		(10)		
(8,677)	Contribution from non-domestic rates pool		(9,054)		(17,050)
2,631	Net Deficit for the Year				21,314

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2006/07 £'000			2007/08 £'000
2,631	Net Deficit for the year on the Income and Expenditure Account		21,314
(2,791)	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance in the Year	13	(21,544)
(160)	(Increase) / Decrease in General Fund Balance in the Year		(230)
(1,255)	General Fund Balance brought forward		(1,415)
(1,415)	General Fund Balance carried Forward		(1,645)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2006/07 £'000		2007/08 £'000
2,631	Deficit on the Income and Expenditure Account for the Year	21,314
(6,568)	Deficit / (Surplus) arising from the revaluation of fixed assets	(21,261)
(6,133)	Actuarial (Gains) / losses on pension fund assets and liabilities	(6,613)
	Any other gains or losses	
340	- Deficit / (Surplus) on the Collection Fund	410
102	- Difference between capital grants used and received in year	-
(415)	- Difference between actual and estimated pension contributions used to calculate pensions liability	-
(300)	- Pension contributions charged to Provisions	-
(27)	- Grant and loan repayments	-
(10,370)	Total recognised (gains) / losses in the year	(6,150)
(232)	Prior year adjustments - Deferred Credits	-
	- Loan premiums and discounts transferred to Financial Instruments Adjustment Account at 1 April	844
(10,602)	Total recognised (gains) / losses since the last annual report	(5,306)

BALANCE SHEET AS AT 31 MARCH

2007 £'000		Note	2008	
			£'000	£'000
	Fixed Assets			
793	Intangible Fixed Assets	15		643
	Tangible Fixed Assets	14		
	Operational Assets			
164,760	-Council Dwellings		171,780	
39,484	-Other Land and Buildings		42,398	
2,171	-Vehicles, Plant, Furniture & Equipment		2,645	
9,132	-Infrastructure Assets		9,111	
32,255	Non-Operational Assets - Investment Properties		33,126	
-	- Under Construction		1,373	
293	- Surplus held for disposal		401	260,834
248,888	Total Fixed Assets			261,477
2,437	Long Term Investments	20(i)		437
329	Long Term Debtors	21		204
937	Deferred Premiums on the early repayment of debt			-
252,591	Total Long Term Assets			262,118
	Current Assets			
70	Stock		63	
6,153	Debtors	22	8,510	
20,000	Short Term Investments	20(ii)	18,331	
-	Cash and Bank	23	685	
26,223				27,589
278,814	Total Assets			289,707
	Current Liabilities			
404	Bank Overdraft	23	-	
676	Short Term Borrowing	24	3,090	
13,842	Creditors	25	12,456	
14,922				15,546
263,892	Total Assets less Current Liabilities			274,161
	Long Term Liabilities			
16,708	Long Term Borrowing	26	29,099	
575	Deferred Liabilities	27	280	
14,525	Capital Grants Deferred	28	14,270	
92	Deferred discounts on the early repayment of debt		-	
1,329	Provisions	30	688	
38,493	Liability related to defined benefit pension scheme	36	32,424	
71,722				76,761
192,170	Total Assets less Liabilities			197,400
	Financed by:			
216,196	Capital Adjustment Account	31(b)	195,733	
-	Financial Instruments Adjustment Account		(324)	
-	Revaluation Reserve	31(a)	20,556	
3,861	Usable Capital Receipts Reserve	31(c)	2,528	
-	Major Repairs Reserve		1,055	
230	Deferred Credits	29	168	
6,515	Earmarked Revenue Reserves	32	5,224	
(38,493)	Pensions Reserve	36	(32,424)	
188,309				192,516
	Revenue Balances			
1,415	General Fund	33	1,645	
1,878	Housing Revenue Account	35	3,081	
568	Collection Fund	34	158	4,884
192,170	Total Net Worth	37		197,400

CASHFLOW STATEMENT FOR YEAR ENDED 31 MARCH

2007 £'000		Note	2008	
			£'000	£'000
	Revenue Activities			
	<u>Cash Outflows</u>			
18,979	Cash paid to and on behalf of employees		17,453	
26,675	Other operating cash payments		26,387	
16,794	Housing benefit paid out		17,825	
41,151	Precepts paid		43,613	
40,374	Payment to National Non-Domestic Rates (NNDR) pool		43,604	
2,404	Payments to capital receipts pool		1,120	
146,377				150,002
	<u>Cash Inflows</u>			
6,503	Rents (after rebates)		6,768	
41,052	Council tax receipts		42,836	
40,949	Non-domestic rate receipts		40,891	
8,677	Receipts from NNDR pool		9,054	
1,689	Revenue support grant		1,651	
30,090	DWP grants for benefits		34,580	
2,635	Other Government grants	43	549	
13,492	Cash received for goods and services		13,432	
909	Other revenue cash receipts		(393)	
145,996				149,368
381	Revenue activities net cash (inflow)/outflow	44		634
	Dividends from joint ventures and associates			
	<u>Cash Inflows</u>			
(25)	Dividends Received			(53)
	Returns on Investments and Servicing of Finance			
	<u>Cash Outflows</u>			
1,008	Interest paid		1,147	
	<u>Cash Inflows</u>			
1,522	Interest received		1,354	
(514)				(207)
	Capital Activities			
	<u>Cash Outflows</u>			
4,923	Purchase of fixed assets		20,889	
1,249	Other capital cash payments		1,217	
6,172			22,106	
	<u>Cash Inflows</u>			
4,416	Sale of fixed assets		1,694	
2,752	Capital grants received		3,298	
29	Other capital cash receipts		80	
7,197			5,072	
(1,025)				17,034
(1,183)	Net cash (inflow)/outflow before financing			17,408
	Management of Liquid Resources			
(500)	Net increase/(decrease) in short term deposits	45	(2,000)	
(4,000)	Net increase/(decrease) in long term deposits	45	(2,000)	
(4,500)				(4,000)
	Financing			
	<u>Cash Outflows</u>			
5,673	Repayments of amounts borrowed		392	
	<u>Cash Inflows</u>			
-	New long term loans raised		(12,500)	
-	New short term loans raised		(2,389)	
5,673	Net (increase) / decrease in borrowing	45		(14,497)
(10)	Net decrease / (increase) in cash	45		(1,089)

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTES TO THE CORE FINANCIAL STATEMENTS

1 Authorisation for Issue

The date the Statement of Accounts was authorised for issue was 26 June 2008 by the Council's Audit Committee.

2 Prior Year Adjustments and Comparative figures

To allow comparison with the previous year, some of the 2006/07 published figures have been restated so that they comply with the 2007 Code of Practice on Local Authority Accounting. The changes are:

*The implementation of a Revaluation Reserve at 31 March 2007 to replace the Fixed Asset Restatement Reserve (FARR) and Intangible Assets Revaluation Reserve (IARR). The credit balance of £145.793 million on the FARR and £0.055 million on the IARR on 31 March 2007 as stated in the 2006/07 published accounts have been written off to the Capital Adjustment Account (previously known as the Capital Financing Account), resulting in this account having a restated balance at 31 March 2007 of £216.196 million. The Revaluation Reserve has then been created at 31 March 2007 with a nil opening balance. The closing position on the reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007. In 2007/08 revaluation losses have been treated as impairments and written off to the Income and Expenditure (I&E) Account. In 2006/07 they were written off to the FARR. In accordance with the SORP, 2006/07 comparatives for the I&E account have not been restated to reflect the different treatment. The changes have had no effect on the net worth of the authority.

*Capital grants and contributions, previously included within reserves, have been transferred at 31 March 2007 to creditors as receipts in advance, to ensure their treatment complies with the SORP. As a result the net worth of the authority at 31 March 2007 compared to the previous *published* figure has reduced by £2.941 million and creditors have increased by the same amount.

*Deferred Liabilities due within one year of the balance sheet date of 31 March 2007 have been transferred to creditors. This has increased creditors and reduced deferred liabilities by £0.270 million at 31 March 2007 compared to the previous published figures.

Adjustments required to comply with the 2007 SORP requirements in relation to financial instruments (see accounting policies) have been effected on or after 1 April 2007, therefore no changes have been made to comparatives for these items.

The balances for Premiums and Discounts arising from the early repayment of loans at 31 March 2007 have been written off to the general fund balance at 1 April 2007 as they have been treated as 'overhanging' debt. Amounts not required to be charged to the general fund balance in the year due to statutory allowances have then been transferred during the year to a new Financial Instruments Adjustment Account. The effect of these transactions has been to reduce the net worth of the authority at 31 March 2008 compared to that at 31 March 2007 by £0.845 million and this is reflected in the Statement of Recognised Gains and Losses (STRGL). Previously the charge to revenue for premiums and discounts as determined by statutory provisions was made to the I&E account under Interest Payable and Similar charges (not the statement of movement in the general fund balance); 2006/07 comparatives for the I&E account have not been restated, in accordance with SORP guidance.

From 1 April 2008 interest due to or owed by the council on investments and borrowing has been added to the loan outstanding, instead of being included with debtors or creditors. The comparatives for 2006/07 have not been restated to reflect this, consistent with the altered treatment of premiums and discounts.

2a Exceptional Items

Gloucester has been affected by the major floods that occurred in July 2007. GCC received £216,810.31 via grant funding from Central Government for Flood Defences and Land Drainage works. Expenditure came to £307,190.95.

Gloucester City Council has been undertaking a Senior Management Restructuring project, which has resulted in changes in Senior Managers at GCC. These changes have resulted in expenditure occurring that would be extra to normal policy.

NOTES TO THE CORE FINANCIAL STATEMENTS

3 Contracted Services

The council operates a Streetcare Partnership contract with Enterprise PLC for the provision of Streetcare services, the majority of which were previously supplied by an in-house team. The annual contract payment is £5.434 million and the contract start date was 14th January 2007.

Highways works, previously performed under an Agency Agreement by an in-house, depot based team was transferred to the County Council's contractor, Atkins, as of 1st April 2006.

Following the termination of the Agency Agreement on 31st March 2007, the Highways inspection and supervision work transferred to the County Council, Gloucestershire Highways and Atkins.

With effect from 12 December 2005 Management and Supervision of the Council's housing stock has been contracted to Gloucester City Homes Ltd (GCH), a wholly owned Arms Length Management Organisation of the council (see note 20 on page 75). The costs of these services for the year were £5 million. The repairs and maintenance of the housing stock are undertaken by a private contractor under the supervision of GCH, with effect from 1 April 2007. The cost of these services in the year were £4.0 million.

3a Agency Income and Expenditure

The highways agency agreement with the County Council was terminated as of 31st March 2007, so no income was received or expenditure incurred in 2007/08.

4 Trading Operations

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

2006/07 NET £'000	2007/08		
	EXPENDITURE £'000	INCOME £'000	NET £'000
(1,077) City Estates	3,727	1,639	2,088
(63) St.Oswald's Park	(51)	89	(140)
(4) Eastgate Market	429	353	76
247 Open market and other markets	327	161	166
28 Lettings & Catering Services	64	57	7
23 Translation & Interpreting Services	72	70	2
- Building Design Services	(13)	2	(15)
3 Legal & Office Services	131	90	41
- GL1 Sports Ltd Dividend	-	28	(28)
(25) Gloucestershire Airport Dividend	-	25	(25)
(868) Total	4,686	2,514	2,172

5 Expenditure on Publicity

Section 5(i) of the Local Government Act 1986 requires a local authority to disclose certain expenditure incurred on publicity. Expenditure during 2007/08 totalled £208,429 (2006/07 £236,844) as detailed below:-

	2006/07 £'000	2007/08 £'000
Recruitment advertising	19	32
Other advertising	176	130
Publicity		
- tourism	40	46
- newspapers & media	2	-
Total	237	208

NOTES TO THE CORE FINANCIAL STATEMENTS

6 Discretionary Expenditure under Section 137 of the Local Government Act 1972

Section 137(3) of the 1972 Local Government Act (as amended by the Local Government Act 2000) empowers a local authority to incur expenditure for the benefit of its area or inhabitants on items for which it has no other powers to spend.

In 2007/08 the actual expenditure was:-

Grants to various bodies working in the local area: £115,673 (2006/07 £124,443)

The remainder of the grants awarded to voluntary organisations during the year were given under other powers.

7 Members Allowances

The total of the allowances paid to councillors in 2007/08 was £289,757 (2006/07 £272,846). Details of the allowances paid to each individual councillor are published in the Gloucester Citizen newspaper.

8 Building Control

The Building Control (Local Authority Charges) Regulations 1998 (SI 1998/3129) which came into force on 1 April 1999 require local authorities to break even on chargeable building control services over a three year rolling period.

At 31 March 2008 the building control charging account showed a deficit of £70,610 as follows :

	2005/06 £	2006/07 £	2007/08 £	3 Year TOTAL £
Income	632,249	431,178	424,047	1,487,474
Expenditure	631,335	494,236	432,513	1,558,084
Surplus / (deficit)	914	(63,058)	(8,466)	(70,610)

The figures above are calculated on the basis of the statutory definition of building control services and differ slightly from those shown on the face of the Income and Expenditure Account, which uses a wider definition.

9 Audit Fees

During 2007/08 the council incurred the following fees relating to external audit and inspection:

	2006/07 £'000	2007/08 £'000
Fees payable to the Audit Commission for		
- external audit services	135	106
- statutory inspection	6	6
- the certification of grant claims and returns	48	45
- other services provided by the appointed auditor	1	29
Total audit fees	190	186

NOTES TO THE CORE FINANCIAL STATEMENTS

10 Related Party Transactions

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

Transactions with members were restricted to the payment of members allowances, which are detailed in note 7, page 64. There were no transactions with chief officers other than the payment of remuneration which is shown in note 11 (page 66).

	Number of related parties	Payments made or due £'000	Income received £'000
Central Government			
Revenue Support Grant			1,519
Non Domestic Rates			41,444
Specific Grants			843
Other Local and Police Authorities	2		
Precepts		49,639	
Gloucestershire County Council	10		
Pension Fund		2,779	
Gloucestershire Airport	4		
Loan transactions			26
Quedgeley Parish	1	174	
Others			
GL1 (Sports) Ltd	2	214	
Barton & Tredworth Developments Ltd	1	14	
Gloucester Law Centre	1	121	
Coney Hill Neighbourhood Project	2	43	
Matson Neighbourhood Project	3	73	
White City Project	2	3	
Glos Three Choirs Festival	1	15	
Furniture recycling Project	1	6	
Gloucester Victim Support	1	10	
Gloucester Chinese Women's Guild	1	2	
Gloucester City Homes	6	22,230	
Accord Operations Limited	1	4,618	

Amounts due to or from related parties (debtors/creditors):

	£'000
Debtors	26
Creditors	690

NOTES TO THE CORE FINANCIAL STATEMENTS

10a **Local Area Agreement**

The Gloucestershire Local Area Agreement (LAA) is an agreement between the government and a partnership of local public and voluntary organisations, led by Gloucestershire County Council through the Gloucestershire Conference.

The Gloucestershire LAA is built around the following themes: Safer and Stronger Communities, Healthier Communities and Older People, Children and Young People, Economic Development and Enterprise, Natural & Built Environment.

LAA's aim to make services more effective and efficient by promoting agencies working together, streamlining funding arrangements, simplifying inspection and reducing bureaucracy.

11 **Officer Emoluments**

The number of employees at the year end whose remuneration for the year (excluding pension contributions) was £50,000 or more in bands of £10,000 were:-

Remuneration Band	Number of Employees	
	As at 31/3/07	As at 31/3/08
£50,000 - £59,999	9	3
£60,000 - £69,999	-	2
£70,000 - £79,999	-	-
£80,000 - £89,999	2	2
£90,000 - £99,999	-	-
£100,000 - £109,999	-	1
£110,000-£119,999	-	2

The remuneration relates to actual payments to employees during the year. The remuneration of staff at 31 March 2008 includes severance pay arising from a senior management restructuring during 2007/08. As a result of these severance payments the two employees in the £110,000 - £119,999 category and the one employee in the £80,000 - £89,999 category would otherwise have been placed in lower remuneration bands.

The cost of the senior management restructuring shown in Exceptional Items on the Income and Expenditure Account includes contractual commitments made during 2007/08 for staff leaving the council during 2008/09.

12 **Local Authority (Goods and Services) Act 1970**

The council is empowered under section 7 of this Act to provide goods and services to other public bodies. In previous years the council has provided grounds maintenance, building maintenance and public convenience cleaning to Gloucestershire County Council and other public bodies. In 2007/08, income from these services amounted to £0 (£0 in 2006/07) and the related expenditure was £0 (£0 in 2006/07).

NOTES TO THE CORE FINANCIAL STATEMENTS

13 STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the council's actual financial performance for the year. However the authority is required to raise council tax on a different accounting basis, the main differences being:

*capital investment is accounted for as it is financed, rather than when the fixed assets are consumed. Therefore the charges to Income and expenditure for use of fixed assets and the writing off deferred charges and capital grants are reversed out and replaced with any revenue funding of capital expenditure

*the payment of housing capital receipts is a charge to the Income and Expenditure account but is met from capital receipts rather than council tax

*Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as the benefits are earned by employees. The latter are therefore reversed out and replaced with the actual payments to the pension fund.

Significance on local taxation and the resources available

The statement shows that the reconciling items under the heading of "net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance in the year" exceeds the net deficit for the year, and results in a net increase in the General Fund Balance.

Analysis of reconciling Items

2006/07 £'000		2007/08	
		£'000	£'000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund balance for the year		
(257)	Amortisation of Intangible fixed assets	(237)	
(1,752)	Depreciation and Impairment of fixed assets	(8,840)	
526	Capital grants deferred amortised	717	
(17)	Deferred charges financed from capital resources	(115)	
-	Net loss on the disposal of fixed assets	(451)	
-	Repayment of capital grants transferred to capital receipts	45	
(2,744)	Net charges made for retirement benefits	(3,377)	
(4,244)			(12,258)
	Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund balance for the year		
-	Minimum Revenue Provision (MRP) for capital financing	-	
-	Premiums and discounts on early repayment of loans	4	
198	Capital expenditure financed from Revenue	491	
(2,145)	Transfer from usable capital receipts to meet payments to the housing capital receipts pool	(963)	
2,479	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	2,628	
532			2,160
	Transfers to or from the general fund balance or HRA required to be taken into account when determining movement on the general fund balance		
(42)	Transfer to / (from) Housing Revenue account (HRA) balance	(10,155)	
963	Net transfers to / (from) earmarked reserves	(1,291)	
921			(11,446)
(2,791)	Net additional amount required to be charged / (credited) to the general fund balance for the year		(21,544)

NOTES TO THE CORE FINANCIAL STATEMENTS

14 Tangible Fixed Assets

Approximately one fifth of the council's non-dwelling land and buildings were revalued as at 31 March 2008, adopting a valuation datum date of 1 April 2007. The properties selected for revaluation included those where the conditions likely to affect their valuation had changed and those (if any) suffering from impairment, as well as those requiring revaluation under the five year rolling programme.

Approximately 20% of the dwellings were revalued as at 31 March 2008, using the beacon principle and adopting a valuation datum of 1 April 2007. The properties selected were those requiring revaluation under the five year rolling programme. Government regulations requires a full stock valuation to be carried out every 5 years (the last being as at 1 April 2005). A proportion of 30% of the expenditure on modernising the stock under the decent homes programme (subject to the housing adjustment factor of 44%) has been added to the value of the dwellings to reflect an increase in values as a result of the work.

Included in Investment properties is the Gloucester bus station site. This has been valued at depreciated replacement cost, however the site does have medium to long term development potential.

In addition to the assets shown below the council owns community assets, such as parks, open spaces and statutory allotments, which have been valued at nil value. This is a departure from recommended accounting practice (which recommends they be shown at historic cost), due to the unavailability of accurate historic cost data.

Depreciation has been charged on all buildings (excluding properties held for investment purposes), vehicles, plant and equipment and infrastructure assets on a straight-line basis over the estimated life of the asset. Building lives were as determined by the Valuer and vary from 10 to 60 years. Vehicles and plant are depreciated over 7 or 10 years, computer equipment over 3 to 5 years and other equipment over 7 or 10 years (depending on its estimated life). Infrastructure assets are depreciated over 10 years (street furniture), 15 years (car park, sports and playground surfaces), 30 years (environmental improvements) and 50 or 100 years (drainage works). Estimated lives are re-assessed and increased as necessary at 1 April each year.

Non-dwelling land and building valuations were carried out by professionally qualified staff of the council's corporate property unit headed by Michael A Lyon, F.R.I.C.S. The dwelling revaluations were carried out externally by professionally qualified staff of mpower Surveyors. Not all the properties were inspected because this was not practical. The basis of the valuations for each fixed asset category is disclosed in the statement of accounting policies.

The gross book value and accumulated depreciation balances brought forward at 1 April 2007 for vehicles, plant and equipment and surplus assets have both been amended by £19,000 and £4,000 respectively to reflect prior year adjustments.

Movement in Tangible Fixed Assets

	2007/08							2006/07	
	Operational				Non Operational				
	Council dwellings £'000	Other land and buildings £'000	Vehicles plant and equipment £'000	Infrastructure assets £'000	Investment properties £'000	Surplus assets held for disposal £'000	Assets Under construction £'000		TOTAL £'000
Gross book value - as at 1 April	180,214	45,327	4,265	11,013	32,255	313	-	273,387	264,670
Additions (see note 16)	14,248	760	1,016	635	5	-	957	17,621	6,699
Disposals	(1,330)	(120)	(97)	-	(558)	(15)	-	(2,120)	(4,550)
Revaluation gains	5,865	2,302	-	-	5,058	140	-	13,365	6,568
Impairments	(12,295)	(4,557)	-	-	(3,620)	-	-	(20,472)	-
Transfers	117	(348)	-	(189)	(14)	(33)	416	(51)	-
Gross book value at 31 March	186,819	43,364	5,184	11,459	33,126	405	1,373	281,730	273,387
Depreciation - as at 1 April	15,454	5,843	2,094	1,881	-	20	-	25,292	20,880
Depreciation for year	2,838	1,082	445	506	-	6	-	4,877	4,546
Disposals	-	(5)	-	-	-	-	-	(5)	-
Revaluation gains	(3,259)	(4,637)	-	-	-	-	-	(7,896)	(134)
Impairments	-	(1,321)	-	-	-	-	-	(1,321)	-
Transfers	6	4	-	(39)	-	(22)	-	(51)	-
Depreciation as at 31 March	15,039	966	2,539	2,348	-	4	-	20,896	25,292
Net book value as at 31 March	171,780	42,398	2,645	9,111	33,126	401	1,373	260,834	248,095

The following table shows the progress of the council's rolling programme for the revaluation of tangible fixed assets

Valuation information

	Operational				Non Operational			TOTAL £'000
	Council dwellings £'000	Other land and buildings £'000	Vehicles plant and equipment £'000	Infrastructure assets £'000	Investment properties £'000	Surplus assets held for disposal £'000	Under Construction £'000	
Valued at historical cost	-	-	-	9,111	-	-	1,373	10,484
Valued at current value in								
2003/04	-	72	-	-	-	-	-	72
2004/05	-	2,455	-	-	1,781	-	-	4,236
2005/06	-	789	-	-	5,024	-	-	5,813
2006/07	-	2,499	-	-	2,960	-	-	5,459
2007/08	171,780	36,583	2,645	-	23,361	401	-	234,770
	171,780	42,398	2,645	9,111	33,126	401	1,373	260,834

NOTES TO THE CORE FINANCIAL STATEMENTS

The following is a list of the major fixed assets owned by the City Council at 31 March 2008.
All assets are owned freehold unless otherwise stated.

Operational assets	Non-operational assets
<p>4551 Council dwellings</p> <p>Other Operational land and buildings Gloucester Leisure Centre 2 Cemeteries and 1 Crematorium North Warehouse HKP warehouses (leasehold) Guildhall Depot at Eastern Avenue City and Folk Museums 2 Multistorey Car Parks (1 leasehold) 14 Surface Car Parks (2 leasehold) Tourist Information Centre (leased) Oxstalls Tennis Centre City Farm, Albany Steet</p> <p>Community assets Various Parks and open spaces Works of art Museum Exhibits Civic regalia</p> <p>Vehicles plant and equipment Vehicles and items of plant Computer equipment Sports and playground facilities in parks</p> <p>Infrastructure assets Street furniture 12 Public Conveniences (2 leasehold)</p>	<p>Investment properties Eastgate market and shopping centre Bearland Lodge Kings' Square / Kings' Walk Kings' Theatre Bus station 52/54 Weston Road Gala Club 44 Shops 75/81 Eastgate Street (subject to lease and leaseback) 20/24 Commercial Road (leasehold) 16 Sports Clubs facilities (mixed tenure) 50% of Gloucestershire Airport (freehold)</p> <p>Under Construction Hempstead Market (formerly Netheridge Farm)</p>

Intangible Fixed Assets

Intangible fixed assets arise where capital expenditure is incurred on intangible assets, such as computer software licences and development .

Movements in intangible assets during the year are shown below

	Computer Software	
	2006/07 £'000	2007/08 £'000
Original (historic) cost	1,251	1,396
Amortisations to 1 April	(497)	(603)
Balance at 1 April	754	793
Expenditure in year (see note 16, page 39)	296	87
Written off (amortised) to revenue in year	(257)	(237)
Balance at 31 March	793	643

NOTES TO THE CORE FINANCIAL STATEMENTS

16 Summary Capital Accounts

Capital expenditure during the year is summarised below. The expenditure relates to the acquisition of assets which will be of benefit to the Authority for a number of years (fixed assets) and expenditure on the making of capital grants (deferred charges). It includes expenditure on the provision of assets such as houses and vehicles and on capital grants, such as home improvement grants.

Capital Expenditure analysed by Service

2006/07 Actual £'000	SERVICE	2007/08		
		Latest Estimate £'000	Actual £'000	Over/(Under) spend £'000
	<u>Central Services (including support services)</u>			
155	Computer Equipment	122	175	53
70	Computer Systems Development	38	18	(20)
27	Corporate Payments/Information Management	73	1	(72)
46	Customer Services/Virtual Call Centre	68	28	(40)
24	Disabled Access -upgrading lifts at offices, etc	54	-	(54)
68	Document Image Processing	31	18	(13)
376	HKP/North warehouses refurbishment works	168	165	(3)
414	Hempstead Market (Netheridge)	1,214	957	(257)
48	Customer Access/Kiosks/E-Voting	46	41	(5)
35	Queen Anne railings & footpath		(4)	(4)
5	Software Upgrades - Housing Benefits/Council Tax	25	14	(11)
9	Telephone System Upgrade	4	2	(2)
-	Upgrading CCTV to Digital	82	73	(9)
25	Virtual Call Centre	-	1	1
-	Westgate Street Redevelopment	25	25	-
32	Computer Network Upgrade	-	-	-
1,334		1,950	1,514	(436)
	<u>Cultural, Environmental, Planning Services</u>			
	<u>Cultural and Related Services</u>			
7	Alney Island Intrusive Investigations	129	55	(74)
4	Change toilets to aviary	20	-	(20)
319	City Centre Modernisation/Redevelopments	30	6	(24)
32	Former Coney Hill Hospital Site - improvements	193	8	(185)
53	Window & Stonework repairs	15	-	(15)
18	Folk Museum refurbishment	-	-	-
-	Gateway railings	12	12	-
128	Gloucester Park Improvements	343	236	(107)
561	Cultural and Related Services c/fwd	742	317	(425)
1,334	Central Services c/fwd	1,950	1,514	(436)

NOTES TO THE CORE FINANCIAL STATEMENTS

2006/07		2007/08		
Actual £'000	SERVICE	Latest Estimate £'000	Actual £'000	Over/(Under) spend £'000
1,334	Central services b/fwd	1,950	1,514	(436)
561	Cultural and Related Services - b/fwd	742	317	(425)
128	Guildhall Improvements & café works	74	53	(21)
1	Upgrade Leisure Centre Plant	190	199	9
3	Llanthony and St Oswalds Priory works	26	-	(26)
5	Monuments Management works	-	-	-
-	Museum Roof works	65	35	(30)
67	Museum Replacement Boilers	-	-	-
62	Neighbourhood Projects - capital grants	30	8	(22)
3	Price Memorial Hall	-	-	-
1	Refurbishment of Tudor Cottage	-	-	-
14	Shopmobility Premises	-	-	-
2	Star 66 Youth Centre Capital grant	-	-	-
19	Tenants & residents associations capital grants	50	63	13
442	Waterwells Sports Ground Development	-	8	8
1,308		1,177	683	(494)
	<u>Environmental Services</u>			
151	Improvements to Public Toilets	20	23	3
20	Crematorium Doors & Windows Major Repairs	20	-	(20)
64	Tredworth Cemetery Chapel Refurbishment	16	17	1
30	Vehicles	-	-	-
37	Robinswood Hill Toilets	-	-	-
20	Stream Drainage Improvements	39	-	(39)
-	YMCA Sebert Street capital grant	6	4	(2)
-	Flood defence Works	143	13	(130)
-	Wheeled Bins	641	641	-
-	Other Environmental Projects	41	55	14
322		926	753	(173)
	<u>Planning and Development Services</u>			
222	Kings Square/Oxbode Redesign	4	4	-
-	Westgate Coach Parking	27	27	-
(2)	Bridge Link Longsmith Street	26	-	(26)
17	Energy Conservation Works	49	62	13
2	Bus Station Improvements	-	-	-
181	St Oswalds Park redevelopment	128	97	(31)
11	Learning Skills Initiative	-	-	-
45	Brionne Way Improvements	14	8	(6)
-	Path Resurfacing	38	6	(32)
43	Depot Improvements	240	165	(75)
3	Woolstrop Moat Hydro Study	37	4	(33)
-	Eastgate/Westgate Orientation works	9	9	-
-	Castlemeads Footbridge works	28	28	-
522		600	410	(190)
	<u>Highways, Roads, Transport Services</u>			
8	Car Park Resurfacing	-	-	-
71	Longlevens Safer City Works	21	11	(10)
-	Enhanced Lighting Schemes	177	158	(19)
99	Vehicles	-	36	36
-	Gloucester Car Parks	6	8	2
178		204	213	9
3,664	C/Fwd	4,857	3,573	(1,284)

NOTES TO THE CORE FINANCIAL STATEMENTS

2006/07 Actual £'000	SERVICE	2007/08		
		Latest Estimate £'000	Actual £'000	Over/(Under) spend £'000
3,664	B/Fwd	4,857	3,573	(1,284)
	<u>Housing Services</u>			
	<u>Housing General Fund</u>			
750	Home Improvement Grants	1,426	1,089	(337)
135	191 Bristol Road Improvements	-	-	-
114	Housing Renewal Policy-Grants and Loans to Vulnerable Persons	375	244	(131)
167	Housing Market Partnership grant	167	131	(36)
1,166		1,968	1,464	(504)
	<u>Housing Revenue Account</u>			
-	Dwelling Acquisitions	-	83	83
3,415	Dwelling Improvements and Modernisations	12,665	14,165	1,500
3,415		12,665	14,248	1,583
8,245	Total Capital Expenditure	19,490	19,285	(205)
	Total Capital Expenditure Comprises:			
6,699	Expenditure on Tangible Fixed Assets (see note 14)	17,036	17,621	585
296	Intangible Fixed Assets (see note 15)	298	87	(211)
1,250	Deferred Charges (see note 17)	1,976	1,502	(474)
-	Long term Debtors (written off to CAA)	180	75	(105)
8,245		19,490	19,285	(205)

The differences between the revised estimate and actual expenditure are due mainly to the rescheduling of work and work being delayed into the next financial year.

At 31 March 2008 the council was committed to completing most of the delayed schemes listed above. This included contractual commitments at 31 March 2008 of £43,000 on Randwick Park, £87,000 on St Oswalds and £19,000 on HKP heating and ventilation.

The council has approved capital schemes totalling £27.655 million for 2008/09. Of this, approximately £13.5 million (the planned expenditure on decent homes) was contracted for at 31 March 2008.

Deferred Charges

Deferred charges arise where capital expenditure is incurred but no asset is created for the local authority (for example grants made to other people for capital expenditure and capital work incurred on other people's land). Deferred charges are written off to the Income and Expenditure account in the year the expenditure takes place, since they have no value to the Authority

Movements in deferred charges during the year are shown below:

	Expenditure during year £'000	Amounts written off to I & E £'000
Home Improvement Grants	1,130	1,130
Flood defence and emergency and security grants	177	177
Housing Market Partnership capital grant	130	130
Commercial property major repairs grant	25	25
Other - capital schemes feasibility and investigative work	40	40
Total 2007/08	1,502	1,502
Total 2006/07	1,250	1,250

Improvement grants include grants to householders for the provision of disabled facilities, home repair assistance and grants to vulnerable people.

NOTES TO THE CORE FINANCIAL STATEMENTS

18 Financing of Capital Expenditure

Under the provisions of the Local Government and Housing Act 2003, the Council can finance any amount of capital expenditure by borrowing, providing it can demonstrate that such borrowing is prudent, affordable and sustainable, as demonstrated by adherence to the CIPFA Prudential Code for Capital Financing in Local Authorities.

The council can also fund any amount of capital expenditure from capital receipts, capital grants and contributions, Major Repairs Reserve and revenue contributions.

The Capital Financing Requirement represents the amount of capital expenditure funded by borrowing (either temporarily from bank overdraft or by long term borrowing). It increases when capital expenditure is incurred and reduces when such expenditure is financed from capital receipts, capital grants, Major Repairs Reserve and revenue contributions. It also reduces when provision is made from revenue or capital receipts for debt repayment.

2006/07 Actual £'000	Financing of Capital Expenditure	2007/08 Actual £'000
17,516	Opening Capital Financing Requirement	18,166
8,245	Add capital expenditure in year (see note 16)	19,285
(1,716)	Less sources of finance	
(2,617)	- Usable capital receipts	(2,140)
(2,786)	- Capital grants and contributions	(1,849)
(226)	- Major Repairs Reserve	(1,783)
(7,345)	- Revenue contributions	(491)
		(6,263)
(250)	Revenue Provision (including Minimum Revenue Provision)	(270)
-	Capital Receipts applied for debt repayment	-
18,166	Closing Capital Financing Requirement	30,918
	Movements in year	
500	Increase in underlying need to borrow for capital investment	12,065
400	- supported by government financial assistance	957
(250)	- unsupported by government financial assistance	
	Amounts 'set aside' for debt repayment	(270)
650	Net Increase / (decrease) in Capital Financing Requirement	12,752

The opening Capital Financing Requirement has been restated by £55,000 to reflect the prior year transfer of the Intangible Assets Revaluation Reserve to the Capital Adjustment Account at 31 March 2007 (See note 2)

19 Assets held under Finance and Operating Leases

An analysis of outstanding liabilities relating to operating leases is shown below.

2006/07			2007/08	
Finance leases £'000	Operating leases £'000		Finance leases £'000	Operating leases £'000
-	467	Total rentals paid	-	325
-	176	Cost of items leased during year	-	-
-	832	Outstanding obligations at 31 March (including interest)	-	507

Of the outstanding obligations at 31 March 2008 for operating leases the following fall within

-	325	1 year	-	300
-	499	2 - 5 years	-	207
-	8	6 or more years	-	-
-	832	Total	-	507

NOTES TO THE CORE FINANCIAL STATEMENTS

20 Investments and Interests in Companies

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

	31 March 2007 £'000	31 March 2008 £'000
Deposits repayable in more than 1 year	2,000	-
Share capital	435	435
Government Stock	2	2
Total	2,437	437

The government stock is held on behalf of John Ward Charity and represents external investment of part of the money deposited by the Trust with the council (see notes 24 and 40).

Share capital

Gloucestershire Airport Ltd

The share capital shown above is held in a wholly owned airport company which was voluntarily established during 1992/93 by the City Council, together with Cheltenham B.C., using powers available to them under the Airports Act 1986. This replaced the previous joint committee arrangements for the airport. The shares allocated were divided equally between the two councils. The shares are not quoted in an active market and their fair value is not known. The shares are classified as Available-for-sale financial assets - unquoted equity investments.

The registered name of the airport company is Gloucestershire Airport Ltd. (Registered Number 2774189). The unaudited accounts showed net assets of the company at 31 March 2008 of £2,542,709 (£2,525,990 at 31 March 2007) and an after tax operating profit of £66,719 in the year to 31 March 2008 (£57,717 to 31 March 2007).

The council's commitment to meet losses is limited to the shares that it holds. Gloucestershire Airport Ltd paid dividends of £50,000 for the year to 31 March 2007, of which the council received £25,000. The same level of dividend is proposed for the year 31 March 2008.

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. The council's share of the airport's assets and liabilities is reflected in the group accounts on pages 99 - 102. 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.

The company had long term loans with the City Council of £50,864 at 31 March 2008 (£76,901 at 31 March 2007).

The accounts of Gloucestershire Airport Ltd for the year ending 31 March 2008 can be obtained from the Airport Company Secretary at the company's registered office - The Terminal Building, Staverton, Nr Cheltenham, Glos, GL51 6SR.

Other Company interests

GL1 Sports Ltd

GL1 Sports Ltd is a wholly owned company of the council, established in 2002 to promote and manage sports courses. The authorised share capital is 100 shares of £1 and the issued share capital is £1. The registered name of the company is GL1 Sports Ltd (registered number 4396593). The unaudited accounts show net assets of the company at 31 March 2008 of £31,754 (£64,921 at 31 March 2007) and a loss after tax of £5,167 for the year ended 31 March 2008 (profit of £21,798 for the year ended 31 March 2007). The company's accounts have been consolidated with those of the council in the group accounts (pages 99 - 102).

The accounts of GL1 Sports Ltd can be obtained from the Company Secretary at Gloucester City Council, Herbert Warehouse, Gloucester GL1 2EQ. The company is classified as a subsidiary company of the council under the Companies Acts. The council's commitment to meet losses is limited to the shares it holds.

Barton and Tredworth Developments Ltd

The council has a quarter partnership stake in Barton and Tredworth Developments Ltd (registered number 3372004).

The draft (unaudited) accounts for the period 31 March 2008 showed net assets of £718,168 (£754,072 at 31 March 2007) and an after tax operating profit of £93,834 (£3,776 to 31 March 2007).

A copy of the accounts of Barton and Tredworth Developments Ltd can be obtained from the company's registered office - The Barton Enterprise Centre, 99 Barton Street, Gloucester GL1 4HR. The company is classified as an Associated or Influenced company of the council under the Companies Acts and the council's share of the net assets of the company at 31 March 2008 been included in the group accounts on pages 99 - 102.

NOTES TO THE CORE FINANCIAL STATEMENTS

Gloucester City Homes Ltd (GCH)

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

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

The company's unaudited accounts showed a surplus of £82,000 for the year ended 31 March 2008 (£66,000 loss for the 15 months ended 31 March 2007) and net assets of £1,155,000 at 31 March 2008 (£799,000 at 31 March 2007). The company trades mainly with the council's Housing Revenue Account (HRA).

At 31 March 2008 GCH had £2,734,840 deposited with the city council, on which it earns interest. The company is classified as a subsidiary of the council and its accounts have been consolidated with those of the council in the group accounts (pages 99 -102).

(ii) **Short term investments** are those repayable within one year of the balance sheet date and are shown at cost. They consist of short term deposits with banks and building societies, made up of actual loans of £18 million at 31 March 2008 (£20 million at 31 March 2007) plus interest due of £0.331 million.

(iii) **Financial Instruments - Assets**

The assets on the balance sheet are made up of the following categories of financial instruments:

	Short term		Long term	
	31 March 2008 £'000	31 March 2007 £'000	31 March 2008 £'000	31 March 2007 £'000
Loans and receivables at amortised cost				
- Long term debtors	-	-	204	329
- Debtors	8,510	6,153	-	-
- Investments	18,331	20,000	437	2,437
- Cash at bank and in hand	685	-	-	-
Total loans and receivables	27,526	26,153	641	2,766
Available-for-sale financial assets at fair value (government stock)	-	-	-	-
Available-for-sale assets at cost (unquoted equity investments)	-	-	-	-
Total Financial Instruments - Assets	27,526	26,153	641	2,766

The fair values of the Investments at 31 March 2008 are estimated to be not materially different from their cost.

The fair values of long term debtors, debtors and cash at bank are estimated to be approximately equivalent to their amortised cost (cost less provision for bad or doubtful debts).

The unquoted equity investments (shown at cost) consist of shares held in Gloucestershire Airport (see note 20(i), for which a fair value cannot be measured reliably. This is because the range of reasonable fair value estimates could be significant due to the proposed runway development project and the uncertainty over the approval of this project by Gloucester City Council and the granting of planning permission by Tewkesbury Borough Council. The city council has made no decision with regard to whether or how to dispose of the shares.

In addition to the airport shares, the council holds shares of £1 in GL1 Sports Ltd and Gloucester City Homes, which are also treated as unquoted equity investments.

The gains and losses recognised in the Income and Expenditure Account in relation to financial instruments - assets are shown below:

	2007/08		2006/07	
	Loans and receivables £'000	Available-for-sale assets £'000	Loans and receivables £'000	Available-for-sale assets £'000
Interest Income	1,682	-	1,394	-
Dividend income	-	53	-	25
Total Interest and Investment Income	1,682	53	1,394	25
Net gain (loss) for the year	1,682	53	1,394	25

(iv) **Nature and Extent of Risks relating to Financial Instruments**

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

*Credit Risk - the possibility that other parties may fail to pay amounts due to the authority

*Liquidity Risk - the possibility that the authority might not have funds available to meet its commitment for payments

*Market Risk - the possibility that the value of a financial instrument will fluctuate because of changes in interest rates, market prices, etc.

The council minimises these risks through active risk management.

Risk management of Treasury Management activities (investment and borrowing) is carried out by council officers under policies approved by the full council in an annual Treasury Management and Investment Strategy.

NOTES TO THE CORE FINANCIAL STATEMENTS

Credit Risk

This arises from deposits with banks and building societies and from credit exposure to the authority'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 greater than £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 historical experience of default for A long term rated organisations according

Whilst the current credit crisis in international markets has raised the overall possibility of default, the council maintains strict credit criteria and it is considered that the risk of default remains low.

The authority does not generally allow credit for customers and £1.88 million of the sundry debtors balance of £5.1 million (see note 22) is past its due date for payment as follows:

	£'000
Less than 3 months	1,118,375
3 - 6 months	174,239
6 months - 1 year	352,718
More than 1 year	237,017
Total	1,882,349

The authority has set aside provisions for unrecoverable or doubtful debts (see note 22) based on experience of uncollectability, and it is estimated uncollectable amounts will be able to be met from these.

Liquidity Risk

As the authority has ready access to borrowing from the money markets or Public Works Loan Board (PWLB), secured on the revenues of the authority, there is currently no significant risk it will not be able to meet its commitments for repayment in the future. Instead the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than a given percentage of loans fall to be repaid as follows:

	Maximum	Actual 31 March 2008
Long term loans - period until repayment	%	%
Less than 1 year	20	-
1 - 2 years	20	-
2 - 5 years	50	7
5 - 10 years	75	33
Over 10 years	95	60
		100

Market Risk

Interest rate risk

The authority is exposed to significant risk in terms of its exposure to interest rate movements on its investments. The council has an active strategy for minimising the impact of such movements, which includes the use and close monitoring of interest rate forecasts and flexibility in the periods of investment, including the ability to invest for periods of more than one year. The strategy is used in the setting of the annual budget and to update the budget monthly during the year, allowing for any adverse changes to be accommodated. If interest rates during 2007/08 had been 1% lower with all other variables held constant, it is estimated that interest receivable (credited to the Income and Expenditure account) would have been £0.287 million lower.

The authority's exposure to interest rate movements on its borrowing is not so significant because:

*Most borrowings are at fixed rates and limits are set on borrowing at variable rates

*Borrowings are not carried at fair value so nominal gains and losses relating to such do not impact on the Income and Expenditure account or Statement of Recognised Gains or Losses (STRGL)

*Most borrowing relates to the Housing Revenue Account, the cost of which is met by housing subsidy, which moves with the authority's cost of borrowing.

Price Risk

The authority does not invest in quoted shares and the shares it owns are not carried at fair value, so the authority is not exposed to movements in market prices.

Foreign Exchange Risk

The authority has no financial assets or liabilities denominated in foreign currencies and so has no exposure to loss from movements in such.

NOTES TO THE CORE FINANCIAL STATEMENTS

21 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 :-

	31 March 2007 £'000	31 March 2008 £'000
Mortgages to former tenants	40	31
Mortgages to private persons	5	5
Loans to vulnerable people for house renovations	18	42
Staff loans	27	14
Loans to Glos. Airport Ltd.	77	51
Other loans	162	61
Total	329	204

The loans to Gloucestershire Airport Ltd were advanced to finance capital expenditure at the Airport and are repayable to the Council in annual instalments ending in 2009/10. Loans to staff comprise loans to essential users for cars and loans for bus passes and staff training. Other loans include an interest-free loan to Gloucester Historic Buildings Ltd and money spent on essential repairs works to private properties, which have been secured as a charge on the properties concerned ('works-in-default').

22 Debtors

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

	31 March 2007		31 March 2008	
	£'000	£'000	£'000	£'000
Council taxpayers		3,155		3,492
Business ratepayers		750		567
Government grants		614		1,967
Housing rents		618		593
Sundry debtors		4,407		5,027
Total outstanding		9,544		11,646
Less provision for bad debts:				
- Council tax	1,723		1,548	
- Business rates	273		282	
- Housing rents	301		254	
- Housing benefits	815		772	
- Other	280	3,392	280	3,136
Total debtors		6,152		8,510

Sundry debtors include amounts due for rents and fees and charges.

The provision for housing benefits includes £.569m to cover possible non-collection of benefit overpayments being recovered by deductions from ongoing benefit. This represents approximately 60% of the total debt outstanding being recovered by this method.

23 Cash and Bank

This represents the cash figure within the council's accounts plus cash in hands of officers. The cash figure within the accounts differs from the balance on the council's bank accounts due to unpresented cheques and cash in transit, which are reflected in the accounts but not in the council's bank accounts.

24 Temporary Borrowing

This consists of loans repayable by the council on demand or within twelve months of the balance sheet date. The amount includes £2.735 million of Gloucester City Homes' funds deposited with the council at 31 March 2008 (see page 75 for details of this company) and £0.209 million of Trust funds deposited with the council, together with £0.036 million of interest owing at 31 March 2008.

The fair value of the loans approximates to their cost.

NOTES TO THE CORE FINANCIAL STATEMENTS

25 Creditors

These are amounts owed by the council to various bodies and persons, which are payable within twelve months of the balance sheet date.

	31 March 2007 £'000	31 March 2008 £'000
Sundry creditors	8,072	5,165
Overpayments - Business ratepayers	495	576
- Council tax	712	773
Government departments	1,008	881
Other Local Authorities	614	667
Developers Contributions	2,941	4,394
Total creditors	13,842	12,456

The amounts due to government departments include estimated overpayments for housing subsidy and various grants.

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

Creditors also include contributions towards capital expenditure received from developers under various 'Section 106' planning agreements. These require developers to contribute towards improvements in infrastructure required as a result of building developments, for example road improvements, affordable housing and recreational facilities. The total amount held, but not applied to finance capital expenditure, is held as receipts in advance and amounted to £3.177 million at 31 March 2008, broken down as follows:

Scheme	1 April £'000	Income £'000	Expenditure £'000	31 March £'000
St Oswalds Park redevelopment	191	889	479	601
Cotswold View development	-	647	-	647
Glos Quays development	-	400	-	400
West Quay development	128	-	(45)	173
Coney Hill former hospital site redevelopment	331	5	7	329
Brionne Way improvements	149	-	8	141
Other schemes	792	217	123	886
Total 2007/08	1,591	2,158	572	3,177
Total 2006/07	1,510	641	560	1,591

26 (I) Long Term Borrowing

This consists 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. Borrowing repayable in less than one year is classified as temporary or current borrowing. An analysis by date of repayment (maturity) is shown below.

Loans	Rates Payable (%)	Years Until Repayment at 31 March 2007					Total £000
		1 - 2	2 - 5	5 - 10	10+		
		£000	£000	£000	£000	£000	
PWLB	4.875 - 5.00	110	1,000	8,000	7,599	16,709	
Total		110	1,000	8,000	7,599	16,709	

Loans	Rates Payable (%)	Years Until Repayment at 31 March 2008					Total £000
		1 - 2	2 - 5	5 - 10	10+		
		£000	£000	£000	£000	£000	
PWLB	4.41 - 5.00	-	2,000	9,500	17,599	29,099	
Total		-	2,000	9,500	17,599	29,099	

The loans are shown at amortised cost. The fair value of all of the council's PWLB loans (including £0.110 million repayable within 1 year) is £30.488 million at 31 March 2008 (£16.639 million at 31 March 2007), compared to an amortised cost of £29.209 million (£16.819 million). The fair value is the cost of settling the liability at the balance sheet date and is more than the amortised cost at 31 March because many of the council's loans were at interest rates higher than the rates for similar loans at the balance sheet date. The 2008 figure has been calculated by reference to the premature repayment set of rates in force on that day, the 2007 by reference to the set of interest in force on 30 March 2007 (source: Public Works Loan Board).

(ii) Financial Instruments - Liabilities

The liabilities shown on the balance sheet are made up of the following categories of financial instruments:

	Short term		Long term	
	31 March 2007 £'000	31 March 2008 £'000	31 March 2007 £'000	31 March 2008 £'000
Financial liabilities at amortised cost				
- Bank overdraft	404	-	-	-
- Borrowing	676	3,090	16,708	29,099
- Creditors	13,842	12,456	-	-
- Deferred Liabilities	-	-	575	280
Financial liabilities at fair value through profit and loss	-	-	-	-
Total Financial Instruments - Liabilities	14,922	15,546	17,283	29,379

The fair values of the temporary borrowing and creditors (short term payables) approximate to their amortised cost as shown above. The fair values of the long term borrowing is stated in (I) above and that for the deferred liabilities estimated to be not materially different to its amortised cost.

NOTES TO THE CORE FINANCIAL STATEMENTS

The gains and losses recognised in the Income and Expenditure Account in relation to financial instruments - liabilities are shown below:

	2007/08	2006/07
	Financial liabilities at amortised cost £'000	Financial liabilities at amortised cost £'000
Interest payable	1,124	1,064
Net gain (loss) for the year	1,124	1,064

27 Deferred Liabilities

These relate to a deferred purchase agreement which was arranged in 1989/90 to finance a housing development at Badger Vale. Expenditure on the scheme was initially paid by Morgan Grenfell who added it to a loan account. A repayment of £0.270 million was made in 2007/08 and a further annual repayment is due in 2008/09, with the repayment of the balance of the loan in 2009/10. Sums have been earmarked from the housing revenue account balance to cover future payments - details of this amount are shown in note 11, page 94. Interest is payable on the outstanding liability at market rates plus a small margin.

28 Capital Grants Deferred Account

This account comprises capital grants and contributions that have been used to finance fixed assets which will, or are likely to, depreciate in the future. The grants and contributions have been received from the National Lottery, other local authorities, sports organisations and developers under 'Section 106' agreements. Amounts from the account are written off to the Income and Expenditure account in line with the depreciation charge for the relevant assets.

29 Deferred Credits

These include receipts arising from the sale of assets and from the repayment of loans which are receivable in future years.

30 Provisions

These are amounts set aside to meet losses which are likely or certain to occur in the future.

Provision	Balance at 1 April £'000	Approp'ns to or receipts in year £'000	Approp'ns from or payments in year £'000	Balance at 31 March £'000
Insurance provision	666	145	413	398
Depot repairs provision	200	-	200	-
Car Parks provision	464	-	174	290
Total 2007/08	1,330	145	787	688
Total 2006/07	1,756	319	745	1,330

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 (the majority of which are £25,000), employee liability claims and claims in respect of property damage. The provision is expected to be utilised to cover future claim settlements. In 2007/08 it was used to cover costs of approximately £300,000 arising from flood damage to council dwellings.

The depot repairs provision was set up to cover agreed essential repairs and improvement works that are required at the council's depot site to make it "fit for purpose" for the Streetcare partner and to cover essential repair works on depot based vehicles prior to them being returned to the leasing companies. The provision was fully used in 2007/08.

The car parks provision was set up to meet compensation due plus interest arising from the termination of a contractual agreement in respect of car parks. The compensation was paid during 2005/06. The interest is being paid in monthly instalments over a five year period, ending in 2009.

NOTES TO THE CORE FINANCIAL STATEMENTS

31 Reserves

A summary of the movement in reserves is shown overleaf.

a Revaluation Reserve

This reserve was created on 31 March 2007 to record gains on the revaluation of fixed assets arising from 1 April 2007 and therefore had a balance of Nil at 1 April 2007. The account replaces the Fixed Asset Restatement Account (FARR), the accumulated balance of which at 31 March 2007 was transferred to Capital Adjustment Account.

	2007/08			2006/07
	General Fund	HRA	Total	Total
	£'000	£'000	£'000	£'000
Balance at 1 April	-	-	-	-
Surplus on revaluation of assets	12,060	9,201	21,261	-
Depreciation	-	-	-	-
Impairments	-	-	-	-
Disposals	(129)	(576)	(705)	-
Balance at 31 March	11,931	8,625	20,556	-

b Capital Adjustment Account (formerly Capital Financing Account)

The capital adjustment account contains the amounts which were previously required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue, usable capital receipts, Major Repairs Reserve and capital grants. It also contains the difference between amounts provided for depreciation and that charged to the Income and Expenditure account to repay the principal element of external loans (including the Minimum Revenue Provision).

From 1 April 2008 it also contains the FARR (see above) and write downs of the Revaluation Reserve for depreciation, impairments and disposals.

The account therefore represents the difference between the rate at which fixed assets have been financed and the rate at which they have been consumed.

c Usable Capital Receipts Reserve

When assets are sold the sale proceeds (providing they meet the statutory definition) are credited to this account from the gains/losses on sale of fixed assets (disposals) account within the Statements of Movement in General Fund and HRA Balance. When the receipts are to finance capital expenditure they are transferred to the Capital Adjustment Account. Sales proceeds are held as usable capital receipts unapplied until used to finance capital expenditure.

	2007/08			2006/07
	General Fund	HRA	Total	Total
	£'000	£'000	£'000	£'000
Balance at 1 April	3,718	143	3,861	627
Proceeds from				
sale of fixed assets	334	1,361	1,695	4,451
repayment of loans and grants	97	8	105	29
Less Right to Buy Administration costs	-	(30)	(30)	(35)
Capital Receipts due to National Pool	-	(963)	(963)	(2,145)
Transfer from capital grants and contributions	-	-	-	2,650
Applied to finance new capital expenditure	(1,740)	(400)	(2,140)	(1,716)
Balance at 31 March	2,409	119	2,528	3,861

The losses on the sale of fixed assets of £0.425 million shown on the Income and Expenditure Account includes £0.360 million relating to assets sold in previous years for which capital receipts were received 2007/08.

NOTES TO THE CORE FINANCIAL STATEMENTS

32 Movement in Reserves

The Statement of Total Recognised Gains and Losses shows the aggregate increase in the council's net worth for the year. Further details of the movements relating to individual reserves are shown below, split between Capital and Revenue Reserves. The comparative figures for 2006/07 have been restated to give more detail.

CAPITAL RESERVES	2007/08							2006/07
	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Usable capital receipts	Deferred Credits	Major Repairs Reserve	Total Capital Reserves	Total Capital Reserves
	(Note 31a) £'000	(Note 31b) £'000	£'000	(Note 31c) £'000	£'000	£'000	£'000	£'000
Balance as at 1 April	-	216,196	-	3,861	230	-	220,287	214,217
Depreciation of fixed assets	-	(4,877)	-	-	-	2,892	(1,985)	(1,760)
Excess of HRA depreciation over Major Repairs Allowance	-	-	-	-	-	(54)	(54)	-
Provision for repayment of loans	-	270	-	-	-	-	270	250
Gains on revaluation of fixed assets	21,260	-	-	-	-	-	21,260	6,568
Effects of disposals of fixed assets:								
Revaluation gains on assets sold	(705)	705	-	-	-	-	-	(4,416)
Net book value of disposals	-	(2,114)	-	-	-	-	(2,114)	-
Proceeds of disposals (net of eligible expenses)	-	-	-	1,664	-	-	1,664	4,416
Capital loan advances	-	(74)	-	-	-	-	(74)	-
Capital Loan and Grant repayments	-	-	-	105	(60)	-	45	27
Items charged to Income & Expenditure Account -								
- Deferred charges	-	(115)	-	-	-	-	(115)	(17)
- Intangible assets	-	(237)	-	-	-	-	(237)	(258)
- Capital grants deferred	-	717	-	-	-	-	717	525
- Impairment of fixed assets	-	(19,151)	-	-	-	-	(19,151)	-
Capital Receipts due to National Pool	-	-	-	(963)	-	-	(963)	(2,145)
Financing of fixed assets, deferred charges and capital advances	-	4,414	-	(2,140)	-	(1,783)	491	229
Loan Premiums and Discounts written off to revenue balances	-	-	521	-	-	-	521	-
Transfers	-	-	(845)	-	-	-	(845)	2,651
Total increase / (decrease) in Capital Reserves	20,555	(20,462)	(324)	(1,334)	(60)	1,055	(570)	6,070
Balance as at 31 March	20,555	195,734	(324)	2,527	170	1,055	219,717	220,287

REVENUE RESERVES	2007/08					2006/07	
	Earmarked reserves (see note below)	General fund balance	Collection Fund balance	HRA balance	Pensions Reserve (Note 42)	Total Revenue Reserves	Total Revenue Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April	6,515	1,415	568	1,878	(38,493)	(28,117)	(35,170)
Appropriations to / from revenue	(1,291)	230	(410)	1,202	(3,383)	(3,652)	(2,274)
Actuarial gains and losses relating to Pensions	-	-	-	-	6,613	6,613	6,133
Pension contributions	-	-	-	-	2,839	2,839	2,779
Difference between actual and estimated pension contributions used	-	-	-	-	-	-	415
Total increase / (decrease) in Revenue Reserves	(1,291)	230	(410)	1,202	6,069	5,800	7,053
Balance as at 31 March	5,224	1,645	158	3,080	(32,424)	(22,317)	(28,117)

TOTAL RESERVES	197,400	192,170
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NOTES TO THE CORE FINANCIAL STATEMENTS

Earmarked Revenue Reserves

These are reserves set aside for specific purposes and are detailed below. Further explanation is given for the larger reserves in the notes below.

Reserve No.	Balance at 1 April £'000	Approp'ns to reserve in year £'000	Approp'ns from reserve in year £'000	Balance at 31 March £'000
1 Capital Financing Reserve	447	208	655	-
2 Eastgate Rooftop Carpark Reserve	311	-	211	100
3 Buildings Repairs Reserve	92	-	-	92
4 Docks Redevelopment Reserve	27	-	27	-
5 Insurance Reserve	764	-	-	764
6 Historic Buildings Reserve	236	-	24	212
7 Tennis Centre Resurfacing Sinking Reserve	4	-	-	4
8 Leisure Centre Contingency Reserve	45	5	35	15
9 Regeneration Reserve	69	-	29	40
10 Short Term Lets Sinking Reserve	40	32	-	72
11 Other General Fund Housing Reserves	38	38	-	76
12 Economic & Community Development Reserve	6	12	8	10
13 Other Leisure Reserves	10	-	3	7
14 Other Central Services Reserves	62	56	43	75
15 Other Environmental Health Reserves	44	-	44	-
16 Investment Property Sinking Reserve	100	-	100	-
17 Invest to Save Reserve	100	-	32	68
18 Concessionary Fares Reserve	100	-	-	100
19 Housing Benefits Reserve	271	27	232	66
20 Business Growth Incentive Reserve	1,274	131	529	876
21 Planning Delivery Grant Reserve	500	7	-	507
22 Gloucester Park Bandstand Reserve	50	-	-	50
23 Leisure Trust Reserve	53	65	-	118
24 Kings Square Redevelopment Reserve	1,500	-	-	1,500
25 Depot Reserves	257	-	-	257
26 Pensions Backfunding Reserve	115	215	115	215
Total 2007/08	6,515	796	2,087	5,224
Total 2006/07	5,553	3,797	2,835	6,515

NOTES TO THE CORE FINANCIAL STATEMENTS

Reserve

No. Further details of the larger reserves

5 Insurance Reserve

This reserve is intended to cover possible insurance claims not able to be met from the Insurance Provision (see note 31, page 47).

6 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.

11 Other General Fund Housing Reserves

These reserves are required to meet commitments relating to the council's housing enabling role.

14 Other Central Services Reserves

These have been set up to help spread the funds required for central administration budgets.

17 Invest to Save Reserve

This reserve is intended to cover possible costs associated with invest to save projects within the council. The Support Services Review is being funded by this reserve.

18 Concessionary Fares Reserve

This reserve is intended to cover the unforeseen increased costs associated with the Concessionary Fares Scheme.

19 Housing Benefits Reserve

This has been set up to cover uncertainties in the subsidy claimed on housing benefit expenditure. The in-year overspend on benefit expenditure was funded by the reserve.

20 Business Growth Incentive Reserve

This reserve was set up from then Local Authority Business Growth Incentive (LABGI) grant. The grant is being spent in 2007/08 and 2008/09 on various revenue and capital schemes.

21 Planning Delivery Grant Reserve

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

23 Leisure Trust Reserve

This reserve is intended to help meet the set-up and project costs relating to the establishment of a Leisure Trust and will be spent in 2008/09

24 Kings' Square Redevelopment Reserve

This reserve has been set up to help meet the cost of the redevelopment of Kings' Square.

25 Depot Reserves

These reserves have been set up to help spread the funds required for repairs and maintenance expenditure at the Eastern Avenue depot, including elements of the planned redevelopment project.

26 Pensions Backfunding Reserve

This was set up to help spread the cost of meeting the increased contributions required by the pension fund actuary to meet the pensions fund deficit (see note 42).

NOTES TO THE CORE FINANCIAL STATEMENTS

33 General Fund Balance

This balance is held to cover any unexpected exceptional items, or large fluctuations in financial performance within the General Fund. It is varied annually in line with policy and strategic decisions made by the Leadership.

34 Collection Fund Balance

See note 4 to the collection fund on page 98

35 Housing Revenue Account Balance

This balance is held to cover any unexpected exceptional items, or large fluctuations in financial performance within the Housing Revenue Account. It is varied annually in line with policy and strategic decisions made by the Council Leadership and GCH, the managing agents.

36 Pensions Reserve

See the note 42, Pension costs, on pages 87 to 89. The Pension Reserve and the relevant information is shown on page 89.

37 Analysis of net assets employed

	31 March 2007 £'000	31 March 2008 £'000
General Fund	26,281	24,422
Housing Revenue Account	165,321	172,820
Collection Fund	568	158
Total net assets	192,170	197,400

This divides up the total net assets of the Council between its main funds.

The Pensions Reserve of -£32.424 million has been treated in the table above as a General Fund liability. Due to statutory accounting rules relating to the HRA (see note 17, page 95) and the unavailability of data at present, it has not been possible to show the HRA proportion separately.

NOTES TO THE CORE FINANCIAL STATEMENTS

38 Contingent Liabilities

MMI Insurance liabilities

On the 19 January 1994 one of the Council's insurers, Municipal Mutual Insurance Ltd (MMI) obtained High Court approval for a scheme of arrangement which will come into operation if the company becomes insolvent. Should it be necessary to implement the scheme the Council will have to pay the balance of any liabilities not met by the insurers. Claims settled to date total £567,000 and the council could be required to pay all or a proportion of this depending on the final financial position of the company. Any liabilities to be met under this scheme will be met from the council's Insurance Reserve.

Saintbridge Recreational Land surplus income

The Treasury Solicitor, in 2003, submitted a claim against the council relating to the building of Council Houses on land held in trust by the council for recreational purposes. The land, known as Saintbridge Recreational Land, was built on during 1946/47. The Treasury claim is for an area of land worth £350,000 to be passed to them in recompense for incorrect use of the land. The Treasury Solicitor seems to be minded to settle this matter on the terms that a piece of recreational land of similar size is put in trust, in lieu of the recreational land built on for housing. New papers have been drawn up for the transfer of the land and it is hoped that the claim will be settled in due course.

Liability for pensions shortfall for staff transferred

During 2005/06 and 2006/07 around 200 city council staff were transferred to Gloucester City Homes, the housing maintenance contractor, and Enterprise Plc, the refuse collection, street cleaning and parks maintenance contractor.

Under the terms of the transfers, the council is liable for any pensions shortfall for the transferred staff over and above a specified 'cap'. A liability would arise for the council in the event the pension fund actuary advised that pension contributions for these staff needed to increase above the respective caps.

39 Contingent Assets

Additional receipts arising from South West bypass road development

During 2003/04 and 2005/06 the council received £538,300 resulting from the reduction in its landholdings at Castlemeads and towards compensation for temporary loss of the car park, due to the construction of the South West bypass road. These amounts have been treated as capital receipts. Further receipts and revenue income are anticipated, however these are subject to further negotiation and possible arbitration and therefore cannot be quantified at this stage. Final figures are expected to be agreed in 2008/09.

NOTES TO THE CORE FINANCIAL STATEMENTS

40 Trust Funds

The Council administers six local trust funds and companies. These are:-

	Value of fund (net assets) at 1/04/07 £'000	Movements		Value of fund (net assets) at 31/03/08 £'000
		Expenditure during the year	Income during the year	
John Ward and Others	46	2	11	55
John Ward Educational Foundation Trust	1	-	8	9
Unemployed Centre Trust Fund	16	16	-	-
Free Hospital Trust Fund	54	12	13	55
Gloucester Flood Relief Fund	23	41	23	5
Gloucester Historic Buildings Ltd	145	6	10	149
Total	285	77	65	273

The trust funds had the following amounts invested with the council at 31 March 2008:-

	£'000
John Ward and Others	24
John Ward Educational Foundation Trust	11
Unemployed Centre Trust Fund	-
Gloucester Flood Relief Fund	-
Gloucester Historic Buildings Ltd	173
Total	208

Of the sum borrowed from John Ward Educational Foundation Trust, £1,869 is invested in Government stock.

A copy of the final accounts for the year for the above funds are available from the Director (Section 151 Officer), Herbert Warehouse, The Docks, Gloucester, GL1 2EQ.

The market value of the Free Hospital Trust investments as at 31st March 2008 is £468,476

The City Council Trustees of the Trusts are appointed by the council. Other trustees are appointed independently.

Purpose of the Trust Funds:

John Ward and Others:

The objectives of the trust are for the relief of persons in the City of Gloucester who are in conditions of need, hardship or distress. This is achieved by making grants of money or paying for or providing items, services or facilities calculated to reduce the circumstances outlined.

John Ward Educational Foundation Trust:

The objectives of the trust are to provide grants to educational bodies for specific projects.

Unemployed Centre Trust Fund:

To provide grants to unemployed people living in the City of Gloucester for the purpose of aiding them into employment.

Gloucester Flood Relief Fund:

To provide for the immediate relief of suffering and hardship by way of clothing, food, fuel, money and other benefits for persons suffering hardship by reason of any major flooding in the City of Gloucester or surrounding district and to pay compensation to persons who suffer damage as a result of such a major flood.

Gloucester Historic Buildings Ltd:

To provide a revolving fund for the future restoration of historic listed buildings.

Free Hospital Trust Fund:

To provide grants for shoes and clothing for the benefit of sick children in needy families.

NOTES TO THE CORE FINANCIAL STATEMENTS

41 Post Balance Sheet Events

There are no post Balance Sheet events for 2007/08

42 Pension Costs

Participation in Pension Schemes

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

The Authority 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 Authority 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 Gloucestershire County Council LGPS Annual Report which is available (from November each year) from:

The Head of Service Delivery and Finance
Gloucestershire County Council
Shire Hall
Westgate Street
Gloucester
GL1 2TG

Transactions relating to Retirement Benefits

The cost of retirement benefits are recognised in the Income and Expenditure Account (Net cost of Services) when they are earned by employees, rather than when the contributions to the Fund are made. However, the charge the council is required to make against council tax is based on the contributions paid to the Fund in the year, so the real cost of retirement benefits is reversed out and replaced with the actual contributions in the Statement of Movement on the General Fund Balance. The following entries have been made in the accounts:

Income and Expenditure Account	2006/07	2007/08
	£000	£000
<i>Net Cost of Services :</i>		
Current service cost (apportioned across services)	2,717	1,993
Past service costs, curtailments and settlements (included in Non-Distributed costs)	(1,098)	224
<i>Net Operating Expenditure :</i>		
Interest cost on scheme liabilities	5,182	5,485
Expected return on assets in the scheme	(4,057)	(4,319)
Net charge to the Income and Expenditure Account	2,744	3,383
Statement of movement in the General Fund Balance		
- reversal of net charges made for retirement benefits (including charges to the HRA)	(2,744)	(3,383)
- employer's contributions payable by the general fund to the scheme	2,779	2,628
- less charged to Pensions provision	(300)	-
Actual amount charged against the general fund balance	2,479	2,628

NOTES TO THE CORE FINANCIAL STATEMENTS

The figures take into account the council's commitment to meet the pension deficits relating to staff transferred to private contractors and the housing Arms Length Management Organisation (ALMO) in 2005/06 and 2006/07 up to the point of their transfer and the council's existing and future contributions to the Pension Fund includes contributions (known as 'backfunding') towards meeting the deficit. In addition to the employer's contributions charged to the general fund shown above, the Housing Revenue Account made a contribution of £0.211 million in respect of the backfunding for the pensions of staff transferred to the housing repairs contractor and Gloucester City Homes (the Arm's Length Management Organisation established in 2005/06).

In calculating the 2007/08 figures, allowance has been made for the removal of the 'Rule of 85' for new entrants from 1 October 2006, to the extent that any such entrants were included in the membership data for the formal valuation at 31 March 2007.

No allowance has been made for the removal of the 'Rule of 85' for new entrants from 31 March 2007 due to insufficient information being available. However due to there being relatively small numbers of new entrants since that date, the effect on the current service cost calculated by the actuary is not considered to be material.

An allowance has been made for the effect of members electing to exchange part of their LGPS pension for additional tax-free cash at retirement, as permitted from April 2006.

The past service costs and employer's contributions to the pension fund do not include the early retirement costs arising from a restructuring of the council's senior management team late in 2007/08, which have been included under Exceptional Items. These costs and contributions have also not been taken into account in the calculation of the Fund liability, however they are not expected to have a material effect on the deficit since any additional costs arising on the Fund are met by the city council in the year they arise and these have been charged to the general fund balance in the year.

Pension Fund Assets

Assets in the County Council pension fund are valued at fair value. The values attributed to Gloucester City Council and the expected long term return for each main class of investment are set out in the following table:

	At 31/3/07			At 31/3/08		
	Fair value of Assets £'000	Asset Distribution %	Expected Return %	Fair value of Assets £'000	Asset Distribution %	Expected Return %
Equities	40,452	63.5	7.8	36,569	62.6	7.7
Bonds	15,271	24.0	4.9	15,483	26.5	5.7
Property	5,103	8.0	5.8	5,377	9.2	5.7
Cash	2,830	4.5	4.9	1,023	1.7	4.8
Total	63,656	100.0	6.8	58,452	100.0	6.9

Actuarial Gains and Losses

The actuarial gain or loss can be analysed into the following categories, measured in absolute terms and as a percentage of assets or liabilities :

	2007/08		2006/07		2005/06	
	£'000	%	£'000	%	£'000	%
Differences between the expected and actual return on assets	(7,398)	(12.7)	(76)	(0.1)	9,396	14.2
Differences between actuarial assumptions about liabilities and actual experience	(1,825)	2.0	80	0.1	(64)	(0.1)
Changes in the demographic and financial assumptions used to estimate liabilities	15,836	17.4	6,129	6.0	(12,228)	11.0
Actuarial gain / (loss) during year	6,613	7.3	6,133	6.0	(2,896)	2.6

NOTES TO THE CORE FINANCIAL STATEMENTS

Assets and Liabilities in relation to the Pension scheme

At 31 March 2008 the Authority had the following overall assets and liabilities in relations to pensions.

	31-Mar-07 £'000	31-Mar-08 £'000
Estimated present value of scheme liabilities		
- funded benefits under LGPS regulations	97,210	86,304
- Unfunded discretionary benefits awarded by means of additional benefits under LGPS regulations	4,939	4,577
Estimated Fund liabilities	102,149	90,881
Estimated assets in scheme at fair value	63,656	58,457
Net liability	38,493	32,424

The estimated assets have been increased by £5 million to reflect the net amount owed to, but not received by the fund, at 31 March 2008.

The Fund liability represents the commitment the Authority has in the long run to pay retirement benefits. The liability includes the commitments the council has made to fund the deficit relating to staff transferred to other employers up to their point of transfer.

The net liability of over £32 million at 31 March 2008 has a substantial impact on the Authority's reserves. However statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The latest formal actuarial valuation of the Fund for the purpose of setting employers' actual contributions was at 31 March 2007 (with the next due as at 31 March 2010).

The latest review requires the council to make good this shortfall by increased contributions over a specified period. The council has made additional provisions in its medium term financial plan for each of the next three years to accommodate this item.

Basis for Estimating Assets and Liabilities

The figures disclosed have been calculated by Hymans Robertson, an independent firm of actuaries, based on suitable approximate methods from the most recent completed full formal actuarial valuation of the Fund. The main financial assumptions used in the calculations are:

	2006/07 %	2007/08 %
Rate of inflation	3.2	3.6
Expected rate of increase in salaries	4.7	5.1
Rate of increase in pension payments	3.2	3.6
Rate used to discount scheme liabilities	5.4	6.9
Take up of option to convert actual pension into retirement grant	25.0	50.0

NOTES TO THE CORE FINANCIAL STATEMENTS

Notes Relating to the Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from the council's transactions with third parties for revenue and capital purposes. It shows that the council had a net outflow of cash from its revenue and capital activities of £17.4 million (due mainly to meeting large capital payments for the decent homes programme), which was met partly by realising investments and mainly from increased borrowing.

The statement shows cash transactions only and therefore the figures shown may not necessarily agree with those shown elsewhere in the accounts. A reconciliation to the deficit in the Income and Expenditure account is shown below.

43 Analysis of Government Grants

	2006/07 £'000	2007/08 £'000
Homelessness Coordinator	285	230
Single Regeneration Budget	52	-
Council Tax Benefit Admin	383	238
Other	1,915	81
Total grants	2,635	549

44 Reconciliation of Revenue Net Cashflow to Income and Expenditure Account deficit

	2007/08	
	£'000	£'000
Income and Expenditure Account Deficit for year		21,314
Non-cash transactions		
Depreciation & Impairment of Fixed Assets	(24,028)	
Amortisation of Intangible Fixed Assets	(237)	
Amortisation of Capital Grants Deferred	717	
Deferred Charges financed from Capital Resources	(115)	
Net losses on the disposal of fixed assets	(425)	
Repayment of capital grants deferred	45	
Net charges for retirement benefits	(755)	
		(24,798)
Items on an accrual basis		
Decrease in stock	(9)	
Decrease in revenue debtors	4,803	
Decrease in revenue creditors	(2,555)	
		2,239
Items classified differently		
Interest payable	(1,124)	
Interest receivable	1,682	
Dividends received	53	
		611
Net cash outflow from revenue activities		(634)

45 Movement in Liquid Resources

	31 March 07 £'000	31 March 08 £'000	Increase/ (decrease) £'000
Short term deposits (excluding interest)	20,000	18,000	(2,000)
Long term investments (other liquid resources)	2,437	437	(2,000)
Long/short term borrowing and deferred liabilities	18,230	32,727	14,497
Cash at bank	(404)	685	1,089

SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH

2007 £000		Note	2008 £000
	Expenditure		
4,098	Repairs & Maintenance	2	3,997
4,740	Management & Supervision	3	4,269
61	Rents, rates, taxes and other charges		71
162	Rent Rebates	4	2
901	Housing Subsidy payable	5	1,029
2,794	Depreciation and Impairment of fixed assets	6	15,188
32	Debt Management costs		35
58	Increased provision for bad / doubtful debts	7	25
12,846			24,616
	Income		
13,138	Dwelling Rents	8	13,999
267	Non-dwelling Rents		270
988	Charges for services and facilities		1,191
14,393			15,460
(1,547)	Net Cost of HRA Services		9,156
-	(Gains) / losses on sale of HRA fixed assets		-
854	Interest payable and similar charges	9	1,139
527	Amortisation of Premiums and Discounts	9	-
(37)	Interest and Investment Income		(140)
(203)	(Surplus) / Deficit for year on HRA services		10,155

STATEMENT OF MOVEMENT ON THE HRA BALANCE

2006/07 £'000			2007/08 £'000
(203)	(Surplus) / Deficit for year		10,155
	Amounts included in the HRA Income and Expenditure Account but required by statute to be excluded when determining the movement in the HRA balance for the year		
-	Net charges made for retirement benefits in accordance with FRS17	17	(6)
-	Gains / losses on sale of HRA fixed assets		-
-	Difference between any other item determined in accordance with the SORP and determined in accordance with HRA statutory requirements - Impairment of fixed assets	6	(12,296)
	Amounts not included in the HRA Income and Expenditure Account but required by statute to be included when determining the Movement on the HRA balance for the year		
-	Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the statutory charge for the year	9	518
(8)	Transfer from Major Repairs Reserve	10	(54)
245	Employers' contributions payable to the Pension Fund	17	211
29	Capital expenditure funded by the HRA		-
250	Voluntary set aside for debt repayment	11	270
313	(Increase) / Decrease in the Housing Revenue Account balance		(1,202)
(2,191)	Housing Revenue Account surplus brought forward		(1,878)
(1,878)	Housing Revenue Account surplus carried forward	11	(3,080)

NOTES TO THE HOUSING REVENUE ACCOUNT

1 The Housing Revenue Account (HRA)

The housing revenue account fulfills a statutory obligation to account separately for local authority housing provision, as defined in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of expenditure on council houses - maintenance, administration and depreciation costs - and how these are met by rents and other income. The account is included within the Council's Income and Expenditure account (page 57) and balance sheet (page 60).

2 Repairs and Maintenance

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

With effect from 1 April 2007 the repairs have been undertaken by a private contractor under the supervision of Gloucester City Homes Ltd.

3 Management and Supervision

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

With effect from 12 December 2005 these services have been provided by Gloucester City Homes Ltd (GCH), a wholly owned arms length management company of the council (see note 20 on page 74).

4 Rent Rebates

From 1st April 2004 rent rebates ceased to be accounted for in the HRA and became instead chargeable to the general fund. However there remains some residual adjustments, for example relating to overpayments of rent rebates paid before 2004/05.

5 Housing Revenue Account Subsidy

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

- * a subsidy towards the cost of repurchasing pre-reinforced concrete houses
- * an adjustment to take account of any net deficit or surplus on the account which the government calculates as achievable. The account was deemed to make a surplus of £1.125 million in 2007/08 (£0.952 million in 2006/07), therefore this amount is deducted from the other element as a "negative subsidy".

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

The figures shown are made up as follows:-

	2006/07 £'000	2007/08 £'000
Pre-reinforced concrete houses subsidy	51	51
"Negative subsidy" for year	(952)	(1,125)
Prior Year Adjustments	-	45
Net subsidy payable for the year	(901)	(1,029)

The negative subsidy for 2007/08 includes a £2.838 million Major Repairs Allowance received from government to cover the depreciation (or 'wearing out') of the housing stock.

NOTES TO THE HOUSING REVENUE ACCOUNT

6 Depreciation and Impairment of fixed assets

The depreciation charged to dwellings in 2007/08 is equal to the Major Repairs Allowance, which represents a measure of the 'wearing out' of the HRA's operational assets during the year.

The depreciation is credited to the Major Repairs Reserve (see note 10 below), which is used to finance HRA capital expenditure.

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

2006/07 £'000	Type of Tangible fixed asset	2007/08 £'000
2,786	Dwellings	2,838
-	- Other Land & Buildings	46
8	Vehicles, plant and equipment	8
2,794	Total Depreciation	2,892

A total of £12.296 million was charged to the Income and Expenditure Account as impairment of fixed assets, representing the estimated amount of capital expenditure incurred on the stock during the year, which did not result in an increase in its value. To comply with statute, this charge has been reversed out in the Statement of Movement on the HRA balance.

7 Bad or Doubtful Debts

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

The bad debts provision for rent arrears was £254,097 at 31 March 2008 (£301,193 at 31 March 2007). The amount of rent arrears in respect of current and former tenants at 31 March 2008 was £592,872 (£617,951 at 31 March 2007). This is equivalent to approximately 4.23% of the total due from tenants in 2007/08 (4.68% in 2006/07).

8 Dwelling Rents

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

9 Interest payable and amortisation of premiums and discounts

Both these charges are calculated in accordance with statutory determinations.

10 Major Repairs Reserve (MRR)

The authority has a duty to keep a Major Repairs Reserve. In 2007/08 a sum of £2.892 million (representing the depreciation on HRA assets) was credited to this account. Subsequently £1.783 million was used to finance capital expenditure and £0.054 million transferred back to the HRA to offset the excess of depreciation over the MRR. The balance on this account was therefore nil at the beginning of the financial year and £1.055 million at the end of the year.

NOTES TO THE HOUSING REVENUE ACCOUNT

11 HRA Balance

Of the HRA revenue balance, £0.575 million is earmarked for specific purposes as shown below.

	Balance at 1 April £'000	Approp'ns to balance in year £'000	Approp'ns from balance in year £'000	Balance at 31 March £'000
Earmarked for repayment of deferred purchase scheme	845	-	270	575
Unallocated balance	1,033	1,474	-	2,507
Total 2007/08	1,878	1,474	270	3,082
Total 2006/07	2,191	-	313	1,878

The amount earmarked for the deferred purchase scheme enables the council to repay money borrowed to construct new houses on the former Podsmead Allotment site at Badger Vale in 1989/90. It will be used to meet the outstanding loan of £0.575 million at 31 March 2008.

12 Capital Expenditure

Total capital expenditure on HRA assets during the year was £14.248 million, £14.166 of which was spent on improvements and modernisations to dwellings, and £0.082 million on property acquisitions.

Capital expenditure requiring financing was £14.248 million, which was financed by £12.065 million borrowing (for which the costs are met by government subsidy), £1.783 million from the Major Repairs Reserve, and £0.400 million from usable Capital Receipts.

13 Fixed Assets

Government regulations requires a full stock valuation to be carried out every 5 years. This exercise was last undertaken to provide a valuation at 1st April 2005.

14 Council Housing Stock and Value

<u>Analysis by Type</u>	<u>Number of dwellings</u>	
	31-Mar-07	31-Mar-08
Houses	2,347	2,336
Flats	2,194	2,186
Shared ownership (whole equivalents)	29	29
Total Stock	4,570	4,551
<u>Age Analysis</u>		
Pre 1919	49	49
1919 - 1944	702	698
1945 - 1964	2,292	2,279
1964 onwards	1,527	1,525
Total Stock	4,570	4,551

The dwellings were valued at 31 March 2008 at £171.780 million (£164.760 million at 31 March 2007) - see note 14 to the balance sheet, page 68.

Other operational assets, comprising garages, were valued at £0.811 million at 31 March 2008 (£0.857 million at 31 March 2007).

The value of non-operational property, comprising mainly estate shops, was £1.718 million at 31 March 2008 (£1.8 million at 31 March 2007).

NOTES TO THE HOUSING REVENUE ACCOUNT

15 Value of HRA Vacant Possession Dwellings

In accordance with government guidelines council house valuations have been reduced by a regional adjustment factor in recognition of their status as social housing. The estimated value of the stock, after applying the discount factor, was £170.9 million at 31 March 2008. With vacant possession the dwellings would have had an estimated value of £388 million, thereby recognising an economic cost of providing council housing at less than open market rents of £217 million.

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

16 HRA Capital Receipts

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

2006/07 £000's	HRA Capital Receipts Receivable	2007/08 £000's
-	- Land	-
2,870	- Dwellings	1,338
-	- Other	-
2,870	Total	1,338

17 Pensions

From 2007/08 a charge in respect of FRS17 pension costs for the remaining staff chargeable to the HRA ('client' staff) has been made to the Net Cost of HRA Services. To ensure the account complies with statute, this charge has been reversed out in the Statement of Movement in the HRA balance. It has then been replaced with the actual contributions to the Pension Fund in respect of these staff *and* staff transferred to Gloucester City Homes and the housing repairs contractor, for which the council has committed to meet the pensions deficit in respect of these staff up to the date of the transfer. The contribution charged to the HRA is a share of the total contributions required by the pension fund actuary from the council for the year.

A prior year adjustment has been made to the 2006/07 comparatives, transferring the pension contribution previously charged to the Net cost of HRA services to the Statement of Movement in the HRA balance.

COLLECTION FUND FOR YEAR ENDED 31ST MARCH

2007 £'000	<u>Expenditure</u>	Note	2008		
			£'000	£'000	£'000
46,915	Precepts & Demands	3		49,639	
197	Write Offs - Council Tax			101	
40,833	Business Rates	2			
174	- payment to national pool		41,259		
	- cost of collection		181	41,440	
341	Distribution of previous years' estimated Collection Fund surplus				
	- Council Tax			511	
88,460				<u>91,691</u>	
	 <u>Income</u>				
41,077	Council Tax	1		43,311	
6,119	Transfers from General Fund - council tax benefits			6,351	
40,987	Collectable from Business Ratepayers	2		41,444	
(63)	Adjustment of Previous Years' Council Tax			175	
88,120				<u>91,281</u>	
(340)	Increase/(decrease) in Fund				<u>(410)</u>
908	Balance of Fund at beginning of year				568
(340)	Increase/(decrease) in year	4			<u>(410)</u>
568	Balance of Fund at 31 March	4			158

NOTES TO THE COLLECTION FUND

This account meets the statutory requirement for billing authorities to maintain a separate collection fund.

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	63	5/9	35
Disabled A	12,650	6/9	8,433
B	12,177	7/9	9,471
C	10,907	8/9	9,695
D	4,817	9/9	4,817
E	3,090	11/9	3,777
F	784	13/9	1,132
G	165	15/9	274
H	2	18/9	4
Total	44,655		37,639
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)			(471)
Add contributions in lieu of government properties			8
Council Tax Base for 2007/08			37,176
Council Tax Base for 2006/07			36,408

NOTES TO THE COLLECTION FUND

2 Income from Business Ratepayers

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

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

The total non-domestic rateable value at 31 March 2008 was £109.26 million (£110.58 million at 31 March 2007) and the national non-domestic multiplier for 2007/08 was 44.4p (2006/07 43.3p), resulting in gross income before transitional, small property, empty property and mandatory relief, write offs, provision for bad debts and interest of approximately £44 million. The income shown in the collection fund of £41 million is net of these adjustments.

3 Precepts and Demands

	2006/07 £'000	2007/08 £'000
Gloucestershire County Council	34,778	36,731
Gloucestershire Police Authority	6,224	6,673
Gloucester City Council	5,912	6,235
Total	46,914	49,639

4 Fund Balance

The balance of the fund is shared between the council and its major precepting authorities in the following year.

Of the balance, any amounts arising from community charge benefits the City Council, whereas that arising from council tax are shared by the City and County Councils and Gloucestershire Police Authority. The amounts are transferred to the City Council's general fund and the County Council's county fund. The respective authorities' shares of the balance are as follows:

	City Council Share £'000	County Council Share £'000	Police Authority Share £'000	Total £'000
Balance at 1 April 2007	151	356	61	568
Decrease in the year	(86)	(276)	(49)	(411)
Balance at 31 March 2008	65	80	12	157

GROUP ACCOUNTS

GROUP ACCOUNTS

These bring together the council's accounts with those of Gloucestershire Airport (in which the city council has a 50% shareholding), GL1 Sports Ltd (which is wholly owned by the council), Gloucester City Homes Ltd (GCH) (wholly owned by the council) and Barton and Tredworth Developments Ltd (B&T) (in which the council has a quarter partnership share).

Further details of these companies are given in note 20 to the council's balance sheet (pages 74 - 75).

Trust funds administered by the council (see note 40, page 86) have not been included in the group accounts on the basis the council has no control over these charitable funds and their inclusion would not have a material effect on the group statements.

The purpose of the group accounts is to reflect the full value of the council's investments in companies within the council's financial statements, since the council's shareholdings may not fully reflect its share of the companies' assets and liabilities.

STATEMENT OF ACCOUNTING POLICIES FOR THE GROUP ACCOUNTS

These are as set out on pages 50 - 56 for the single entity statements, with the following exceptions and differences to ensure compliance with UK generally accepted accounting practice (UK GAAP):

Pension costs

With the exception of GL1 Sports Ltd (which has no employees) and GCH Ltd, the company accounts (Glos. Airport and Barton and Tredworth Developments) do not include pension costs on the same basis as the the council. The pension costs charged to Income and Expenditure in these accounts are equivalent to the contributions made to the pension fund and overall pension liabilities are not shown on the balance sheets. However, given the small numbers of employees of these companies, these differences are estimated not to have a material effect on the group statements.

Fixed Assets

The fixed assets of Barton and Tredworth Developments Ltd have been included on a historic cost (rather than a current cost) basis.

The land and buildings owned by Gloucestershire Airport (the airport runway, terminal buildings and non-operational properties on airport land), shown in the airport's accounts at historic cost, have been revalued at current value in accordance with the valuation bases stated in the accounting policies (open market value for existing use for operational properties and open market value for non-operational properties).

The land and buildings were revalued as at 31 March 2008, adopting a valuation datum date of 1 April 2007. The valuations were carried out by GVA Grimley Ltd, Chartered Surveyors of Bristol. The effect of the revaluations is to increase the total balances and reserves of the group compared to those of 31 March 2007 by £10.8 million.

Depreciation

Depreciation is charged to the council's income and expenditure account based on the current value of assets and is reversed out before calculating the general fund balance. The operating results of Gloucestershire Airport and Barton and Tredworth Developments include depreciation based on the historic cost of assets, however. The operating results of these companies have not been adjusted to reflect depreciation based on the current value as in the council's accounts. If depreciation had been charged on such a basis an additional charge of an estimated £0.134 million (based on opening asset values) would have been made for the airport, resulting in an operating deficit of £0.097 million. The council's share of the net assets of the airport at the year end would remain as shown, however, since the company's assets were revalued at the year end.

GROUP CASHFLOW STATEMENT

A Group Cashflow Statement recommended by the Statement of Recommended Practice (SORP) has not been shown since cashflow statements have not been produced by the all the relevant companies.

GROUP ACCOUNTS

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH

The group Income and Expenditure account has been prepared by combining the council's respective shares of the profits or losses of each company with the council's Income and Expenditure account. As subsidiaries, the expenditure and income of Gloucester City Homes Ltd and GL1 Sports Ltd are shown within their relevant services, with inter-organisation transactions eliminated. As an associated company, the council's share of the operating result of Barton and Tredworth Developments Ltd has been shown separately within net cost of services. As a Joint Venture company, the council's share of the operating turnover and other income and expenditure for Gloucestershire Airport Limited has also been shown separately within net cost of services.

2007 Net £'000	Service	2008		
		Expenditure £'000	Income £'000	Net £'000
1,140	Central Services to the Public	9,694	7,622	2,072
13,570	Cultural, Environmental and Planning services	23,467	8,449	15,018
1,528	Highways, Roads and Transport services	7,155	3,817	3,338
(1,111)	Housing Revenue Account	23,610	14,403	9,207
1,058	Other Housing Services	31,098	30,165	933
2,322	Corporate and Democratic Core	2,541	90	2,451
(857)	Non-Distributed costs	237	-	237
-	Exceptional Items	1,067	217	850
17,650	NET COST OF SERVICES OF GROUP	98,869	64,763	34,106
(37)	Share of operating result of Gloucestershire Airport Ltd	1,710	1,748	(38)
(1)	Share of operating result of Barton & Tredworth Developments Ltd	134	112	23
17,612	NET COST OF SERVICES	100,713	66,623	34,091
-	(Gains) / losses on sale of fixed assets			425
149	Precepts paid to parish councils			174
(868)	(Surplus) / Deficit on other trading operations			2,197
1,595	Interest payable			1,087
3	Share of interest payable of Gloucestershire Airport Ltd			3
-	Barton and Tredworth Developments Ltd			-
2,145	Contribution to Housing Pooled Receipts			963
(1,518)	Interest and Investment Income			(1,725)
(6)	Share of interest and Investment income of Gloucestershire Airport Ltd			(10)
-	Share of interest and investment income of Barton and Tredworth Developments Ltd			(13)
1,125	Pensions Interest and Expected Return			1,113
11	Share of taxation of Associates and Joint Ventures			11
20,248	NET OPERATING EXPENDITURE			38,316
	Less Funding			
(5,962)	Income from collection fund			(6,335)
(2,963)	General Government Grants			(1,661)
(8,677)	Contribution from non-domestic rate pool			(9,054)
2,646	(SURPLUS) / DEFICIT FOR THE YEAR			21,266

RECONCILIATION OF THE COUNCIL DEFICIT FOR THE YEAR TO THE GROUP DEFICIT

2006/07 £'000		2007/08 £'000
2,631	Deficit on the council's Income and Expenditure Account	21,314
-	Add dividend income from subsidiaries and joint ventures included in the deficit on the Income and Expenditure Account	53
45	Add (surplus) / deficit arising from the other entities of the group	(77)
(29)	Subsidiaries	(33)
(1)	Joint Ventures	9
	Associates	
2,646	Group Accounts Deficit for the year	21,266

GROUP ACCOUNTS

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2006/07 £'000		2007/08 £'000
2,646	Deficit on the Income and Expenditure Account for the Year	21,266
(5,280)	Deficit / (Surplus) arising from the revaluation of fixed assets	(34,598)
(6,998)	Actuarial (Gains) / Losses on pension fund assets and liabilities	(6,887)
	Any other gains or losses	
340	- Deficit/ (Surplus) on the Collection Fund	410
102	- Capital grants and contributions receivable but not applied to finance capital expenditure	-
(415)	- Difference between actual and estimated pension contributions used to calculate pensions liability	-
(300)	- Pension contributions charged to Provisions	-
(27)	- Grant and loan repayments	-
(9,932)	Total recognised (gains) or losses in the year	(19,809)
(107)	Prior year adjustments - Deferred Credits	-
	- Loan premiums and discounts transferred to Financial Instruments Adjustment Account at 1 April	844
(10,039)	Total recognised (gains) / losses since the last annual report	(18,965)

GROUP BALANCE SHEET

The group balance sheet has been prepared by combining the council's share of the net assets of Gloucestershire Airport Ltd (50% of the total, adjusted for revaluations), Gloucester City Homes Ltd (100% of the total), GL1 Sports Ltd (100%), and Barton and Tredworth Developments Ltd (25%) with the net assets of the council. As subsidiaries, the assets and liabilities of GCH Ltd and GL1 Sports Ltd have been combined with those of the council on a line by line basis, eliminating inter-organisation balances (for example inter-company loan accounts and internal debtors and creditors).

As a joint venture, the council's share of the net assets of Gloucestershire Airport Ltd have been shown as a long term investment, without the elimination of inter-organisation balances, as recommended by the Statement of Recommended Practice (SORP) guidance. As an associate company, the council's share of the net assets of B&T Ltd have also been included in long term investments on the same basis.

The prior year comparatives have been restated from those published previously to show the council's share of the airport's net assets as a long term investment. Previously the council's share of each of the airport's assets and liabilities were combined with those of the council on a line by line basis, eliminating inter-company balances, as for a subsidiary company.

The group balance sheet shows an an increase of approximately £24 million in balances and reserves compared to those of the city council. This is due mainly to the addition of (revalued) net assets of the airport of almost £23 million and the inclusion of the net assets of Gloucester City Homes Ltd of £1 million.

GROUP ACCOUNTS

GROUP BALANCE SHEET AS AT 31 MARCH

2007 £'000		2,008 £'000	£'000
793	Fixed Assets		
	Intangible Fixed assets		1,629
	Tangible fixed assets		
	Operational Assets		
164,760	-Council Dwellings	171,780	
39,484	-Other Land and Buildings	42,398	
2,171	-Vehicles, Plant, Furniture & Equipment	2,865	
9,132	-Infrastructure Assets	9,111	
	Non-Operational Assets		
32,255	-Investment properties	33,126	
-	- Under construction	1,373	
293	-Surplus assets held for disposal	401	
248,888			261,054
13,116	Long Term Investments	23,475	
329	Long Term Debtors	204	
936	Deferred premiums	-	23,679
263,269	Total Long Term Assets		286,361
	Current Assets		
70	Stock	63	
7,361	Debtors	8,470	
20,000	Short Term Investments	18,331	
-	Cash at Bank and in hands of officers	4,753	31,618
290,700	Total Assets		317,979
	Current Liabilities		
155	Cash Overdrawn	-	
1,022	Temporary Borrowing	355	
15,669	Creditors	18,986	
16,846			19,341
273,854	Total Assets less Current Liabilities		298,638
16,708	Long Term Borrowing	29,099	
575	Deferred liabilities	280	
14,525	Capital Grants Deferred Account	14,270	
92	Deferred Premiums		
1,329	Provisions	688	
37,889	Pension Scheme Liability	32,676	
71,118			77,013
202,736	Total Assets less Total Liabilities		221,625
-	Revaluation Reserve	33,892	
-	Financial Instruments Adjustment Account	(324)	
224,447	Capital Adjustment Account	203,984	
3,861	Usable Capital Receipts Reserve	2,528	
-	Major Repairs Reserve	1,055	
230	Deferred Credits	168	
6,515	Earmarked Revenue Reserves	5,224	
(38,493)	Pension Reserve	(32,424)	
196,560			214,103
	Revenue Balances		
1,479	General Fund	1,677	
2,677	Housing Revenue Account	4,236	
568	Collection Fund	158	
1,452	Share of profit and loss and other reserves of associates and joint ventures	1,451	
			7,522
202,736	Total Group Balances and Reserves		221,625

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.

GLOSSARY OF FINANCIAL TERMS

Capital Receipts

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

Collection Fund

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

Community assets

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

Contingent Liability

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

Contingent Asset

As with contingent liability, only an asset

Creditors

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

Current Assets

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

Current Liabilities

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

Deferred charges

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.

GLOSSARY OF FINANCIAL TERMS

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 2003.

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.

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, the contribution from the national non-domestic rate pool and council tax.

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.

GLOSSARY OF FINANCIAL TERMS

Minimum Revenue Provision

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

National Non Domestic Rates (NNDR)

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

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

Net Book Value

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

Net Expenditure

Gross expenditure less any related income.

Non-Distributed Costs

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

Operating Lease

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

Precept

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

Provision

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

Reserve

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

GLOSSARY OF FINANCIAL TERMS

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.