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## **Gloucester City Council**

### **Welcome to our Statement of Accounts**

The financial year 2008/09 was the third and final year in the span of the Council's corporate plan, the 'Blueprint for Change'. A council tax increase of 3.9% was set for the year in line with the plan for annual 3.9% increases.

The average council tax band in Gloucester is band D and the council tax set for this band was £169.41. The City's council tax again provided excellent value for money.

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

We have improved the way we present our financial information. This is because we want residents and others to understand how the Council's services are financed. For 2008/09 we set out the information in an annual report, which was published in November 2009. This can be found on the council's website at:-

**[http://www.gloucester.gov.uk/AnnualReport 20089](http://www.gloucester.gov.uk/AnnualReport20089)**

The 2008/09 annual report will be published in December 2009.

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.

**Peter Gillet**  
(Section 151 Officer)

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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 2009 and its income and expenditure for the year ended 31 March 2009.

Signed .....

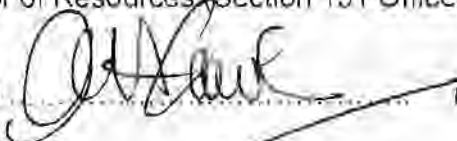


Dated .....

16/11/09

Peter Gillett CPFA  
Director of Resources (Section 151 Officer)

Signed .....



Dated .....

16/11/09

M. Lawlor  
Chair of Audit Committee

## **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](http://www.gloucester.gov.uk), is included in the Council's Constitution (Part 5 – Codes & Protocols), or can be obtained from the Council' Group Manager Audit & Assurance. 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 31<sup>st</sup> March 2009, and up to the date of approval of the Statement of Accounts.

### **3.0 The governance framework**

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

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

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

- 4.1 The financial year ended 31<sup>st</sup> March 2008 was the final year of the Council's previous corporate strategy 'Blueprint for Change'. The current corporate plan, entitled '**Building a Better Gloucester**', was adopted in April 2008. The new plan builds on the achievements of the previous and 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.

- 4.2 The four key aims of the new strategy are:

1. *Put Gloucester On The Map* – To make Gloucester a locally, nationally and internationally respected and recognised city..
2. *A Thriving 21<sup>st</sup> 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.

- 4.3 The Council's major policy objectives, as detailed in '**Building a Better Gloucester**' are subject to an annual progress review and updating by the Council. At the meeting held on 19<sup>th</sup> May 2009, the Council

considered the 2009 update to the Corporate Plan, with final amendments to be approved by members in July.

- 4.4 The '2009 Plan' refreshes and updates the Corporate Plan for the second year of the 3-year period. It reflects the learning and achievements of the first year; both in recording highlights and successes, and in sharpening the council's targets and objectives. The Plan also includes reference to the organisational values and competencies which describe what it is like to work in Gloucester City, as the Council drives Gloucester forward on its journey to being a top performing organisation. A copy of the revised Corporate Plan can be found on the Council's website [www.gloucester.gov.uk](http://www.gloucester.gov.uk)
- 4.5 The Council's annual work programme 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 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.
- 4.6 Performance against key aims, as set out in '**Building a Better Gloucester**' 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.
- 4.7 A Performance Highlight Report for the year April 2008 to March 2009 was presented to Council at its meeting on 18<sup>th</sup> May 2009. The report summarised the highs and lows of performance against key performance indicators, within each Directorate. It is intended to present a full performance report, detailing out-turn against all the indicators identified in the Corporate Plan, to Council in July 2009.
- 4.8 Data quality is important for Local Authorities, as decisions are made based on data that is produced, and, the Authority reports its performance to a wider audience. During 2008-09, the Council's External Auditor carried out an audit of the Council's data quality arrangements. The conclusions from the audit have been reported below (para 16.5).
- 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. The Scheme of Delegation was updated as part of a complete review of the Council's Constitution, which was approved by full Council in March 2009.
- 5.4 Under the Local Authorities (Members Allowances) (England) Regulations 2003, local authorities are required to have in place a scheme which sets out payments of allowances to councillors. A council is required to adopt a scheme each year and where an authority has regard to an index for the purpose of annual adjustment of allowances it must not rely on that index for longer than a period of four years. The present scheme was adopted in March 2006, and adjusted annually; therefore it will be necessary for a review to be carried out in 2009/10.
- 5.5 The City Council formally adopts its allowances scheme for the forthcoming year at Annual Council. Prior to the Council agreeing its scheme of allowances, it has to consider the recommendations of an independent remuneration panel. Therefore, A full review of the allowances scheme has to be carried out by the independent remuneration panel in 2009.
- 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.
- 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

- 7.2 In May 2009, the Democratic and Electoral Services Manager issued revised guidance to all managers on 'Report Writing and the Democratic Process' to help maintain an informed and transparent decision making process.
- 7.3 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.
- 7.4 The review of the Constitution included a review of the overview and scrutiny options by the Constitution Task and Finish Group. Following their discussions with the respective political groups, recommendations on revised scrutiny arrangements were considered by Council at its meeting on 18<sup>th</sup> May 2009.
- 7.5 The main recommendations agreed by Council were to create one single Overview & Scrutiny Committee, with all other O & S committees being abolished, and that most of the scrutiny work would be undertaken by Task & Finish Groups.
- 7.6 The Council's Democratic Services section maintains the up to date registration of Members Interests on behalf of the Monitoring Officer and also ensures that Members are regularly reminded to update their record. Declarations of Interest are a standard agenda item for each main committee meeting.
- The requirement for staff to declare interests is included in the Officers Code of Conduct – Council Constitution Part 5, Codes and Protocols. There is no system in place to ensure that staff register of interests remain up to date.
- 7.7 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'.
- 7.8 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. Cabinet agreed the Strategy 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.

- 7.9 There is an annual review of the Strategic Risk Register. In December 2008, a workshop session to review the Strategic Risk Register was attended by Directors and officers from the Council's Risk Management Group, the Register was reviewed to ensure any risks associated with the achievement of the Council's aims and objectives in the new corporate strategy 'Building a Better Gloucester' had been identified and an updated Risk Register was produced. This will be further reviewed in 2009/10 and an update reported to Cabinet.
- 7.10 The Council has established an Audit Committee. The Terms of Reference for the Audit Committee were reviewed as part of the review of the Constitution, and they now cover the core functions of an audit committee as identified in the CIPFA guidance 'Audit Committees – Practical Guidance for Local Authorities'.
- 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 (Group Manager Legal & Democratic Support), 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.
- 7.13 With regard to compliance with agreed Council policies, one area of concern that was identified during 2008/09 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. Full council approved revised standing orders and financial regulations in May 2009.
- 7.14 The Council has an agreed whistle-blowing policy under which members of staff may raise any concerns. A review of the Whistle blowing policy was undertaken during the year, and the revised policy was agreed by a joint meeting of the Audit Committee and Standard Committee in September 2008.

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

- 8.1 During 2008-09, the top three levels of management were radically restructured, and a major cultural change initiated through an organisational development programme. Also, a robust approach to performance management has been undertaken.
- 8.2 The Council has the Investor in People (IiP) award, and is planning for a re-assessment during the 2009-10 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 Access to Member Development is a key element of the Local Code of Corporate Governance. One of the Options identified as part of the recently completed Democratic Governance Review concerned Member Development. The main recommendation was that the Council undertakes a comprehensive Member Development Programme, which takes account of individual learning requirements and progressively covers a full term of office. This recommendation was approved by Council on 12<sup>th</sup> March 2009.

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

- 9.1 A key element of the corporate plan is the council's strategy for partnerships. 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 arms 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 During 2008-09, the Council created two further arms length organisations to help deliver better services - the Aspire Leisure Trust and Marketing Gloucester Limited
- 9.4 The Council has set up a client side monitoring function for the Partnership arrangements. In addition Partnering Boards have been established for both GCH and Streetcare services, 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.

- 9.5 During 2008-09, the Council's External Auditor carried out an audit of the Council's arrangements for managing outsourced service delivery. The conclusions from the audit have been reported below (para 16.4).

## **10.0 Review of effectiveness**

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

## **11.0 The Council**

- 11.1 The Council has adopted a Constitution that governs how the Council is structured and how it reaches decisions. A complete review was undertaken in Spring 2009 and the revised Constitution reflects the recent changes in the City Council in respect of legislation, management/operational structures, partnership working and shared services. Officers also undertook a comprehensive review of Financial Regulations, Contract Standing Orders, and Procurement Rules, which have also been included within the revised document. The Constitution can be found on the Council's website at [www.gloucester.gov.uk](http://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 Corporate Director of Strategy & Development (CDS&D) is responsible for reviewing the continued relevance and effectiveness of the Constitution. All amendments (except minor amendments which can be approved by the CDS&D) will be 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). The Council had in place, during 2008-09, three overview and scrutiny committees which supported the work of the Cabinet i.e. Scrutiny Committee for the Built Environment; Scrutiny Committee 2, and, Overview and Scrutiny Management Committee.
- 12.2 The Cabinet took 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 Good corporate governance requires independent, effective assurance about both the adequacy of corporate, operational and financial management and reporting, and the management of other processes required to achieve the organisation's corporate and service objectives. An effective audit committee helps raise the profile of internal control, risk management and financial reporting issues within the organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors.

13.2 The Terms of Reference for the Audit Committee were reviewed as part of the review of the Constitution, and they now cover the core functions of an audit committee as identified in the CIPFA guidance 'Audit Committees – Practical Guidance for Local Authorities'.

13.3 A review of the effectiveness of the Audit Committee was carried out in November 2007 using the CIPFA guidance above. Further detailed guidance has also subsequently been produced by CIPFA's Better Governance Forum entitled 'A Toolkit for Local Authority Audit Committees'. It is proposed to use this new guidance to carry out a further review of the effectiveness of the Committee, during the year. This should help contribute to the Council's aim of achieving a Level 3 in the Use of Resources Judgement.

### **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 of 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, and the results reported to the Audit Committee in March 2009. 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 Group Manager Audit & Assurance' 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 2008-09 report by the Group Manager Audit & Assurance 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 financial control assurance arrangements in relation to concessionary fares (county-wide scheme), and, the delayed implementation of a number of agreed audit recommendations. Where system weaknesses have been identified, recommendations to improve the level of control have been made and accepted by management." And:

"In the systems audited, 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 In September 2008, the Council's External Auditor produced the Annual Governance Report relating to the 2007/08 audit. In relation to 'audit matters of governance interest that arise from the audit of the financial statements' the report concluded that 'there were no matters which we wish to draw to your attention.
- 16.3 Risk management is the process by which risks are identified, evaluated and controlled and is a key element of the governance framework. In December 2008, the Council's External Auditor reported on the 2007-08 Use of Resources assessment. In relation to the risk management, the Council achieved a Level 3 (Consistently above

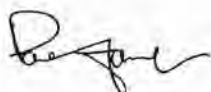
minimum requirements – performing well) for the KLOE 'The Council manages its significant business risks'.

- 16.4 In March 2009, the Council's External Auditor reported on the findings from their audit of the Council's arrangements for managing outsourced service delivery. The overall conclusion was that 'GCC is making good progress in developing its culture and establishing systems for managing the delivery of its outsourced services, although more is still needed to improve performance in some areas. The outsourcing of the housing service has so far proved more effective than Streetcare, although this may be because it is a more established arrangement. The ongoing structural changes taking place within the Authority present opportunities for enhancing the benefits of partnership working. An Action Plan, detailing 9 recommendations, has been agreed with various target implementation dates.
- 16.5 In November 2008, the Council's External Auditor reported on their findings from their audit of the Council's arrangements for data quality. The overall conclusion was that the Council was 'performing well'. A number of recommendations for further improvement were agreed with various target implementation dates.
- 16.6 A further source of assurance has been obtained from the introduction of Assurance Statements. These Statements have been issued to all Directors and Group Managers, and they have been requested to complete, and to identify any significant internal control issues within their portfolio. Any issues identified have been included in the 2009/10 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**

## Annual Governance Statement Action Plan 2009-10

No.	Core Principle	Significant Governance issue	Responsible Officer	Action Required
1	Members and officers work together to achieve a common purpose with clearly defined functions and roles	Prior to the Council agreeing its scheme of allowances, it has to consider the recommendations of an independent remuneration panel. The current scheme is based on an index for the purpose of the annual adjustment of allowances, however, the 'period of use' for the index has now expired. (Local Code 2.3.2)	Corporate Director of Strategy & Development	A full review of the Members allowances scheme to be carried out by the independent remuneration panel in 2009/10. (Para 5.5)
2	Take informed and transparent decisions which are subject to effective scrutiny and managing risk.	The requirement for staff to declare interests is included in the Officers Code of Conduct – Council Constitution Part 5, Codes and Protocols. There is no system in place to ensure that staff register of interests remain up to date.	Corporate Director of Resources	Reminder to staff re Register of Interests (Para 7.6)
3	Take informed and transparent decisions which are subject to effective scrutiny and managing risk.	In December 2008, a workshop session to review the Strategic Risk Register was attended by Directors and officers from the Council's Risk Management Group. The Register was reviewed to ensure any risks associated with the achievement of the Council's aims and objectives in the new corporate strategy 'Building a Better	Corporate Director of Resources/GILT	An updated Risk Register was agreed. This will be reviewed again in 2009/10 and reported to Cabinet. (Para 7.8)

No.	Core Principle	Significant Governance issue	Responsible Officer	Action Required
		Gloucester' had been identified.		
	<b>Issues identified from Review of Effectiveness</b>			
4	Internal Audit	The Cipfa Code of practice for Internal Audit requires the Head of Internal Audit to 'provide a written report to those charged with governance timed to support the Annual Governance Statement (AGS). The 2008-09 report identified the following issue that the Head of Internal Audit has judged to be particularly relevant to the preparation of the AGS – 'The weak financial control assurance arrangements in relation to concessionary fares'.	Corporate Director of Resources	<p>The concessionary fares scheme is operated on a countywide basis in Gloucestershire.</p> <p>New consultants have recently been appointed by the partnership to ensure that activity data is collected more promptly and frequently to monitor travel volumes and associated costs more appropriately.</p> <p>Ongoing action is required to monitor this data on a monthly basis, and to ensure that the issue is regularly discussed amongst the district councils.</p> <p>Negotiations with the main operator should be concluded in Summer 2009, based a 3year fixed price arrangement. <b>(Para 15.4)</b></p>
5	External Audit	In November 2008, the Council's External Auditor reported on their findings from their audit of the Council's arrangements for data quality. The overall conclusion was that the Council was 'performing well'.	Corporate Director of Strategy and Development	A number of recommendations for further improvement were agreed with various target implementation dates. <b>(Para 4.8 &amp; 16.5)</b>
6	External Audit	During 2008-09, the Council's External Auditor carried out an	Corporate Director of Services &	An Action Plan, detailing 9 recommendations, has been agreed



No.	Core Principle	Significant Governance issue	Responsible Officer	Action Required
		audit of the Council's arrangements for managing outsourced service delivery. The overall conclusion was that 'GCC is making good progress in developing its culture and establishing systems for managing the delivery of its outsourced services, although more is still needed to improve performance in some areas.	Neighbourhoods.	with various target implementation dates. ( <i>Paras 9.5 &amp; 16.4</i> )

# FOREWORD TO THE ACCOUNTS

## WHAT IS INCLUDED IN THIS STATEMENT?

The Council's accounts for the year ended 31 March 2009 are set out on pages 24 - 77A. The accounts consist of the following :-

- \* the Statement of Accounting Policies (pages 24 - 30). This section explains the basis of the figures used in the accounts.
- \* the Core Financial Statements (pages 31 - 35), 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 2009
  - 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 66 -70), showing separately the revenue income and expenditure during the year relating to the provision of council houses.
  - the Collection Fund (pages 71 - 73), 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 74 - 77A), 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) and Aspire Sports and Cultural Trust a company limited by guarantee. 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 Group Cashflow Statement

A Glossary of terms, explaining some of the terms used in this statement, is shown on pages 78 - 82.

## 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 2008/09

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.

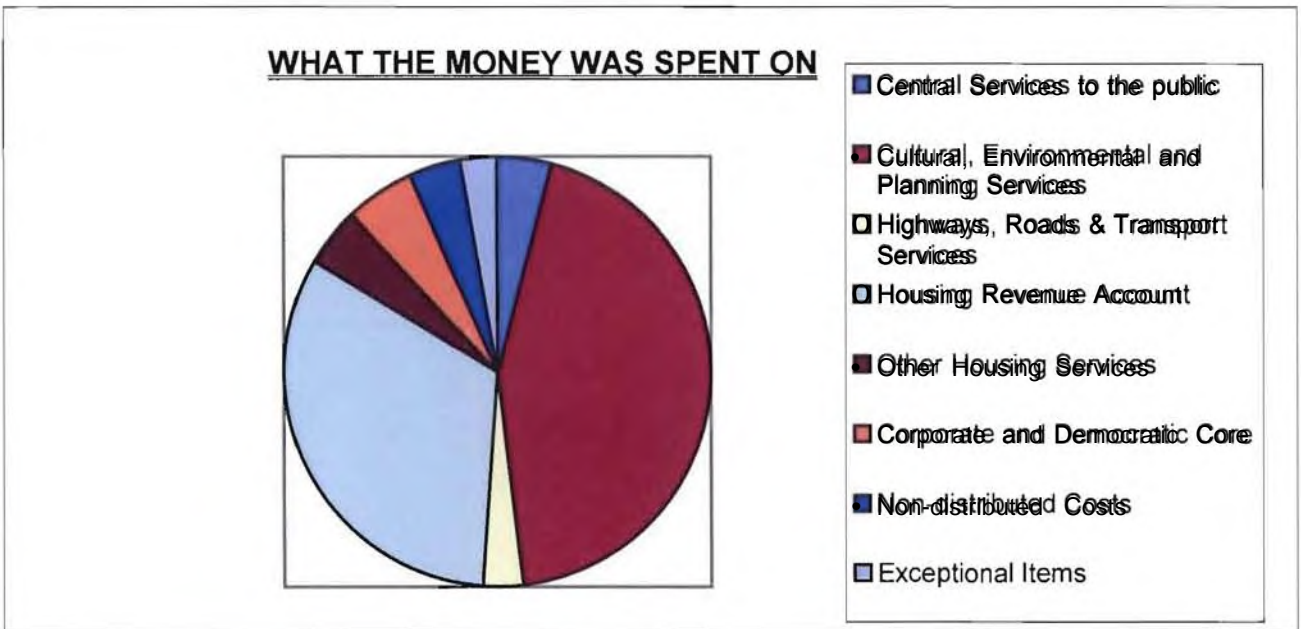
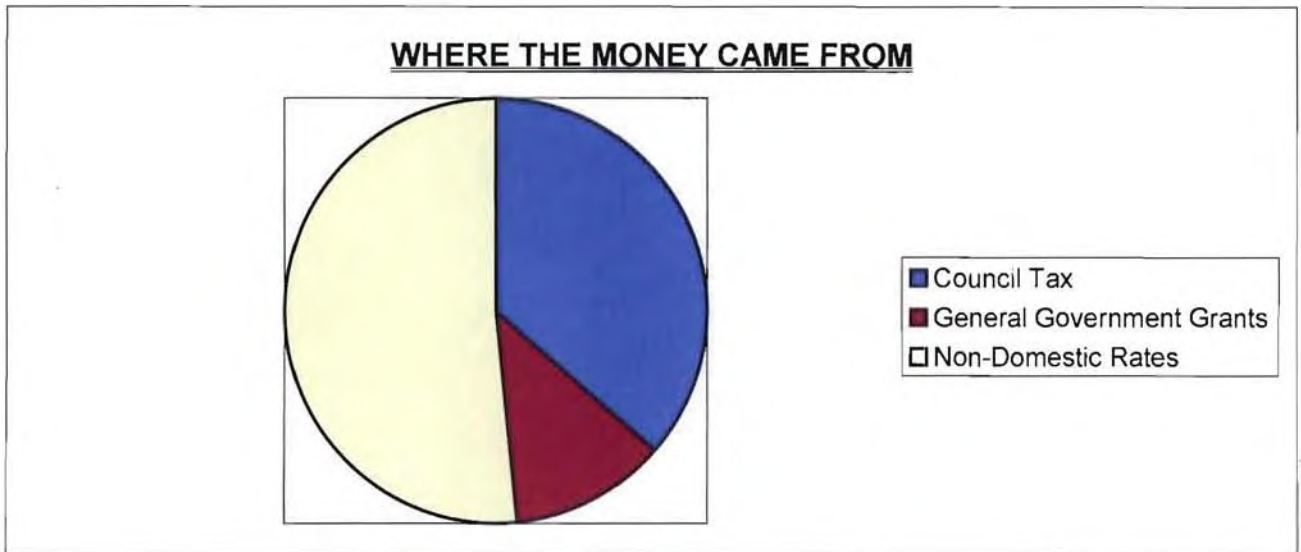
Budgeted income and expenditure compared to actual shows net operating expenditure of £38.161 million, £17.974 million more than budget. The adjustments required by statute to be made to the General Fund Balance (including transfers to and from reserves), however, converted this into an increase in the balance of £0.025 million, resulting in a balance at 31 March 2009 of £1.670 million. The main differences between the budget and actual expenditure are shown on the next page.

# FOREWORD TO THE ACCOUNTS

	Net expenditure 2008/09		
	Revised budget £'000	Actual £'000	Over/(under) Spend £'000
<b>Service</b>			
Central Services to the public	1,619	1,499	(120)
Cultural, Environmental and Planning Services	15,257	15,704	447
Highways, Roads & Transport Services	1,751	1,152	(599)
Housing Revenue Account	(194)	11,613	11,807
Other Housing Services	1,317	1,611	234
Corporate and Democratic Core	1,453	1,863	410
Non-distributed Costs	(84)	1,468	1,552
Exceptional Items	(1,022)	954	1,976
<b>Net cost of services</b>	<u>20,137</u>	<u>35,864</u>	<u>15,707</u>
Gains/losses on sale of fixed assets	-	35	35
Parish Council precepts	193	192	(1)
Deficit on trading accounts	(488)	(574)	(86)
Interest payable	320	1,511	1,191
Contribution to Housing Pooled Receipts	-	120	120
Interest and investment income	(1,150)	(1,069)	81
Pensions Interest and Expected Return	1,155	2,082	927
<b>Net operating expenditure</b>	<u>20,137</u>	<u>38,181</u>	<u>17,974</u>
<b>Less Funding</b>			
Council Tax	(6,612)	(6,612)	-
General Government Grant	(1,313)	(2,223)	(912)
Non Domestic Rates	(9,433)	(9,433)	-
	<u>(17,358)</u>	<u>(18,270)</u>	<u>(912)</u>
<b>Deficit for the year</b>	<b>2,829</b>	<b>19,891</b>	<b>17,062</b>
Less amounts required by statute to be excluded from General Fund Balances	(5,428)	(9,023)	(3,595)
Add amounts required by statute to be included in General Fund Balances	3,956	2,918	(1,038)
Transfers to /from Balances and Reserves	(1,382)	(13,811)	(12,429)
<b>Increase in General Fund Balances in Year</b>	<u>25</u>	<u>25</u>	<u>(0)</u>
General Fund Revenue balance 1 April 2008	(1,645)	(1,645)	-
<b>General Fund Revenue balance 31 March 2009</b>	<u>(1,670)</u>	<u>(1,670)</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:



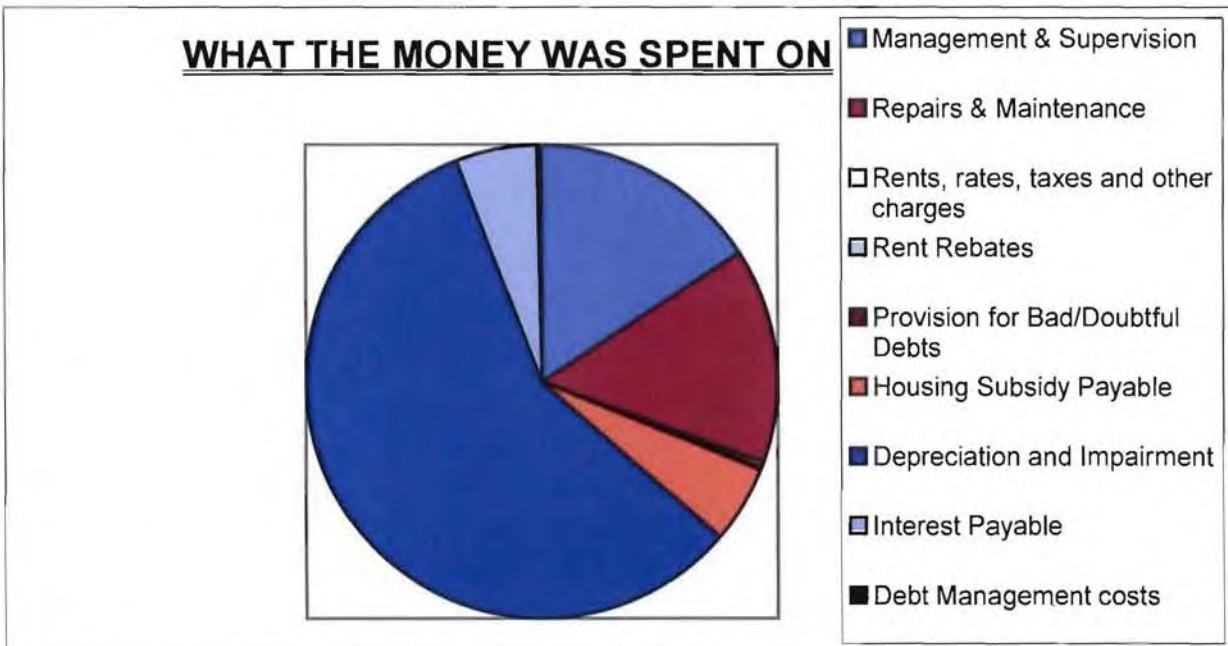
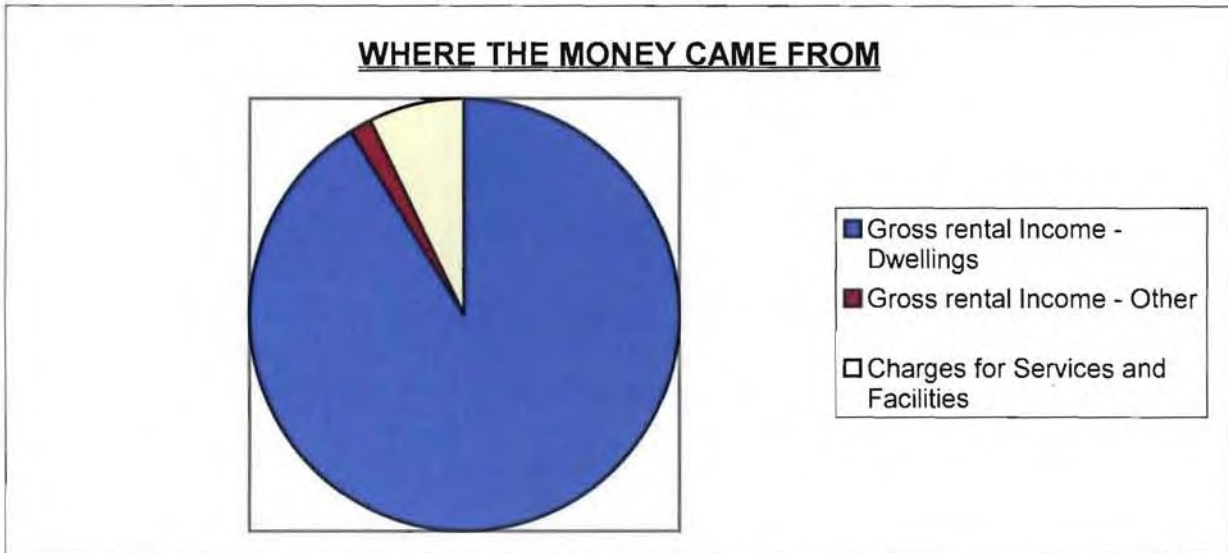


# FOREWORD TO THE ACCOUNTS

## 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 66 - 70.

An analysis of the account is shown graphically below:



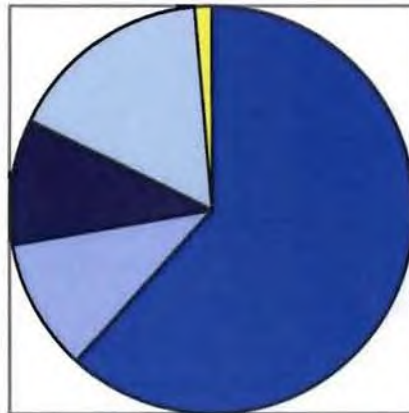
# FOREWORD TO THE ACCOUNTS

## **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 £ 24.5 million, however due to changes in a number of projects giving an overall slippage of £ 2.3 million, the expenditure was £ 23.2 million. Further details are found on pages 44-47.

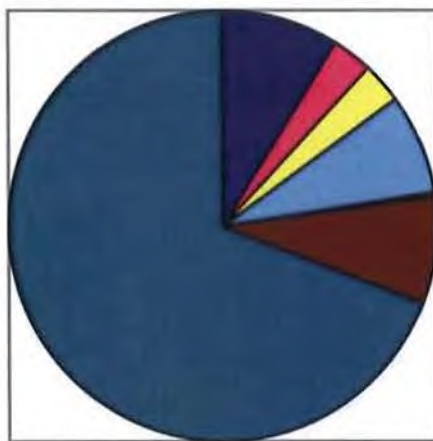
An analysis of the expenditure and the funding for 2008/09 is shown below:

### 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 2009 is considered to be sound.

The fixed assets held by the council are estimated to have a current value of £302.7 million, of which £212.9 million relates to council dwellings.

Assets less liabilities of the council (Net Assets), as shown on the balance sheet (page 34), totalled £211.8 million at 31 March 2009, an increase of £14.5 million over the previous year. This was mainly due to an increase in the liability related to the council's pension scheme (which increased by £9.0 million) and an increase in tangible fixed assets of £41.9 million, offset by a decrease of £ 17.9 million in short term investments and cash.

Long and short term borrowing was £34.0 million at the year end, an increase of £1.8 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.

Investments at the year end were £3.9 million, a decrease of £14.8 million over the previous year.

Earmarked revenue reserves, which are reserves set aside for specific purposes, were £4.6 million at the year end, a decrease of £0.9 million over the previous year. Provisions were £0.6 million at 31 March 2009, a reduction of £0.1 million over that of 31 March 2008.

Capital grants and contributions, available to fund future capital expenditure and required to meet development obligations, were £2.632 million at the year end and usable capital receipts, also available to fund capital expenditure, were £2.1 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 2009 the pension fund had a deficit of £41.4 million (increased from £32.4 million at 31 March 2008). 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.

The council established on 1 October 2008 a leisure charitable trust to provide quality leisure services to residents of Gloucester. Marketing Gloucester was launched in November 2008 to run campaigns and promotions to attract more people into Gloucester.

Heritable Bank went into administration in the autumn of 2008 and the Council had £2 million invested. The authority has taken advantage of the Capital Financing Regulations to defer the impact of the impairment until the administrator Ernst and Young can give more certainty to the final outcome.

## 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.

# **FOREWORD TO THE ACCOUNTS**

## **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.

## **Further Information**

Further details of the accounts can be obtained from the Group Manager Financial Services,





**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 2008: 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), as 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); and
- *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; and
- \* 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 lump sums and 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; and
- \* 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 2008/09 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; and
- \* 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 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 2008/09 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 2008/09 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; and
- 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; or
- 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 it relates. If no depreciation is charged, for example if an 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 directly 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 account. Some minor stocks are not valued and are excluded from the balance sheet.

### **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.



## **STATEMENT OF ACCOUNTING POLICIES**

### **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; and

\*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 (ie. cost less any impairment losses). Fair value is determined by estimating using valuation technique and, where appropriate or possible, independent valuer assessment is utilised. Where there are no fixed payments, income (eg 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

2008 Net £'000	Services	Note	2009 Expenditure £'000	2009 Income £'000	Net £'000
<b>Central Services to the public</b>					
934	Local tax collection		8,637	7,780	857
293	Elections		304	3	301
24	Emergency planning		59	11	48
(138)	Local land charges		204	201	3
281	General grants and bequests		256	-	256
678	Central Support Services		287	253	34
2,072			9,747	8,248	1,499
<b>Cultural, Environmental and Planning Services</b>					
<b>Cultural Services</b>					
1,787	Culture and Heritage		2,515	565	1,950
4,647	Recreation and Sport		5,110	1,655	3,455
413	Tourism		788	218	570
<b>Environmental Services</b>					
(102)	Cemeteries and Crematorium		956	1,261	(305)
1,344	Environmental Health		2,086	434	1,652
188	Flood defence and land drainage		188	13	175
2,963	Waste collection	3	3,474	657	2,817
1,133	Street cleansing	3	1,121	1	1,120
<b>Planning and Development Services</b>					
193	Building control	8	613	309	304
113	Development control		810	389	421
774	Planning policy		911	157	754
232	Economic development		373	23	350
1,303	Community development		1,828	519	1,309
(3)	Service Management and Support Services		1,243	111	1,132
14,985			22,016	6,312	15,704
<b>Highways, Roads and Transport Services</b>					
(11)	Transport planning, policy and strategy		5	10	(5)
-	Structural Roads Maintenance	3	1	-	1
843	Routine Roads Maintenance	3	834	8	826
998	Parking Services	3	2,449	3,482	(1,033)
1,508	Public Transport		2,008	645	1,363
3,338			5,297	4,145	1,152
9,156	<b>Housing Revenue Account</b>		26,222	14,609	11,613
<b>Other Housing Services</b>					
705	Housing Strategy		599	-	599
47	Housing Advice		47	-	47
4	Housing Advances		8	-	8
(112)	Private Sector Renewal		1,907	1,219	688
315	Homelessness		930	518	412
(223)	Housing Benefit Payments		30,119	30,396	(277)
186	Housing Benefits Administration		966	835	131
12	Welfare Services		97	94	3
(1)	GF Housing management		-	-	-
933			34,673	33,062	1,611
30,484	<b>COST OF SERVICES C/F</b>		97,955	66,376	31,579

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH**

2008 Net £'000	Service	Note	2009		
			Expenditure £'000	Income £'000	Net £'000
30,484	<b>COST OF SERVICES B/F</b>		97,955	66,376	31,579
	<b>Corporate &amp; Democratic Core</b>				
1,303	Democratic representation and management		1,044	1	1,043
1,148	Corporate management		973	153	820
2,451			2,017	154	1,863
237	<b>Non Distributed Costs</b>		1,468	-	1,468
	<b>Exceptional Items</b>				
90	Flood recovery and defence costs		35	35	-
-	Heritable Bank Impairment		627		627
760	Senior Management Restructuring		341	14	327
850			1,003	49	954
34,022	<b>NET COST OF SERVICES</b>		102,443	66,579	35,864
425	(Gains) / Losses on the disposal of fixed assets				35
174	Precepts paid to parish councils				192
2,172	Net deficit / (surplus) on trading operations	4			(574)
1,124	Interest payable and similar charges				1,511
963	Contribution to Housing Pooled Receipts				120
(1,682)	Interest and Investment Income				(1,069)
1,166	Pensions Interest and Expected Return on pensions assets	42			2,082
38,364	<b>NET OPERATING EXPENDITURE</b>				38,161
	<b>Principal sources of finance -</b>				
(6,335)	Income from the collection fund				(6,612)
(1,519)	General Government Grants - Revenue Support Grant (RSG)				(1,313)
(132)	- Local Authority Business rates growth incentive scheme (LABGI)				(880)
(10)	- Second Homes Grant				-
	- Area Based Grant				(32)
(9,054)	Contribution from non-domestic rates pool				(9,483)
21,314	<b>Net Deficit for the Year</b>				19,891

**STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

2007/08 £'000			2008/09 £'000
21,314	Net Deficit for the year on the Income and Expenditure Account		19,891
(21,544)	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance in the Year	13	(19,916)
(230)	(Increase) / Decrease in General Fund Balance in the Year		(25)
(1,415)	General Fund Balance brought forward		(1,645)
(1,845)	General Fund Balance carried Forward		(1,670)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2007/08 £'000		2008/09 £'000
21,314	Deficit on the Income and Expenditure Account for the Year	19,891
(21,261)	Deficit / (Surplus) arising from the revaluation of fixed assets	(43,247)
(6,613)	Actuarial (Gains) losses on pension fund assets and liabilities	9,303
410	Any other gains or losses - Deficit / (Surplus) on the Collection Fund	(327)
(6,150)	Total recognised (gains) / losses in the year	(14,380)
844	Loan premiums and discounts transferred to Financial Instruments Adjustment Account at 1 April	-
<b>(6,306)</b>	<b>Total recognised (gains) losses since the last annual report</b>	<b>(14,380)</b>



## BALANCE SHEET AS AT 31 MARCH

2008 £'000	Note	2009 £'000	£'000
		<b>Fixed Assets</b>	
643	15		734
		<b>Intangible Fixed Assets</b>	
	14		
		<b>Tangible Fixed Assets</b>	
171,780			
42,398		212,894	
2,645		44,014	
9,111		2,284	
33,126		9,674	
1,373		31,823	
401		1,563	
		401	302,653
<b>261,477</b>			<b>303,387</b>
437	20(i)		437
204	21		206
<b>262,118</b>			<b>304,030</b>
		<b>Current Assets</b>	
63		48	
8,510	22	8,709	
18,331	20(ii)	4,396	
685	23	-	
27,589			13,153
<b>289,707</b>			<b>317,183</b>
		<b>Current Liabilities</b>	
-	23	2,390	
3,090	24	5,945	
12,456	25	11,195	
15,546			19,530
<b>274,161</b>			<b>297,653</b>
		<b>Long Term Liabilities</b>	
29,099	26	28,989	
280	27	1	
14,270	28	14,820	
688	30	585	
32,424	36	41,399	
76,761			85,794
<b>197,400</b>			<b>211,859</b>
		<b>Financed by:</b>	
195,733	31(b)	179,936	
(324)		(637)	
20,556	31(a)	63,729	
2,528	31(c)	205	
1,055		-	
168	29	185	
5,224	32	4,411	
(32,424)	36	(41,399)	
<b>192,516</b>			<b>206,430</b>
		<b>Revenue Balances</b>	
1,645	33	1,670	
3,081	35	3,275	
158	34	484	5,429
<b>197,400</b>	37		<b>211,859</b>

# CASHFLOW STATEMENT FOR YEAR ENDED 31 MARCH

2008 £'000		Note	2009	
			£'000	£'000
	<b>Revenue Activities</b>			
	<u>Cash Outflows</u>			
17,453	Cash paid to and on behalf of employees		15,579	
26,387	Other operating cash payments		31,298	
17,825	Housing benefit paid out		20,941	
43,613	Precepts paid		46,527	
43,604	Payment to National Non-Domestic Rates (NNDR) pool		44,440	
1,120	Payments to capital receipts pool		331	
150,002				159,116
	<u>Cash Inflows</u>			
6,788	Rents (after rebates)		7,188	
42,836	Council tax receipts		45,326	
40,891	Non-domestic rate receipts		43,548	
9,054	Receipts from NNDR pool		9,433	
1,651	Revenue support grant		1,329	
34,580	DWP grants for benefits		38,554	
549	Other Government grants	43	1,206	
13,432	Cash received for goods and services		12,440	
(383)	Other revenue cash receipts		1,137	
149,368				160,161
634	<b>Revenue activities net cash (inflow)/outflow</b>	44		(1,045)
	<b>Dividends from joint ventures and associates</b>			
	<u>Cash Inflows</u>			
(53)	Dividends Received			(25)
	<b>Returns on Investments and Servicing of Finance</b>			
	<u>Cash Outflows</u>			
1,147	Interest paid		1,547	
	<u>Cash Inflows</u>			
1,354	Interest received		1,280	
(207)				267
	<b>Capital Activities</b>			
	<u>Cash Outflows</u>			
20,889	Purchase of fixed assets		20,578	
1,217	Other capital cash payments		1,851	
22,106			22,429	
	<u>Cash Inflows</u>			
1,694	Sale of fixed assets		239	
3,298	Capital grants received		2,064	
80	Other capital cash receipts		39	
5,072			2,342	
17,034				20,087
17,408	<b>Net cash (inflow)/outflow before financing</b>			19,284
	<b>Management of Liquid Resources</b>			
(2,000)	Net increase/(decrease) in short term deposits	45	(14,628)	
(2,000)	Net increase/(decrease) in long term deposits	45	-	
(4,000)				(14,628)
	<b>Financing</b>			
	<u>Cash Outflows</u>			
392	Repayments of amounts borrowed		68,178	
	<u>Cash Inflows</u>			
(12,500)	New long term loans raised		-	
(2,389)	New short term loans raised		(69,759)	
(14,497)	<b>Net (increase) / decrease in borrowing</b>	45		(1,581)
(1,089)	<b>Net decrease / (increase) in cash</b>	45		3,075

# **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 25 June 2009 by the Council's Audit Committee.

### **2 Prior Year Adjustments and Comparative figures**

To allow comparison with the previous year, some of the 2007/08 published figures have been restated so that they comply with the 2008 Code of Practice on Local Authority Accounting. The changes are:

The FRS17 liability calculated at 2007/08 regarding the element for unfunded pensions was overstated. There is a 2.6% liability decrease as at 31 March 2008. Other elements that may have changed materially is the Experience gains/losses on the scheme liabilities' which feeds through to the 'actuarial gain/loss in the pension plan'.

### **2a Exceptional Items**

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.

Heritable Bank is a UK registered bank that was placed in administration on 7 October 2008, at which time Gloucester City Council held a deposit of £2 million with the bank. The administrators, Ernst & Young LLP, issued a progress report on 17 April 2009 indicating that an interim payment of 15% would be paid in July and that based on information at the time, the total payment could be either 70% or 80%, depending on the strategy followed.

See note 20 on page 51



# 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 £5.36 million and the contract start date was 14th January 2008.

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 2007.

Following the termination of the Agency Agreement on 31st March 2008, 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 Arm's Length Management Organisation of the council (see note 20 on page 49). The costs of these services for the year were £4.5 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 2008. The cost of these services in the year were £4.3 million

## 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.

2007/08 NET £'000		2008/09		
		EXPENDITURE £'000	INCOME £'000	NET £'000
2,088	City Estates	780	1,762	(982)
(140)	St.Oswald's Park	26	18	8
76	Eastgate Market	437	303	134
166	Open market and other markets	410	131	279
7	Lettings & Catering Services	52	52	-
2	Translation & Interpreting Services	82	91	(9)
(15)	Building Design Services	80	83	(3)
41	Legal & Office Services	86	62	24
(28)	GL1 Sports Ltd Dividend	-	-	-
(25)	Gloucestershire Airport Dividend	-	25	(25)
<b>2,172</b>	<b>Total</b>	<b>1,953</b>	<b>2,527</b>	<b>(574)</b>

## 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 2008/09 totalled £275,730 (2007/08 £208,429) as detailed below:-

	2007/08 £'000	2008/09 £000's
Recruitment advertising	32	30
Other advertising	130	204
Publicity		
- tourism	46	42
- newspapers & media	-	-
<b>Total</b>	<b>208</b>	<b>276</b>

# 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 2008/09 the actual expenditure was:-

*Grants to various bodies working in the local area; £9,348 (2007/08 £115,673)*

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 2008/09 was £294,008 (2007/08 £277,233). 2007/08 figure has been amended to take out employers National Insurance. Details of the allowances paid to each individual councillor are published in the Gloucester Citizen newspaper and on the council's website.

## 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 2009 the building control charging account showed a deficit of £119,566 as follows :

	2006/07 £	2007/08 £	2008/09 £	3 Year TOTAL £
Income	431,178	424,047	308,765	1,163,990
Expenditure	494,236	432,513	428,331	1,355,080
<b>Surplus / (deficit)</b>	<b>(63,058)</b>	<b>(8,466)</b>	<b>(119,566)</b>	<b>(191,090)</b>

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. The expenditure excluded from the charging account but included in the I&E is £185,804

The recent restructure and current process analysis work is intended to remove the deficit and bring the account in line with the Regulations.

## 9 Audit Fees

During 2008/09 the council incurred the following fees relating to external audit and inspection:

	2007/08 £'000	2008/09 £'000
Fees payable to the Audit Commission for		
- external audit services	106	149
- statutory inspection	6	6
- the certification of grant claims and returns	45	38
- other services provided by the appointed auditor	29	2
<b>Total audit fees</b>	<b>186</b>	<b>195</b>

## 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 to 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 38. There were no transactions with chief officers other than the payment of remuneration which is shown in note 11 (page 40).

	2007/08			2008/09		
	Number of related parties	Payments made or due £'000	Income rec'd £'000	Number of related parties	Payments made or due £'000	Income rec'd £'000
Central Government						
Revenue Support Grant			1,519			1,313
Non Domestic Rates			41,444			44,689
Specific Grants			843			830
Other Local and Police Authorities						
Precepts	2	49,639		1	52,610	
Gloucestershire County Council						
Pension Fund	10	2,779		12	2,872	
Gloucestershire Airport						
Loan transactions	4		26	4		26
Quedgeley Parish Council						
	1	174			193	
<b>Others</b>						
GL1 (Sports) Ltd	2	214		1	185	
Gloucester Law Centre	1	121		2	171	
Coney Hill Neighbourhood Project	2	43		2	38	
Matson Neighbourhood Project	3	73		1	43	
White City Project	2	3		1	36	
Gloucester City Homes	6	22,230		9	26,639	
Aspire				4	922	
Gloucester Quays				1		60
Gloucester Cathedral				2	3	
Britannia construction				1	1,157	
Enterprise/Accord Operations Limited	1	4,618		2	7,521	
Glos Heritage Urban Regeneration Co				1	132	
Llanthony Secunda Priory Trust				1	10	
Glos Playing Fields Assoc				1	1	
Zurich				2	307	
Barton & Tredworth Developments Ltd	1	14				
Gloucester Three Choirs Festival	1	15				
Furniture recycling Project	1	6				
Gloucester Victim Support	1	10				
Gloucester Chinese Women's Guild	1	2		2	307	

Amounts due to or from related parties (debtors/creditors) as at 31 March 2009;

	2007/08 £'000	2008/09 £'000
Debtors	26	80
Creditors	690	528

# 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	
	2007/08	2008/09
£50,000 - £59,999	3	6
£60,000 - £69,999	2	1
£70,000 - £79,999	-	4
£80,000 - £89,999	2	2
£90,000 - £99,999	-	-
£100,000 - £109,999	1	-
£110,000 - £119,999	2	2

The remuneration relates to actual payments to employees during the year. The remuneration of staff at 31 March 2009 includes severance pay arising from a senior management restructuring during 2008/09. As a result of these severance payments the one employee in the £110,000 - £119,999 category, two employees in the £80,000-£89,999 category, two employees in the £70,000-£79,999 category, one employee in the £60,000-£69,999 category and three employees in the £50,000-£59,999 category would otherwise have been placed in lower remuneration bands. The cost of the senior management restructuring, £689,336, was capitalised under a capitalisation directive, as shown in note 16 on page 44.

## 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 various services to Gloucestershire Gloucestershire County Council and other public bodies. However, the council no longer provides these services.



## 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 that become payable to pension funds and pensioners, rather than as the benefits that 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

2007/08 £'000		2008/09	
		£'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		
(237)	Amortisation of Intangible fixed assets	(220)	
(8,840)	Depreciation and Impairment of fixed assets	(2,879)	
717	Capital grants deferred amortised	541	
(115)	Amortisation of deferred capital grants	(1,611)	
(451)	Net loss on the disposal of fixed assets	(43)	
45	Repayment of capital grants transferred to capital receipts	-	
(3,377)	Net charges made for retirement benefits	(4,811)	
(12,258)			(9,023)
	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		
4	Premiums and discounts on early repayment of loans	4	
491	Capital expenditure financed from Revenue	297	
(963)	Transfer from usable capital receipts to meet payments to the housing capital receipts pool	(138)	
2,628	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	2,755	
2,160			2,918
	Transfers to or from the general fund balance or HRA required to be taken into account when determining movement on the general fund balance		
(10,155)	Transfer to / (from) Housing Revenue account (HRA) balance	(13,017)	
(1,291)	Net transfers to / (from) earmarked reserves	(794)	
(11,446)			(13,811)
(21,544)	Net additional amount required to be charged / (credited) to the general fund balance for the year		(19,916)

## 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 2009, adopting a valuation datum date of 1 April 2008. 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.

All of the council's solely owned dwellings were revalued as at 31 March 2009, using the beacon principle and adopting a valuation datum of 1 April 2008. The shared ownership properties, shops and garages will be valued in future years. Government regulations require 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 Council 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 Chris Mallard, M.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.

#### Movement in Tangible Fixed Assets

	2008/09							2007/08	
	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 08	186,819	43,364	5,184	11,459	33,126	405	1,373	281,730	273,387
Additions (see note 16)	16,057	2,630	121	968	14	-	1,563	21,373	17,621
Disposals	(204)	(35)	-	-	(6)	-	-	(247)	(2,120)
Revaluation gains	27,245	6	-	-	1,083	-	-	28,334	13,365
Impairments	(13,892)	(168)	-	-	(2,265)	-	-	(16,325)	(20,472)
Transfers	52	75	-	-	(127)	-	(1,373)	(1,373)	(51)
Gross book value at 31 March 09	216,077	45,872	5,305	12,447	31,823	405	1,563	313,492	281,730
Depreciation as at 1 April 08	15,039	986	2,539	2,348	-	4	-	20,896	25,292
Depreciation for year	2,789	1,160	482	425	-	-	-	4,856	4,877
Disposals	-	-	-	-	-	-	-	-	(5)
Revaluation gains	(14,645)	(268)	-	-	-	-	-	(14,913)	(7,896)
Impairments	-	-	-	-	-	-	-	-	(1,321)
Transfers	-	-	-	-	-	-	-	-	(51)
Depreciation as at 31 March 09	3,183	1,858	3,021	2,773	-	4	-	10,839	20,896
Net book value as at 31 March 09	212,894	44,014	2,284	9,674	31,823	401	1,563	302,653	260,834
Net book value as at 1 April 08	171,780	42,398	2,645	9,111	33,126	401	1,373	280,834	

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	Surplus assets held for disposal £'000	Under Construction £'000	
Valued at historical cost	-	-	-	9,674	-	1,563	11,237
Valued at current value in							
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	38,583	2,645	-	23,361	401	234,770
2008/09	212,894	44,014	2,284	-	31,823	401	291,416
	212,894	44,014	2,284	9,674	31,823	401	302,653

# NOTES TO THE CORE FINANCIAL STATEMENTS

The following is a list of the major fixed assets owned by the City Council at 31 March 2009. All assets are owned freehold unless otherwise stated.

Operational assets	Non-operational assets
<b>4547 Council dwellings</b>  <b>Other Operational land and buildings</b> 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 Hempsted Market (2008/09 addition)	<b>Investment properties</b> 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)
<b>Community assets</b> Various Parks and open spaces Works of art Museum Exhibits Civic regalia	<b>Under Construction</b> Depot at Eastern Avenue
<b>Vehicles plant and equipment</b> Vehicles and items of plant Computer equipment Sports and playground facilities in parks	
<b>Infrastructure assets</b> Street furniture 12 Public Conveniences (2 leasehold)	

## 15 Intangible Fixed Assets

Intangible fixed assets arise where capital expenditure is incurred on intangible assets, such as computer software licences and development. Assets are written off based on their estimated useful life. The useful lives of Intangible Assets are depreciated over 3-5 years.

Movements in intangible assets during the year are shown below;

	Computer Software	
	2007/08 £'000	2008/09 £'000
<b>Gross book value - as at 1 April 08</b>	1,396	1,483
Additions (see note 16)	87	311
<b>Gross book value at 31 March 09</b>	1,483	1,794
<b>Amortisation as at 1 April 08</b>	603	840
Amortised during year	237	220
<b>Depreciation as at 31 March 09</b>	840	1,060
<b>Net book value as at 31 March 09</b>	643	734

# 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

2007/08	SERVICE	2008/09		
Actual £'000		Latest Estimate £'000	Actual £'000	Over/(Under) spend £'000
	<b><u>Central Services (including support services)</u></b>			
175	Computer Equipment	-	-	-
18	Computer Systems Development	143	137	(6)
1	Corporate Payments/Information Management	-	-	-
28	Customer Services/Virtual Call Centre	-	-	-
-	Disabled Access -upgrading lifts at offices, etc	240	4	(236)
18	Document Image Processing	35	8	(27)
165	HKP/North warehouses refurbishment works	36	43	7
957	Hempstead Market (Netheridge)	806	920	114
41	Customer Access/Kiosks/E-Voting	58	40	(18)
(4)	Queen Anne railings & footpath	-	-	-
14	Software Upgrades - Housing Benefits/Council Tax	-	-	-
-	Restructuring Capitalisation	-	689	689
-	75/81 Eastgate St works	15	12	(3)
2	Telephone System Upgrade	-	-	-
73	Upgrading CCTV to Digital	-	-	-
1	Virtual Call Centre	-	-	-
25	Westgate Street Redevelopment	75	50	(25)
-	Computer Projects	213	174	(39)
<b>1,514</b>		<b>1,621</b>	<b>2,077</b>	<b>456</b>
	<b><u>Cultural, Environmental, Planning Services</u></b>			
	<b><u>Cultural and Related Services</u></b>			
55	Alney Island Intrusive Investigations	29	10	(19)
-	Change toilets to aviary	20	-	(20)
6	City Centre Modernisation/Redevelopments	13	6	(7)
8	Former Coney Hill Hospital Site - improvements	108	94	(14)
-	Museums Boiler replacement	-	1	1
-	Naas Lane Investigations	92	49	(43)
12	Gateway railings	-	-	-
-	Cathedral Precinct lighting	15	-	(15)
236	Gloucester Park Improvements	73	49	(24)
-	TIC Refit	54	49	(5)
<b>317</b>	<b>Cultural and Related Services c/fwd</b>	<b>404</b>	<b>258</b>	<b>(146)</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

2007/08		Latest	2008/09	
Actual £'000	SERVICE	Estimate £'000	Actual £'000	Over/(Under) spend £'000
317	<b>Cultural and Related Services - b/fwd</b>	404	256	(146)
53	Guildhall Improvements & café works	19	10	(9)
199	Upgrade Leisure Centre Plant	-	-	-
-	Eastgate Viewing Chamber	200	3	(197)
35	Museum Roof works	65	35	(30)
-	Museum New Heritage Centre	151	34	(117)
8	Neighbourhood Projects - capital grants	170	87	(83)
-	Hillfield Gardens	49	1	(48)
-	Play Areas	110	251	141
63	Tenants & residents associations capital grants	-	-	-
8	Waterwells Sports Ground Development	-	(8)	(8)
<b>683</b>		<b>1,168</b>	<b>671</b>	<b>(497)</b>
	<b><u>Environmental Services</u></b>			
23	Improvements to Public Toilets	-	6	6
-	Crematorium Doors & Windows Major Repairs	44	64	20
17	Tredworth Cemetery Chapel Refurbishment	6	7	1
-	Crematorium Abatement	-	-	-
-	Wind Turbines	-	44	44
4	YMCA Sebert Street capital grant	100	43	(57)
13	Flood defence Works	1,170	546	(624)
641	Wheeled Bins	-	-	-
55	Other Environmental Projects	-	-	-
<b>753</b>		<b>1,320</b>	<b>710</b>	<b>(610)</b>
	<b><u>Planning and Development Services</u></b>			
4	Kings Square/Oxbridge Redesign	250	187	(63)
-	Eastgate Market gates	5	-	(5)
27	Westgate Coach Parking	-	1	1
-	Bridge Link Longsmith Street	28	-	(28)
62	Energy Conservation Works	-	27	27
-	Bus Station Improvements	-	-	-
97	St Oswalds Park redevelopment	32	(74)	(106)
-	Bus Shelters	26	-	(26)
8	Brionne Way Improvements	111	5	(106)
6	Path Resurfacing	-	-	-
165	Depot Improvements	1,400	1,563	163
4	Woolstrop Moat Hydro Study	34	33	(1)
9	Eastgate/Westgate Orientation works	1	1	-
28	Castlemeads Footbridge works	-	1	1
<b>410</b>		<b>1,887</b>	<b>1,744</b>	<b>(143)</b>
	<b><u>Highways, Roads, Transport Services</u></b>			
-	Eastgate Rooftop Repairs	60	81	21
-	Kimbrose Triangle	-	-	-
11	Longlevens Safer City Works	10	-	(10)
158	Enhanced Lighting Schemes	-	5	5
36	Vehicles	-	-	-
8	Gloucester Car Parks	12	5	(7)
<b>213</b>		<b>82</b>	<b>91</b>	<b>9</b>
<b>3,573</b>	<b>C/Fwd</b>	<b>6,078</b>	<b>5,293</b>	<b>(785)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

2007/08		Latest Estimate £'000	2008/09 Actual £'000	Over/(Under) spend £'000
Actual £'000	<b>SERVICE</b>			
3,573	B/Fwd	6,078	5,293	(785)
	<u>Housing Services</u>			
	<u>Housing General Fund</u>			
1,089	Home Improvement Grants	2,158	1,745	(413)
-	Flood Protection Grants	91	43	(48)
244	Housing Renewal Policy-Grants and Loans to Vulnerable Persons	223	48	(175)
131	Housing Market Partnership grant	203	-	(203)
<b>1,464</b>		<b>2,675</b>	<b>1,836</b>	<b>(839)</b>
	<u>Housing Revenue Account</u>			
83	Dwelling Acquisitions	200	52	(148)
14,165	Dwelling Improvements and Modernisations	15,563	16,005	442
<b>14,248</b>		<b>15,763</b>	<b>16,057</b>	<b>294</b>
<b>19,285</b>	<b>Total Capital Expenditure</b>	<b>24,516</b>	<b>23,186</b>	<b>(1,330)</b>
	<b>Total Capital Expenditure Comprises:</b>			
17,621	Expenditure on Tangible Fixed Assets (see note 14)	28,228	21,373	(6,855)
87	Intangible Fixed Assets (see note 15)	355	311	(44)
1,502	Deferred Charges (see note 17)	2,760	2,828	68
75	Long term Debtors (written off to CAA)	288	47	(241)
<b>19,285</b>		<b>31,631</b>	<b>24,559</b>	<b>(7,072)</b>

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 2009 the council was committed to completing most of the delayed schemes listed above. This included contractual commitments at 31 March 2009 of £617k on flood works, £2.29m on depot

The council has approved capital schemes totalling £18.82 million for 2009/10. Of this, approximately £12.07million (the planned expenditure on decent homes) was contracted for at 31 March 2009.

### 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	1,517	1,517
Flood defence and emergency and security grants	43	43
Housing Market Partnership capital grant	-	-
Commercial property major repairs grant	228	228
Other - capital schemes feasibility and investigative work	1,040	1,040
<b>Total 2008/09</b>	<b>2,828</b>	<b>2,828</b>
<b>Total 2007/08</b>	<b>1,502</b>	<b>1,502</b>

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.

2007/08 Actual £'000	Financing of Capital Expenditure	2008/09 Actual £'000
18,166	<b>Opening Capital Financing Requirement</b>	30,918
19,285	Add capital expenditure in year (see note 16)	23,186
	Less sources of finance	
(2,140)	- Usable capital receipts	(2,459)
(1,849)	- Capital grants and contributions	(2,308)
(1,783)	- Major Repairs Reserve	(3,843)
(491)	- Revenue contributions	(297)
(6,263)		(8,907)
(270)	Revenue Provision (including Minimum Revenue Provision) Capital Receipts applied for debt repayment	(295)
30,918	<b>Closing Capital Financing Requirement</b>	44,902
	<b>Movements in year</b>	
12,065	Increase in underlying need to borrow for capital investment	11,820
957	- supported by government financial assistance	2,458
	- unsupported by government financial assistance	
(270)	Amounts 'set aside' for debt repayment	(295)
12,752	<b>Net Increase / (decrease) in Capital Financing Requirement</b>	13,983

### 19 Assets held under Finance and Operating Leases

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

2007/08			2008/09	
Finance leases £'000	Operating leases £'000		Finance leases £'000	Operating leases £'000
-	325	Total rentals paid	-	290
-	-	Cost of items leased during year	-	-
-	507	Outstanding obligations at 31 March (including interest)	-	206

Of the outstanding obligations at 31 March 2009 for operating leases the following fall within

-	300	1 year	-	164
-	207	2 - 5 years	-	42
-	-	6 or more years	-	-
-	507	<b>Total</b>	-	206



## 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 cost. They consist of the following:

	31 March 2008 £'000	31 March 2009 £'000
Share capital	435	435
Government Stock	2	2
<b>Total</b>	<b>437</b>	<b>437</b>

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 2009 of £2,555,355 (£2,542,709 at 31 March 2008) and an after tax operating profit of £62,646 in the year to 31 March 2009 (£66,719 to 31 March 2008).

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 2008, of which the council received £25,000. The same level of dividend is proposed for the year 31 March 2009.

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 75 - 77A. 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 from the City Council of £50,000 at 31 March 2009 (£50,864 at 31 March 2008).

The accounts of Gloucestershire Airport Ltd for the year ending 31 March 2009 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 2009 of £1 (£31,754 at 31 March 2008) and a profit after tax of £11,940 for the year ended 31 March 2009 (loss of £5,167 for the year ended 31 March 2008). The company's accounts have been consolidated with those of the council in the group accounts (pages 74 - 77A).

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.

The company was subsumed by Aspire Sports and Cultural Trust upon its formation, with no net assets.

##### 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 2009 showed net assets of £662,623 (£718,168 at 31 March 2008) and an after tax operating loss of £33,997 (profit of £93,834 to 31 March 2008).

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 2009 been included in the group accounts on pages 74 - 77A.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### **Gloucester City Homes Ltd (GCH)**

This company was established by the council during 2005/06 as an Arm's Length Management Organisation (ALMO) to manage the council's housing stock. The company (registration number 5611409) is a private limited company wholly owned and controlled by the council, with 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 £33,000 for the year ended 31 March 2009 (£82,000 surplus for the 15 months to 31 March 2008) and net assets of £321,000 at 31 March 2009 (£1,155,000 at 31 March 2008). The company trades mainly with the council's Housing Revenue Account (HRA).

At 31 March 2009 GCH had £2,114,000 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 74 -77A).

### **Aspire Sports and Cultural Trust**

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

### **Marketing Gloucester**

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

- (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 £4million at 31 March 2009 (£18 million at 31 March 2008) plus interest due of £0.118 million (£0.331 to March 2008.)

(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 2009 £'000	31 March 2008 £'000	31 March 2009 £'000	31 March 2008 £'000
Loans and receivables at amortised cost				
- Long term debtors			206	204
- Debtors	8,709	8,510	-	-
- Investments	4,396	18,381	437	437
- Cash at bank and in hand		685		
<b>Total loans and receivables</b>	<b>13,105</b>	<b>27,526</b>	<b>643</b>	<b>641</b>
Available-for-sale financial assets at fair value (government stock)				
Available-for-sale assets at cost (unquoted equity investments)				
<b>Total Financial Instruments - Assets</b>	<b>13,105</b>	<b>27,526</b>	<b>643</b>	<b>641</b>

The fair values of the investments at 31 March 2009 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:

	2008/09		2007/08	
	Loans and receivables £'000	Available-for-sale assets £'000	Loans and receivables £'000	Available-for-sale assets £'000
Interest Income	1,069	-	1,682	-
Dividend income	-	25	-	53
<b>Total Interest and Investment Income</b>	<b>1,069</b>	<b>25</b>	<b>1,682</b>	<b>53</b>
Net gain (loss) for the year	1,069	25	1,682	53

## NOTES TO THE CORE FINANCIAL STATEMENTS

### (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; and

\*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.

#### 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.

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

The authority does not generally allow credit for customers and £1.192 million of the sundry debtors balance of £5.027 million (see note 22) is past its due date for payment as follows:

	£'000
Less than 3 months	950
3 - 6 months	106
6 months - 1 year	41
More than 1 year	95
<b>Total</b>	<b>1,192</b>

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 2009
	%	%
Long term loans - period until repayment		
Less than 1 year	20	-
1 - 2 years	20	-
2 - 5 years	50	12
5 - 10 years	75	34
Over 10 years	95	54
		<b>100</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **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.

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); and
- \*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. For the impact on the pension scheme, see note 42

#### *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.

### **Heritable Bank**

Early in October 2008 the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £2 million deposited with Heritable bank with a maturity of 25th February 2009 and interest rate of 5.67%

All monies within these institutions are currently subject to the respective administration and receivership processes.

The amounts and timing of payments to the authority will be determined by the administrator Ernst and Young.

Based on the information supplied the authority considers that it is appropriate to consider an impairment adjustment for the deposit in 2008/09.

Heritable is a registered UK bank under Scots law. The company was placed in administration on 7th October 2008.

The creditor progress report issued by Ernst and Young dated 17th April 2009 outlined that the return to creditors was projected to be 80p in the £ by the end 2012 with the first dividend payment of 16.13p in the £ due in the summer of 2009.

The authority has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund and a sum of £627,881 has been charged to the Income and Expenditure Account, and then transferred to the Financial Instruments Adjustment Account. There will be some front loading of these repayments and a final sale of assets will take place after the books have been run down to the end of 2012 which is the redemption date. In calculating the impairment the Authority has made the following assumptions regarding timings of recoveries:

- July 2009 - 16.13%
- December 2009 - 10%
- July 2010 - 20.22%
- July 2011 - 19.22%
- July 2012 - 7.22%
- July 2013 - 7.21%

Recoveries are expressed as a percentage of the Council's claim in the administration. The claim only includes accrued interest up to 6th October 2008. Any interest accrued from 7th October to the original redemption date is not recoverable.

## 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 2008 £'000	31 March 2009 £'000
Mortgages to former tenants	31	40
Mortgages to private persons	5	5
Loans to vulnerable people for house renovations	42	75
Staff loans	14	7
Loans to Glos. Airport Ltd.	51	25
Other loans	61	54
<b>Total</b>	<b>204</b>	<b>206</b>

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 2010/11. 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 2008		31 March 2009	
	£'000	£'000	£'000	£'000
Council taxpayers		3,492		3,459
Business ratepayers		567		1,216
Government grants		1,967		1,118
Housing rents		593		565
Sundry debtors		5,027		5,076
<b>Total outstanding</b>		<b>11,646</b>		<b>11,434</b>
Less provision for bad debts:				
- Council tax	1,548		1,001	
- Business rates	282		352	
- Housing rents	254		335	
- Housing benefits	772		757	
- Other	280	(3,136)	280	(2,725)
<b>Total debtors</b>		<b>8,510</b>		<b>8,709</b>

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

The provision for housing benefits includes £.049m to cover possible non-collection of benefit overpayments being recovered by deductions from ongoing benefit. This represents approximately 10% 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 petty cash in hands of officers. The cash figure within the accounts differs from the balance on the council's bank accounts due to unrepresented cheques and cash in transit, which are reflected in these 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 £0.416 million (£2.735 million at 31 March 2008) of Gloucester City Homes' funds deposited with the council at 31 March 2009 (see page 49 for details of this company) and £0.218 million (£0.209 million at 31 March 2008) of Trust funds deposited with the council, together with £1,000 of interest (£0.036 million at 31 March 2008) owing at 31 March 2009

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 2008 £'000	31 March 2009 £'000
Sundry creditors	5,165	4,826
Overpayments - Business ratepayers	576	452
- Council tax	773	848
Government departments	881	709
Other Local Authorities	867	135
Developers Contributions	4,394	4,225
<b>Total creditors</b>	<b>12,456</b>	<b>11,195</b>

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 £2.899million at 31 March 2009, broken down as follows:

Scheme	1 April £'000	Income £'000	Expenditure £'000	31 March £'000
St Oswalds Park redevelopment	601	-	37	564
Cotswold View development	647	-	-	647
Glos Quays development	400	-	100	300
West Quay development	173	-	-	173
Coney Hill former hospital site redevelopment	329	38	138	229
Bronne Way improvements	141	-	5	136
Other schemes	886	208	244	850
<b>Total 2008/09</b>	<b>3,177</b>	<b>246</b>	<b>524</b>	<b>2,899</b>
<b>Total 2007/08</b>	<b>15911</b>	<b>2,158</b>	<b>572</b>	<b>31777</b>

### 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 2008					Total
		1-2	2-5	5-10	10+	£000	
PWLB	4.41 - 5.00	0	2,000	9,500	17,599	29,100	29,100
<b>Total</b>		<b>-</b>	<b>2,000</b>	<b>9,500</b>	<b>17,599</b>	<b>29,100</b>	<b>29,100</b>

Loans	Rates Payable (%)	Years Until Repayment at 31 March 2009					Total
		1-2	2-5	5-10	10+	£000	
PWLB	4.73 - 5.00	-	3,500	10,000	15,489	28,989	28,989
<b>Total</b>		<b>-</b>	<b>3,500</b>	<b>10,000</b>	<b>15,489</b>	<b>28,989</b>	<b>28,989</b>

The loans are shown at amortised cost. The amortised cost of all of the council's PWLB loans is £28.989 million at 31 March 2009 (£29.099 million at 31 March 2008), compared to a fair value of £32.386 million (£30.488 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 2009 figure has been calculated by reference to the premature repayment set of rates in force on that day, the 2008 by reference to the set of interest in force on 30 March 2009 (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 2008 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2009 £'000
Financial liabilities at amortised cost				
- Bank overdraft	-	2,390	-	-
- Borrowing	3,090	5,945	29,099	28,989
- Creditors	12,456	11,195	-	-
- Deferred Liabilities	-	-	280	1
Financial liabilities at fair value through profit and loss	-	-	-	-
<b>Total Financial Instruments - Liabilities</b>	<b>15,546</b>	<b>19,530</b>	<b>29,379</b>	<b>28,990</b>

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:

	2008/09	2007/08
	Financial liabilities at amortised cost £'000	Financial liabilities at amortised cost £'000
Interest payable	1,511	1,124
<b>Net gain (loss) for the year</b>	<b>1,511</b>	<b>1,124</b>

### 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 £0.298 million was made in 2008/09 and a further annual repayment is due in 2009/10, with the repayment of the balance of the loan in 2010/11. Sums have been earmarked from the housing revenue account balance to cover future payments - details of this amount are shown in note 11, page 69. 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	Appropri'ns from or payments in year £'000	Balance at 31 March £'000
Insurance provision	398	418	347	469
Car Parks provision	290	-	174	116
<b>Total 2008/09</b>	<b>688</b>	<b>418</b>	<b>521</b>	<b>585</b>
<b>Total 2007/08</b>	<b>1,330</b>	<b>145</b>	<b>787</b>	<b>688</b>

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

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 2009/2010.

## 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 2008 and therefore had a balance of Nil at 1 April 2008. The account replaces the Fixed Asset Restatement Account (FARR), the accumulated balance of which at 31 March 2007 was transferred to Capital Adjustment Account.

	2008/09			2007/08
	General	HRA	Total	Total
	Fund			
	£'000	£'000	£'000	£'000
Balance at 1 April	11,931	8,624	20,555	-
Surplus on revaluation of assets	1,303	41,944	43,247	21,261
Depreciation	-	-	-	-
Impairments	-	-	-	-
Disposals	(73)	-	(73)	(705)
<b>Balance at 31 March</b>	<b>13,161</b>	<b>50,568</b>	<b>63,729</b>	<b>20,556</b>

#### 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.

	2008/09			2007/08
	General	HRA	Total	Total
	Fund			
	£'000	£'000	£'000	£'000
Balance at 1 April	2,409	119	2,528	3,861
Proceeds from				
sale of fixed assets	35	204	239	1,695
repayment of loans and grants	36	2	38	105
Less Right to Buy Administration costs	-	(2)	(2)	(30)
Capital Receipts due to National Pool	-	(138)	(138)	(963)
Transfer from capital grants and contributions	-	-	-	-
Applied to finance new capital expenditure	(2,410)	(50)	(2,460)	(2,140)
<b>Balance at 31 March</b>	<b>70</b>	<b>135</b>	<b>205</b>	<b>2,528</b>

## 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 2007/08 have been restated to give more detail.

CAPITAL RESERVES	2008/09						2007/08	
	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	USable capital recapital	Deferred Credits	Major Repairs Reerve	Total Capital Reserves	Total Capital Reserves
	(Note 31e) £'000	(Note 31b) £'000	£'000	(Note 31c) £'000	£'000	£'000	£'000	£'000
Balance as at 1 April	20,855	195,733	(324)	2,528	188	1,055	219,715	220,287
Depreciation of fixed assets	-	(4,880)	-	-	-	2,812	(2,068)	(1,985)
Excess of HRA depreciation over Major Repairs Allowance	-	-	-	-	-	(24)	(24)	(54)
Provision for repayment of loans	-	295	-	-	-	-	295	270
Gains on revaluation of fixed assets	43,247	-	-	-	-	-	43,247	21,280
Effects of disposals of fixed assets:								
Revaluation gains on assets sold	(73)	73	-	-	-	-	-	-
Net book value of disposals	-	(247)	-	-	-	-	(247)	(2,114)
Proceeds of disposals (net of eligible expenses)	-	-	-	237	-	-	237	1,684
Capital loan advances	-	(48)	-	-	-	-	(48)	(74)
Capital Loan and Grant repayments	-	-	-	38	17	-	55	45
Items charged to Income & Expenditure Account -								
- Deferred charges	-	(1,611)	-	-	-	-	(1,611)	(115)
- Intangible assets	-	(220)	-	-	-	-	(220)	(237)
- Capital grants deferred	-	542	-	-	-	-	542	717
- Impairment of fixed assets	-	(16,325)	-	-	-	-	(16,325)	(19,151)
Capital Receipts due to National Pool	-	-	-	(138)	-	-	(138)	(963)
Financing of fixed assets, deferred charges and capital advances	-	6,623	-	(2,459)	-	(3,843)	321	491
Loan Premiums and Discounts written off to revenue balances	-	-	201	-	-	-	201	521
Impairment	-	-	(614)	-	-	-	(514)	-
Transfers	-	-	-	-	-	-	-	(845)
<b>Total increase / (decrease) in Capital Reserves</b>	<b>43,174</b>	<b>115,798</b>	<b>(313)</b>	<b>(2,322)</b>	<b>17</b>	<b>(1,055)</b>	<b>23,703</b>	<b>(570)</b>
Balance as at 31 March	63,729	179,935	(637)	206	185	-	243,418	219,717

REVENUE RESERVES	2008/09					2007/08	
	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	5,224	1,645	158	3,081	(30,328)	(20,220)	(28,117)
Appropriations to / from revenue	(813)	25	325	194	(4,811)	(5,080)	(3,652)
Actuarial gains and losses relating to Pensions	-	-	-	-	(9,303)	(9,303)	8,613
Pension contributions	-	-	-	-	3,043	3,043	2,839
<b>Total increase / (decrease) in Revenue Reserves</b>	<b>(813)</b>	<b>25</b>	<b>325</b>	<b>194</b>	<b>(11,071)</b>	<b>(11,340)</b>	<b>6800</b>
Balance as at 31 March	4,411	1,670	483	3,275	(41,399)	(31,560)	(22,317)
<b>TOTAL RESERVES</b>						<b>211,858</b>	<b>211,858</b>



## 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 Reserves	192	-	-	192
2 Insurance Reserve	764	-	389	375
3 Historic Buildings Reserve	212	-	97	115
4 Portfolio Reserves	367	226	51	542
5 Concessionary Fares Reserve	100	200	-	300
6 Housing Benefits Reserve	66	-	-	66
7 Local Authority Business rates growth incentive scheme Reserve	876	-	448	428
8 Planning Delivery Grant Reserve	507	-	5	502
9 Gloucester Park Bandstand Reserve	50	-	-	50
10 Leisure Trust Reserve	118	-	118	-
11 Kings Square Redevelopment Reserve	1,500	-	-	1,500
12 Depot Reserves	257	-	131	126
13 Pensions Backfunding Reserve	215	-	-	215
<b>Total 2008/09</b>	<b>5,224</b>	<b>426</b>	<b>1,239</b>	<b>4,411</b>
Total 2007/08	6,515	796	2,087	5,224

### Reserve

#### No. Further details of the larger reserves

#### 2 Insurance Reserve

This reserve is intended to cover possible insurance claims not able to be met from the Insurance Provision (see note 31, page 55).

#### 3 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.

#### 4 Portfolio Reserves

This is made up of a number of specific reserves, the details of which are shown below

Tennis Centre Resurfacing Sinking Reserve	4	-	4	-
Leisure Centre Contingency Reserve	15	-	15	-
Regeneration Reserve	40	-	-	40
Short Term Lets Sinking Reserve	72	-	25	47
Other General Fund Housing Reserves	76	32	-	108
Economic & Community Development Reserve	10	-	7	3
Other Leisure Reserves	7	75	-	82
Other Central Services Reserves	75	94	-	169
Homelessness Reserve	-	25	-	25
Invest to Save Reserve	68	-	-	68
<b>Total 2008/09</b>	<b>367</b>	<b>226</b>	<b>51</b>	<b>542</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Reserve

#### No. Further details of the larger reserves

5 Concessionary Fares Reserve

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

6 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.

7 LABGI Reserve, formally noted as the Business Growth Incentive Reserve

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

8 Planning Delivery Grant Reserve

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

10 Leisure Trust Reserve

This reserve was released during 2008/09 to help meet the set-up and project costs relating to the establishment of the Leisure Trust.

11 Kings' Square Redevelopment Reserve

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

12 Depot Reserves

These reserves have been set up to help spread the funds required for repairs and maintenance expenditure, plus ancillary costs associated with the development at the Eastern Avenue depot.

13 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 73.

### 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 61 to 64.

### 37 Analysis of net assets employed

	31 March 2008 £'000	31 March 2009 £'000
General Fund	24,422	(2,050)
Housing Revenue Account	172,820	213,425
Collection Fund	158	483
<b>Total net assets</b>	<b>197,400</b>	<b>211,858</b>

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

# 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 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.

## 40 Trust Funds

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

	Value of fund (net assets) at 1/04/08	Movements		Value of fund (net assets) at 31/03/09
	£'000	Expenditure during the year £'000	Income during the year £'000	£'000
John Ward and Others	55	4	4	55
John Ward Educational Foundation Trust	9	-	-	9
Free Hospital Trust Fund	55	11	18	62
Gloucester Flood Relief Fund	5	5	-	5
Gloucester Historic Buildings Ltd	149	6	9	152
<b>Total</b>	<b>273</b>	<b>26</b>	<b>31</b>	<b>278</b>

The trust funds had the following amounts invested with the council at 31 March 2009:-

	£'000
John Ward and Others	24
John Ward Educational Foundation Trust	11
Gloucester Flood Relief Fund	-
Gloucester Historic Buildings Ltd	182
<b>Total</b>	<b>217</b>



## **NOTES TO THE CORE FINANCIAL STATEMENTS**

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 2009 is £339,784.95

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.

Gloucester Flood Relief Fund:

The balance of this fund has been transferred to the Gloucestershire flood fund set up after the July flooding.

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.

### **41 Post Balance Sheet Events**

There are no post Balance Sheet events for 2008/09

### **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 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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### *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:

	2007/08 £000	2008/09 £000
<b>Income and Expenditure Account</b>		
<i>Net Cost of Services:</i>		
Current service cost (apportioned across services)	1,993	1,265
Past service costs, curtailments and settlements (included in Non-Distributed costs)	224	1,464
<i>Net Operating Expenditure:</i>		
Interest cost on scheme liabilities	5,485	6,019
Expected return on assets in the scheme	(4,319)	(3,937)
<b>Net charge to the Income and Expenditure Account</b>	<b>3,383</b>	<b>4,811</b>
<b>Statement of movement in the General Fund Balance</b>		
- reversal of net charges made for retirement benefits (including charges to the HRA)	(3,383)	(4,811)
- employer's contributions payable by the general fund to the scheme	2,628	2,755
<b>Actual amount charged against the general fund balance</b>	<b>2,628</b>	<b>2,755</b>

### *Assets and Liabilities in relation to the Pension scheme*

At 31 March 2009 the Authority had the following overall assets and liabilities in relations to pensions.

	31-Mar-05 £'000	31-Mar-06 £'000	31-Mar-07 £'000	31-Mar-08 £'000	31-Mar-09 £'000
Fair Value of Employer Assets	57,393	65,749	63,422	58,237	42,829
Present Value of Defined Benefit Obligation	(99,544)	(111,067)	(102,149)	(88,565)	(84,228)
<b>Surplus/(Deficit)</b>	<b>(42,151)</b>	<b>(45,318)</b>	<b>(38,727)</b>	<b>(30,328)</b>	<b>(41,399)</b>
Experience Gains/(Losses) on Assets	1,342	9,430	(76)	(8,941)	(16,490)
Experience Gains/(Losses) on Liabilities	(2,465)	(64)	80	2,323	(60)

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 £41 million at 31 March 2009 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 2008 (with the next due as at 31 March 2010).

## NOTES TO THE CORE FINANCIAL STATEMENTS

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:

	2007/08 %	2008/09 %
Rate of inflation	3.6	3.1
Expected rate of increase in salaries	5.1	4.6
Rate of increase in pension payments	6.9	5.9
Rate used to discount scheme liabilities	6.9	6.9
Take up of option to convert actual pension into retirement	50.0	50.0

### **2007/08**

The FRS liability calculated at 2007/08 was overstated regarding the element for unfunded pensions. The overall liability the percentage affect were recalculated to provide restated figures for 2007/08 and the comparatives have been amended to reflect the restatement. The amendments reflected a 2.6% liability decrease.

	Male	Female
<b>Mortality</b>		
Current Pensioners	20.4 years	23.4 years
Future Pensioners	22.6 years	25.5 years

Life expectancy projected to calendar year 2033 for non pensioners and 2007 for pensioners.

### **Historic Mortality**

Year Ended	Prospective Pensioners	Pensioners
31-Mar-2009	calendar year 2033	calendar year 2007
31-Mar-2008	calendar year 2033	calendar year 2007
31-Mar-2007	calendar year 2017	calendar year 2004
31-Mar-2006	calendar year 2004	calendar year 2004
31-Mar-2005	calendar year 2004	calendar year 2004

Age ratings are applied to the above tables based on membership profile.

### **Projected pension expense for the year to 31 March 2010**

Analysis of projected amount to be charged to operating profit for the year to 31 March 2010

Year ended	31-Mar-2010 £000	% of pay
Projected Current Service Cost	996	11.2
Interest on Obligation	5,720	64.3
Expected Return on Plan Assets	(2,501)	(28.1)
Past Service Cost	-	-
Losses/(Gains) on Curtailments and Settlements	-	-
<b>Total</b>	<b>4,215</b>	<b>47.4</b>

# NOTES TO THE CONCOLIDATED FINANCIAL STATEMENT

## Recognition in the Profit and Loss

Year Ended	31-Mar-08		31-Mar-09	
	£'000	% of Pay	£'000	% of Pay
Current Service Cost	1,993	19.2	1,265	13.3
Interest Cost	5,489	52.9	6,019	63.2
Expected Return on Employers Asset	(4,319)	(41.6)	(3,937)	(41.4)
Past Service Cost / (Gain)	162	1.6	765	8.0
Losses / (Gains) on Curtailments and Settlements	62	0.6	699	7.3
<b>Total</b>	<b>3,387</b>	<b>32.7</b>	<b>4,811</b>	<b>50.5</b>
<b>Actual Return on Plan Assets</b>	<b>(3,079)</b>		<b>(13,219)</b>	

## Reconciliation of Defined Benefit Obligation

Year Ended	31-Mar-08 £'000	31-Mar-09 £'000
<b>Opening Defined Benefit Obligation</b>	<b>102,149</b>	<b>88,565</b>
Current Service Cost	1,993	1,265
Interest Cost	5,489	6,019
Contributions by Members	640	644
Actuarial Losses / (Gains)	(18,066)	(7,187)
Past Service Costs / (Gains)	162	765
Losses / (Gains) on Curtailments	62	261
Liabilities Extinguished on Settlements	-	(2,174)
Liabilities Assumed in a Business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	(126)	(131)
Estimated Benefits Paid	(3,738)	(3,799)
<b>Closing Defined Benefit Obligation</b>	<b>88,565</b>	<b>84,228</b>

## Reconciliation of Fair Value of Employer Assets

Year Ended	31-Mar-08 £'000	31-Mar-09 £'000
<b>Opening Fair Value of Employer Assets</b>	<b>63,422</b>	<b>58,237</b>
Expected Return on Assets	4,319	3,937
Contributions by Members	640	644
Contributions by Employer	2,535	2,912
Contributions in respect of Unfunded Benefits	126	131
Actuarial Gains / (Losses)	(8,941)	(16,490)
Assets Distributed on Settlements	-	(2,612)
Assets Acquired in a Business Combination	-	-
Exchange Differences	-	-
Unfunded Benefits Paid	(126)	(131)
Benefits Paid	(3,738)	(3,799)
<b>Closing Fair Value of Employer Assets</b>	<b>58,237</b>	<b>42,829</b>

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).



## NOTES TO THE CORE FINANCIAL STATEMENTS

1 April 2008 marked the introduction of the new LGPS scheme and with it some new benefits that have been applied retrospectively. These include the extension of the death grant upon death after retirement to 10 times the pension less total pension payments paid and the eligibility criteria for a dependents' pension being extended to include a nominated cohabitee.

This was shown in last year as a projected past service cost for 2008/09. The additional liability will be shown as a past service cost in the Revenue Account

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 2008/09, 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 31/3/08			At 31/3/09		
	Fair value of Assets £'000	Asset Distribution %	Expected Return %	Fair value of Assets £'000	Asset Distribution %	Expected Return %
Equities	36,435	62.6	7.7	21,415	50.0	7.0
Bonds	15,426	26.5	5.7	10,707	25.0	5.4
Property	5,357	9.2	5.7	3,426	8.0	4.9
Cash	1,019	1.7	4.8	7,281	17.0	4.0
<b>Total</b>	<b>58,237</b>	<b>100.0</b>	<b>6.9</b>	<b>42,829</b>	<b>100.0</b>	<b>5.9</b>

The above asset values as at 31 Mar 2009 are at bid value as required under FRS17. Previous accounting periods have been reported at mid-market value. Last year's figures have been restated to ensure consistency.

### **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 :

Year Ended	31-Mar-05 £'000	31-Mar-06 £'000	31-Mar-07 £'000	31-Mar-08 £'000	31-Mar-09 £'000
Actuarial Gains/(Losses)	(16,177)	(2,896)	6,133	9,125	(9,303)
Actuarial Gains/(Losses) recognised in STRGL	(16,177)	(2,896)	6,133	9,125	(9,303)
<b>Cumulative Actuarial Gains and Losses</b>	<b>(16,177)</b>	<b>(19,073)</b>	<b>(12,940)</b>	<b>(3,815)</b>	<b>(13,118)</b>

### **Amounts for the current and previous accounting periods**

Year Ended	31-Mar-05 £'000	31-Mar-06 £'000	31-Mar-07 £'000	31-Mar-08 £'000	31-Mar-09 £'000
Fair Value of Employer Assets	57,393	65,749	63,422	58,237	42,829
Present Value of Defined Benefit Obligation	(99,544)	(111,067)	(102,149)	(88,565)	(84,228)
Surplus / (Deficit)	(42,151)	(45,318)	(38,727)	(30,328)	(41,399)
Experience Gains / (Losses) on Assets	1,342	9,430	(76)	(8,941)	(16,490)
Experience Gains / (Losses) on Liabilities	(2,465)	(64)	80	2,323	(60)

# 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 £19million (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

	2007/08 £'000	2008/09 £'000
Homelessness Coordinator	230	312
Council tax Benefit Admin	238	-
Concessionary Fares	-	562
Other	81	332
<b>Total grants</b>	<b>549</b>	<b>1,206</b>

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

	2007/08 £'000	2008/09 £'000	£'000
<b>Income and Expenditure Account Deficit for year</b>	<b>21,314</b>		<b>19,891</b>
<b>Non-cash transactions</b>			
Depreciation & Impairment of Fixed Assets	(24,028)	(21,181)	
Amortisation of Intangible Fixed Assets	(237)	(220)	
Amortisation of Capital Grants Deferred	717	541	
Deferred Charges financed from Capital Resources	(115)	(1,611)	
Net losses on the disposal of fixed assets	(425)	(35)	
Repayment of capital grants deferred	45	-	
Net charges for retirement benefits	(755)	106	
			(22,400)
<b>Items on an accrual basis</b>			
Decrease in stock	(9)	(15)	
Decrease in revenue debtors	(4,803)	(199)	
Decrease in revenue creditors	(2,555)	1,261	
			1,047
<b>Items classified differently</b>			
Interest payable	(1,124)	1,511	
Interest receivable	1,682	(1,069)	
Dividends received	53	(25)	
			417
<b>Net cash outflow from revenue activities</b>	<b>(634)</b>		<b>(1,045)</b>

### 45 Movement in Liquid Resources

	31 March 08 £'000	31 March 09 £'000	Increase/ (decrease) £'000
Short term deposits (excluding interest)	18,000	3,372	(14,628)
Long term investments (other liquid resources)	437	437	-
Long/short term borrowing and deferred liabilities	32,727	34,934	2,207
Cash at bank	685	(2,390)	(3,075)



**SUPPLEMENTARY FINANCIAL  
STATEMENTS**

## HOUSING REVENUE ACCOUNT

### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH

2008 £000		Note	2009 £000
	<b>Expenditure</b>		
3,997	Repairs & Maintenance	2	4,312
4,269	Management & Supervision	3	4,551
71	Rents, rates, taxes and other charges		80
2	Rent Rebates	4	5
1,029	Housing Subsidy payable	5	1,511
15,188	Depreciation and Impairment of fixed assets	6	16,741
35	Debt Management costs		44
25	Increased provision for bad & doubtful debts	7	81
<b>24,616</b>			<b>27,325</b>
	<b>Income</b>		
13,999	Dwelling Rents	8	14,322
270	Non-dwelling Rents		241
1,191	Charges for services and facilities		1,151
<b>15,460</b>			<b>15,714</b>
<b>9,156</b>	<b>Net Cost of HRA Services</b>		<b>11,611</b>
	(Gains) losses on sale of HRA fixed assets		-
1,139	Interest payable and similar charges	9	1,605
(140)	Interest and Investment Income		(200)
<b>10,155</b>	<b>(Surplus) / Deficit for year on HRA services</b>		<b>13,016</b>

### STATEMENT OF MOVEMENT ON THE HRA BALANCE

2007/08 £'000			2008/09 £'000
10,155	(Surplus) / Deficit for year		13,016
	<b>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</b>		
(6)	Net charges made for retirement benefits in accordance with FRS17	17	-
(12,296)	Difference between any other item determined in accordance with the SORIP and determined in accordance with HRA statutory requirements - Impairment of fixed assets	6	(13,893)
	<b>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</b>		
518	Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the statutory charge for the year	9	197
(54)	Transfer from Major Repairs Reserve	10	(23)
211	Employers' contributions payable to the Pension Fund	17	213
270	Voluntary set aside for debt repayment	11	295
<b>(1,202)</b>	<b>(Increase) / Decrease in the Housing Revenue Account balance</b>		<b>(195)</b>
(1,878)	Housing Revenue Account surplus brought forward		(3,080)
<b>(3,080)</b>	<b>Housing Revenue Account surplus carried forward</b>	<b>11</b>	<b>(3,275)</b>



# 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 31) and balance sheet (page 34).

## 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 2006 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 arm's length management company of the council (see note 20 on page 48).

## 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 £1.511 million in 2008/09 (£1.125 million in 2007/08), 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:-

	2007/08 £'000	2008/09 £'000
Pre-reinforced concrete houses subsidy	51	-
"Negative subsidy" for year	(1,125)	(1,511)
Prior Year Adjustments	45	-
<b>Net subsidy payable for the year</b>	<b>(1,029)</b>	<b>(1,511)</b>

The negative subsidy for 2008/09 includes a £2.789 million Major Repairs Allowance received from the 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 2008/09 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:

2007/08 £'000	Type of Tangible fixed asset	2008/09 £'000
2,838	Dwellings	2,789
46	Other Land & Buildings	-
8	Vehicles, plant and equipment	8
<b>2,892</b>	<b>Total Depreciation</b>	<b>2,797</b>

A total of £13.944 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 £246,868 at 31 March 2009 (£254,097 at 31 March 2008). The amount of rent arrears in respect of current and former tenants at 31 March 2009 was £502,446 (£592,872 at 31 March 2008). This is equivalent to approximately 3.5% of the total due from tenants in 2008/09 (4.2% in 2007/08).

## **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 2008/09 a sum of £2.789 million (representing the depreciation on HRA assets) was credited to this account. Subsequently £3.844million was used to finance capital expenditure and £8,000 transferred back to the HRA to offset the excess of depreciation over the MRR. The balance on this account was £1.055m at the beginning of the financial year and nil at the end of the year.

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 11 HRA Balance

Of the HRA revenue balance, £3.276 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	575	-	295	280
Unallocated balance	2,506	489	-	2,995
<b>Total 2008/09</b>	<b>3,081</b>	<b>489</b>	<b>295</b>	<b>3,275</b>
<b>Total 2007/08</b>	<b>1,878</b>	<b>1,474</b>	<b>270</b>	<b>3,082</b>

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 £0.28 million at 31 March 2009.

### 12 Capital Expenditure

Total capital expenditure on HRA assets during the year was £16.056 million, £16.004 of which was spent on improvements and modernisations to dwellings, and £0.052 m on property acquisitions.

Capital expenditure requiring financing was £16.057 million, which was financed by £12.163 million borrowing (for which the costs are met by government subsidy), £3.844 million from the Major Repairs Reserve, and £0.05 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 undertaken in this financial year, as at 1st April 2008.

### 14 Council Housing Stock and Value

<u>Analysis by Type</u>	<u>Number of dwellings</u>	
	31-Mar-08	31-Mar-09
Houses	2,336	2,332
Flats	2,186	2,186
Shared ownership (whole equivalents)	29	29
<b>Total Stock</b>	<b>4,551</b>	<b>4,547</b>
<u>Age Analysis</u>		
Pre 1919	49	49
1919 - 1944	698	698
1945 - 1964	2,279	2,275
1964 onwards	1,525	1,525
<b>Total Stock</b>	<b>4,551</b>	<b>4,547</b>

The dwellings were valued at 31 March 2009 at £212.89 million (£171.78 million at 31 March 2008) - see note 14 to the balance sheet, page 42.

Other operational assets, comprising garages, were valued at £0.600 million at 31 March 2009 (£0.811 million at 31 March 2008).

The value of non-operational property, comprising mainly estate shops, was £1.6 million at 31 March 2009 (£1.718 million at 31 March 2008).

## 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 £211.79 million at 31 March 2009. With vacant possession the dwellings would have had an estimated value of £481.34 million, thereby recognising an economic cost of providing council housing at less than open market rents of £269.55 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.

2007/08 £000's	HRA Capital Receipts Receivable	2008/09 £000's
1,338	- Land - Dwellings - Other	204
<b>1,338</b>	<b>Total</b>	<b>204</b>

### 17 Pensions

From 2008/09 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 their transfer. The contribution charged to the HRA is a share of the total contributions required by the pension fund actuary from the council for the year.

A prior year adjustment has been made to the 2007/08 comparatives, transferring the pension contributions 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**

2008 £'000	Expenditure	Note	2009		
			£'000	£'000	£'000
49,639	Precepts & Demands	3		52,610	
101	Write Offs - Council Tax			381	
41,259	Business Rates	2			
181	- payment to national pool		44,857		
	- cost of collection		179	45,036	
	Distribution of previous years' estimated Collection Fund surplus				
511	- Council Tax			51	
91,691					98,078
	<b>Income</b>				
43,311	Council Tax	1		45,865	
6,351	Transfers from General Fund - council tax benefits			6,958	
41,444	Collectable from Business Ratepayers	2		45,036	
175	Adjustment of Previous Years' Council Tax			546	
91,281					98,405
(410)	<b>Increase/(decrease) in Fund</b>				<b>327</b>
568	Balance of Fund at beginning of year				158
(410)	Increase/(decrease) in year	4			327
158	<b>Balance of Fund at 31 March</b>	4			<b>485</b>

# 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	65	5/9	36
Disabled A	12,919	6/9	8,613
B	12,324	7/9	9,585
C	11,035	8/9	9,809
D	4,839	9/9	4,839
E	3,125	11/9	3,819
F	765	13/9	1,105
G	152	15/9	253
H	2	18/9	4
<b>Total</b>	<b>45,226</b>		<b>38,064</b>
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)			(476)
Add contributions in lieu of government properties			8
<b>Council Tax Base for 2008/09</b>			<b>37,596</b>
Council Tax Base for 2007/08			37,176

# NOTES TO THE COLLECTION FUND

## 2 Income from Business Rates

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 2009 was £107.45 million (£109.26 million at 31 March 2008) and the national non-domestic multiplier for 2008/09 was 45.8 p(2007/08 44.4p), resulting in gross income before transitional, small property, empty property and mandatory relief, write offs, provision for bad debts and interest of approximately £49.1million. The income shown in the collection fund of £45 million is net of these adjustments.

## 3 Precepts and Demands

	2007/08 £'000	2008/09 £'000
Gloucestershire County Council	36,731	38,963
Gloucestershire Police Authority	6,673	7,085
Gloucester City Council	6,235	6,562
<b>Total</b>	<b>49,639</b>	<b>52,610</b>

## 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 2008	65	80	12	157
Increase in the year	41	242	44	327
Balance at 31 March 2009	106	322	56	484



# **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), Aspire Sports and Cultural Trust 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 48 - 49).

Trust funds administered by the council (see note 40, page 61) 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 24 - 30 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 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).

#### ***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.

## 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 Aspire Sports and Cultural Trust 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.

2008 Net £'000	Service	2009		
		Expenditure £'000	Income £'000	Net £'000
2,072	Central Services to the Public	9,747	8,248	1,499
15,018	Cultural, Environmental and Planning services	22,807	7,316	15,492
3,338	Highways, Roads and Transport services	5,297	4,145	1,152
9,207	Housing Revenue Account	25,744	14,107	11,637
933	Other Housing Services	34,673	33,062	1,611
2,451	Corporate and Democratic Core	2,017	154	1,863
237	Non-Distributed costs	1,408	-	1,408
850	Exceptional Items	1,003	49	954
<b>34,106</b>	<b>NET COST OF SERVICES OF GROUP</b>	<b>102,766</b>	<b>67,080</b>	<b>35,686</b>
(38)	Share of operating result of Gloucestershire Airport Ltd	1,941	2,008	(67)
23	Share of operating result of Barton & Tredworth Developments Ltd	119	95	24
<b>34,091</b>	<b>NET COST OF SERVICES</b>	<b>104,816</b>	<b>69,183</b>	<b>35,633</b>
425	(Gains) / losses on sale of fixed assets			35
174	Precepts paid to parish councils			192
2,197	(Surplus) / Deficit on other trading operations			(549)
1,087	Interest payable			1,455
3	Share of interest payable of Gloucestershire Airport Ltd			30
963	Contribution to Housing Pooled Receipts			120
(1,725)	Interest and Investment Income			(1,093)
(10)	Share of interest and investment income of Gloucestershire Airport Ltd			(5)
(13)	Share of interest and investment income of Barton and Tredworth Developments Ltd			(16)
1,113	Pensions Interest and Expected Return			2,100
11	Share of taxation of Associates and Joint Ventures			16
<b>38,316</b>	<b>NET OPERATING EXPENDITURE</b>			<b>37,918</b>
	<b>Less Funding</b>			
(6,335)	Income from collection fund			(6,612)
(1,661)	General Government Grants			(2,225)
(9,054)	Contribution from non-domestic rate pool			(9,433)
<b>21,266</b>	<b>(SURPLUS) / DEFICIT FOR THE YEAR</b>			<b>19,648</b>

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

2007/08 £'000		2008/09 £'000
21,314	Deficit on the council's Income and Expenditure Account	19,891
53	Add dividend income from subsidiaries and joint ventures included in the deficit on the Income and Expenditure Account	88
	Add (surplus) / deficit arising from the other entities of the group	
(77)	Subsidiaries	(288)
(33)	Joint Ventures	(31)
8	Associates	8
<b>21,266</b>	<b>Group Accounts Deficit for the year</b>	<b>19,648</b>

## GROUP ACCOUNTS

### GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2007/08 £'000		2008/09 £'000
21,266	Deficit on the Income and Expenditure Account for the Year	19,648
(34,598)	Deficit / (Surplus) arising from the revaluation of fixed assets	(43,247)
(6,887)	Actuarial (Gains) / Losses on pension fund assets and liabilities	10,170
	Any other gains or losses	
410	- Deficit / (Surplus) on the Collection Fund	(327)
	- Capital grants and contributions receivable but not applied to finance capital expenditure	-
	- Difference between actual and estimated pension contributions used to calculate pensions liability	-
	- Pension contributions charged to Provisions	-
	- Grant and loan repayments	-
(19,809)	<b>Total recognised (gains) or losses in the year</b>	<b>(13,756)</b>

### 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%), Aspire Sports and Cultural Trust (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 group balance sheet shows an increase of approximately £2 million in balances and reserves compared to those of the city council.

# GROUP ACCOUNTS

## GROUP BALANCE SHEET AS AT 31 MARCH

2008 £'000		2009 £'000	£'000	£'000
1,629	<b>Fixed Assets</b>			
	Intangible Fixed assets			1,622
	Tangible fixed assets			
	Operational Assets			
171,780	-Council Dwellings	212,894		
42,398	-Other Land and Buildings	44,014		
2,865	-Vehicles, Plant, Furniture & Equipment	2,623		
9,111	-Infrastructure Assets	9,674		
	Non-Operational Assets			
33,126	-Investment properties	31,823		
1,373	- Under construction	1,563		
401	-Surplus assets held for disposal	401		
261,054				302,992
23,475	Long Term Investments	1,880		
204	Long Term Debtors	206		
23,679	Deferred premiums	-		2,086
286,361	<b>Total Long Term Assets</b>			306,700
	<b>Current Assets</b>			
63	Stock	59		
8,470	Debtors	7,764		
18,331	Short Term Investments	4,396		
4,753	Cash at Bank and in hand			12,219
317,979	<b>Total Assets</b>			318,919
	<b>Current Liabilities</b>			
	Cash Overdrawn	2,389		
356	Temporary Borrowing	4,115		
18,986	Creditors	11,603		
19,341				18,107
298,638	<b>Total Assets less Current Liabilities</b>			300,812
	<b>Long Term Borrowing</b>			
29,099	Long Term Borrowing	28,989		
280	Deferred liabilities	1		
14,210	Capital Grants Deferred Account	14,820		
688	Provisions	565		
32,676	Pension Scheme Liability	42,550		
77,013				86,945
221,825	<b>Total Assets less Total Liabilities</b>			213,867
	<b>Revaluation Reserve</b>			
33,692	Revaluation Reserve	63,729		
(324)	Financial Instruments Adjustment Account	(637)		
203,984	Capital Adjustment Account	179,936		
2,528	Usable Capital Receipts Reserve	205		
1,055	Major Repairs Reserve	-		
188	Deferred Credits	185		
5,224	Earmarked Revenue Reserves	4,411		
(32,424)	Pension Reserve	(41,399)		
214,103				206,430
	<b>Revenue Balances</b>			
1,677	General Fund	1,670		
4,236	Housing Revenue Account	3,596		
158	Collection Fund	484		
1,451	Share of profit and loss and other reserves of associates and joint ventures	1,687		
				7,437
221,625	<b>Total Group Balances and Reserves</b>			213,887



# GROUP ACCOUNTS

## GROUP CASHFLOW STATEMENT AS AT 31 MARCH

2008 £'000		2009	
		£'000	£'000
	<b>Revenue Activities</b>		
	<u>Cash Outflows</u>		
17,453	Cash paid to and on behalf of employees	15,579	
26,387	Other operating cash payments	37,624	
17,825	Housing benefit paid out	20,941	
43,613	Precepts paid	46,527	
43,604	Payment to National Non-Domestic Rates (NNDR) pool	44,440	
1,120	Payments to capital receipts pool	331	
<u>160,002</u>			<u>165,442</u>
	<u>Cash Inflows</u>		
6,768	Rents (after rebates)	7,188	
42,836	Council tax receipts	45,326	
40,891	Non-domestic rate receipts	43,548	
9,054	Receipts from NNDR pool	9,433	
1,651	Revenue support grant	1,329	
34,580	DWP grants for benefits	38,554	
549	Other Government grants	1,206	
13,432	Cash received for goods and services	12,472	
(393)	Other revenue cash receipts	1,137	
<u>149,368</u>			<u>160,193</u>
634	Revenue activities net cash (inflow)/outflow		5,249
	<b>Dividends from joint ventures and associates</b>		
	<u>Cash Inflows</u>		
(53)	Dividends Received		(25)
	<b>Returns on Investments and Servicing of Finance</b>		
	<u>Cash Outflows</u>		
1,147	Interest paid	1,547	
	<u>Cash Inflows</u>		
1,354	Interest received	1,360	
	<b>Taxation</b>		187
(207)			9
	<b>Capital Activities</b>		
	<u>Cash Outflows</u>		
20,889	Purchase of fixed assets	20,741	
1,217	Other capital cash payments	1,851	
<u>22,106</u>		<u>22,592</u>	
	<u>Cash Inflows</u>		
1,694	Sale of fixed assets	239	
3,298	Capital grants received	2,064	
80	Other capital cash receipts	39	
5,072		<u>2,342</u>	
17,034			<u>20,250</u>
17,408	Net cash (inflow)/outflow before financing		25,670
	<b>Management of Liquid Resources</b>		
(2,000)	Net increase/(decrease) in short term deposits	(16,947)	
(2,000)	Net increase/(decrease) in long term deposits	-	
<u>(4,000)</u>			<u>(16,947)</u>
	<b>Financing</b>		
	<u>Cash Outflows</u>		
392	Repayments of amounts borrowed	68,178	
	<u>Cash Inflows</u>		
(12,500)	New long term loans raised	-	
(2,389)	New short term loans raised	(69,759)	
<u>(14,497)</u>			<u>(1,581)</u>
(1,089)	Net decrease / (increase) in cash		7,142

# **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.

# **AUDIT CERTIFICATE**



## **Independent auditors' report to the Members of Gloucester City Council**

### **Opinion on the accounting statements**

We have audited the accounting statements and related notes of Gloucester City Council and its Group for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Authority and Group Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account and the Collection Fund. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Gloucester City Council as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to Gloucester City Council as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Gloucester City Council, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Responsible Financial Officer and auditors**

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

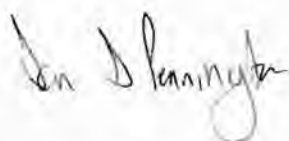
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

### **Opinion**

In our opinion the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority and its Group as at 31 March 2009 and its income and expenditure for the year then ended.

### **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Ian Pennington (Senior Statutory Auditor)  
**for and on behalf of KPMG LLP**  
Statutory Auditor  
Cardiff

18 November 2009

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's Responsibilities**

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

### **Auditor's Responsibilities**

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Conclusion**

We have undertaken our audit in accordance with the Code of Audit Practice. Having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, we are satisfied that, in all significant respects, Gloucester City Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009 except that it did not put in place adequate arrangements for:

- financial reporting that is timely, reliable and meets the needs of internal users, stakeholders and local people;
- commissioning and procuring services that provide value for money and deliver better outcomes for local people; and
- planning, organising and developing its workforce effectively to support the achievement of its strategic priorities.



Ian Pennington (Senior Statutory Auditor)  
**for and on behalf of KPMG LLP**  
Statutory Auditor  
Cardiff

18 November 2009