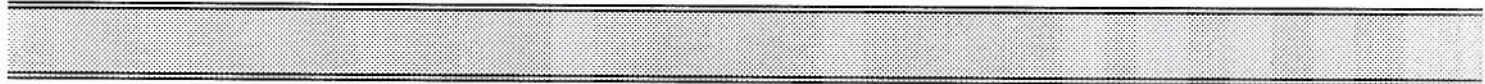

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Gloucester City Council

Welcome to our Statement of Accounts

The financial year 2009/10 was the second year in the span of the Council's corporate plan, the 'Building a Better Gloucester'. A council tax increase of 3.9% was set.

The average council tax band in Gloucester is band D and the council tax set for this band was £176.01. The City's council tax again provided excellent value for money.

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

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

The 2009/10 annual report will be published in October 2010.

Finally, two 'thank yous'.

Firstly, to the Finance 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 Gillett
Director Resources

Gloucester City Council	T 01452 396401
North Warehouse	F 01452 396212
The Docks	E accounts@gloucester.gov.uk
Gloucester, GL1 2EP www.gloucester.gov.uk	

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 of Resources (Section 151 Officer);
- * to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- * to approve the Statement of Accounts.

Responsibilities of The Director of Resources(Section 151 Officer)

The Director of Resources (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').

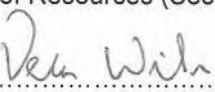
In preparing the statement of accounts, the Director of Resources(Section 151 Officer) has:

- * 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; and
- * taken reasonable steps for the prevention and detection of fraud and other irregularities.

This Statement of Accounts presents a true and fair view of the financial position of Gloucester City Council at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

Signed  Dated 30/9/2010

Peter Gillett CPFA
Director of Resources (Section 151 Officer)

Signed  Dated 30.09.2010

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.
- 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, is included in the Council's Constitution (Part 5 – Codes & Protocols), or can be obtained from the Council's 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 31st March 2010, 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 Council's major policy objectives are detailed in the corporate plan, entitled ***'Building a Better Gloucester'***. This Plan focuses on the outcomes that the residents of Gloucester have stated are important, and is subject to an annual progress review and updating by the Council.

- 4.2 The four key aims of the strategy are:

1. *Put Gloucester On The Map* – To make Gloucester a locally, nationally and internationally respected and recognised city.
2. *A Thriving 21st Century City* – Progress key regeneration schemes with relevant partners.
3. *A City With Strong and Cohesive Communities* – Involve local people and encourage ownership and pride in the locality.
4. *The City Council is a Top-Performing Organisation* – Make efficient and effective use of our resources, deliver our promises, and provide quality and Value for Money.

- 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 19th May 2009, the Council approved the 2009 update to the Corporate Plan.

- 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

- 4.5 The Council's annual work programme (approved at the Annual Council meeting) forms the basis of the Forward Plan. This contains details of the key decisions and major policy decisions to be considered by the Cabinet and Council respectively, over the next four months. The Forward Plan is reviewed and approved by Cabinet monthly and is subject to scrutiny by the Overview and Scrutiny Management Committee. A copy of the Forward Plan is also published on the Council's web site.
- 4.6 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 with further reports made to 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 Quarterly performance reports for the year April 2009 to March 2010 were presented to Overview and Scrutiny Committee during the year. The report summarised the highs and lows of performance against key performance indicators, within each Directorate. A headline summary of achievements for the year was also included in the latest update to the corporate plan. The year-end performance report will be reported to the Gloucestershire Leadership Team in June 2010 and to members in July.
- 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. Internal Audit have an important role to play in reviewing and reporting on any data quality issues identified as part of their work.
- 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 previous scheme was adopted in March 2006, and adjusted annually up to 31st March 2009. A comprehensive, independent review of the scheme, informed by best practice, including IdeA guidance was carried out in 2009/10, and reported to full council to take effect from 2010/11 onwards.
- 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. The new scheme (see 5.4 above) was adopted at full council at the meeting in May 2010.
- 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 18th 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 Task & Finish Groups would undertake most of the scrutiny work. These arrangements are now well established. During 2009/10, Task & Finish groups have considered topics such as Waste & Recycling, Tree Maintenance, the CAA report, the Budget and its associated consultation process.
- 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. 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 The Gloucester Leadership Team and Cabinet are responsible for reviewing the Council's Strategic Risk Register. 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. This will be further reviewed in 2010/11 and an update reported to Cabinet for approval.

- 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, 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 The Council has an agreed whistle-blowing policy under which members of staff may raise any concerns. The current version was agreed by a joint meeting of the Audit Committee and Standards Committee in September 2008. A further review of the policy will be carried out in 2010/11.

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

- 8.1 The senior management restructure commenced in 2007 and was completed during 2009/10. The management team now function closely as a team with delegated powers being used effectively at all levels.
- 8.2 The Council has the Investor in People (IIP) award, which has been recently been re-accredited for a further three-year period. 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 Council has recently introduced a new structure to support members in their roles. There is a dedicated officer responsible for establishing and supporting a Member Development Programme and so far the Council has introduced a new approach to both Member Induction and ongoing member development. A 12 month Member Training Programme, and all Members elected in 2010 will be

encouraged to carry out a self-assessment of their skills and knowledge against a Skills Framework.

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

9.1 A key element within the councils 'Driving Gloucester Forward' corporate plan includes the councils approach to partnerships to assist its aim to develop a city with strong and cohesive communities – involving local people and encouraging pride and ownership in the locality. The Council has a strong track record of partnership working with the public, private and voluntary sectors. In recent years the Council has established: an arms length management organization, Gloucester City Homes (GCH), to manage, maintain and improve the council housing stock, a charitable trust, Aspire Sports and Cultural Trust, to manage its leisure services, a separate legal entity, Marketing Gloucester Ltd, to promote the City, 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).

9.2 The Council has established arrangements for monitoring these 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.

9.3 During the year the Council's external auditor carried out a review of the council's partnership and level of financial support to the voluntary sector in Gloucester. This will be used to inform the council's ongoing arrangements with the sector.

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 are as follows:-

11.0 The Council

11.1 The Council has adopted a Constitution that controls how the Council is structured and how it reaches decisions. A complete review of the

Council's Constitution was completed in March 2009. 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 been included within the revised document. The Constitution can be found on the Council's website at www.gloucester.gov.uk.

- 11.2 The decision-making procedure laid out in the Constitution details the procedures designed to support open and accountable decision-making. The Corporate Director of Strategy & Development (CDS&D) was responsible for reviewing the continued relevance and effectiveness of the Constitution. All amendments (except minor amendments which can be approved by the D (S&D)) are taken to full Council.

12.0 The Cabinet

- 12.1 The Council determines the policy framework. The principal decision-making body is the Cabinet (Executive). During 2009/10, the Council had in place the revised overview and scrutiny committee arrangements, which supported and challenged the work of the Cabinet.
- 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. Effective audit committees help raise the profile of internal control, risk management and financial reporting issues within an 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 An initial review of the effectiveness of the Audit Committee was carried out in November 2007 using the guidance provided in the CIPFA publication Audit Committees – Practical Guidance for Local Authorities. Further detailed guidance has subsequently been produced by the CIPFA Better Governance Forum entitled 'A Toolkit for Local Authority Audit Committees'.
- 13.4 It is proposed to carry out a further review of the effectiveness of the Audit Committee, during 2010/11, using the updated guidance produced by the CIPFA Better Governance Forum. This should help contribute to the Council's ongoing aim of improving both governance and financial management.

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 meeting of the standards committee on 22nd June 2010 will consider the format of its first annual report which will be presented to the last full council meeting the 2010/11 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 June 2010. The overall conclusion from the review was that the system of internal audit at GCC is effective. Although the self-assessment identified a 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 2009-10 report by the Group Manager Audit & Assurance concludes:-

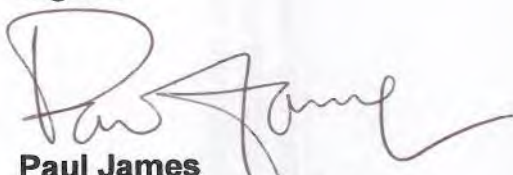
- 15.4 "My overall opinion is that an adequate level of assurance can be given that there is generally a sound system of internal control, designed to meet the Council's objectives, and that controls are generally being applied consistently."

16.0 External Audit and Other review/assurance mechanisms

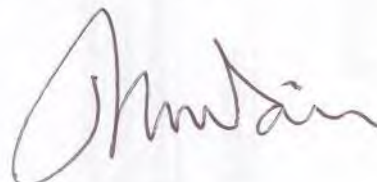
- 16.1 The work of both Internal and External Audit has confirmed the Director of Resources' view, endorsed by the Corporate Governance Group, that essential ongoing improvements to ownership and accountability for financial management issues need to be fully embedded across the council, supported by the financial services team, including improved monitoring arrangements.
- 16.2 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.
- 16.3 In November 2009, the Council's external auditor produced the Annual Governance Report. The report, which included the Use of Resources assessment, the first under the Audit Commission's new UoR regime, demonstrated that the Council had sound processes in place for most elements of the assessment. However, KPMG identified some weaknesses during the audit affecting aspects of each of the themes, which had a specific impact on the assessment of the Council's arrangements for financial reporting, commissioning/procurement, and workforce planning. Despite the issues identified KPMG concluded that the Council had for the most part made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 16.4 For each of these areas identified for improvement, plans were put in place and evidence gathered as part of a comprehensive self-assessment to confirm the improvements made. This self-assessment would have been used to help inform the auditors reach a conclusion for a use of Resources Assessed score for 2009/10. Although, in recent weeks, the new government has effectively abolished the previous CAA/Use of Resources regime, we still plan to use this self-assessment approach as a tool to continue to drive improvements across the council and to demonstrate those improvements internally and to the external auditor.
- 16.5 The audit of the financial statements was a difficult process, which resulted in a greater amount of resource from KPMG to complete their work. This was partly due to vacancies in the financial services team in the period leading up to and during the production of the statements and during the audit itself.

- 16.6 The service restructure and recruitment to the key Service Manager posts in the Accountancy team was completed during 2009/10. The challenge for Financial Services is to now use this new structure effectively, maximising the use of the corporate financial system and controls available, and to work with managers/budget holders across the council. This is essential to enable the step-change in Financial Management across the authority, identified by the Director of Resources as being necessary for the council to achieve. To assist this process, the council will be adopting the CIPFA Financial Management Model during 2010/11 to complement the ongoing use of the Use of Resources 'key lines of enquiry.'
- 16.7 Risk management is the process by which risks are identified, evaluated and controlled and is a key element of the governance framework. In December 2009, the Council's External Auditor reported as part of the Use of Resources assessment that in relation to risk management, the Council achieved a Level 2 - confirming that it was performing adequately in managing its significant business risks.
- 16.8 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. There were no significant control issues identified.
- 16.9 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. A plan to address weaknesses and ensure continuous improvement of the system is in place and key actions identified.
- 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 2010-11

No.	Core Principle	Significant Governance issue	Responsible Officer	Action Required
1	Take informed and transparent decisions, which are subject to effective scrutiny and managing risk.	GLT and Cabinet are responsible for reviewing the Council's Strategic Risk Register. 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.. (Para 7.9)	Strategic Director of Resources	The Strategic Risk Register will be further reviewed in 2010/11 and an update reported to Cabinet for approval
2	Take informed and transparent decisions, which are subject to effective scrutiny and managing risk.	The Council has an agreed whistle-blowing policy under which members of staff may raise any concerns. The current version was agreed by a joint meeting of the Audit Committee and Standards Committee in September 2008. (Para 7.13)	Group Manager Audit & Assurance	A further review of the Whistleblowing policy will be carried out in 2010/11.

No.	Core Principle	Significant Governance issue	Responsible Officer	Action Required
	Issues identified from Review of Effectiveness			
3	Audit Committee	An initial review of the effectiveness of the Audit Committee was carried out in November 2007 using the guidance provided in the CIPFA publication Audit Committees – Practical Guidance for Local Authorities. Further detailed guidance has subsequently been produced by the CIPFA Better Governance Forum entitled 'A Toolkit for Local Authority Audit Committees' (Para 13.5).	Strategic Director of Resources/ Group Manager Audit & Assurance	It is proposed to carry out a further review of the effectiveness of the Audit Committee, during 2010/11, using the updated guidance produced by the CIPFA Better Governance Forum.
4	External Audit	In November 2009, the Council's External Auditor produced the Annual Governance Report. The Use of Resources assessment, the first under the Audit Commission's new UoR regime, demonstrated that the Council had sound processes in place for most elements of the assessment. However, KPMG identified some weaknesses during the audit affecting aspects of each of the themes, which had a specific impact on the assessment of the Council's arrangements for financial reporting, commissioning and workforce planning. (para 16.3)	Group Manager Financial Services/ Group Manager Organisational Development	For each of these areas identified for improvement, plans were put in place and evidence gathered as part of a comprehensive self-assessment to confirm the improvements made. This self-assessment would have been used to help inform the auditors reach a conclusion for a use of Resources Assessed score for 2009/10. Although, in recent weeks, the new government has effectively abolished the previous CAA/use of Resources regime, we still plan to use this self-assessment approach as a tool to continue to drive improvements across the council and to demonstrate those improvements both internally within the council and to the external auditor.

No.	Core Principle	Significant Governance issue	Responsible Officer	Action Required
5	Director of Resources (S151 role), Internal Audit/External Audit	The work of both Internal and External Audit has confirmed the Director of Resources' view, endorsed by the Corporate Governance Group, that ongoing improvements to ownership and accountability for financial management issues need to be fully embedded across the council, supported by the financial services team. (Para 16.5)	Strategic Director of Resources/Group Manager Financial Services	To assist this process, the council will be adopting the CIPFA Financial Management Model during 2010/11 to complement the ongoing use of the Use of Resources 'key lines of enquiry.'

FOREWORD TO THE ACCOUNTS

WHAT IS INCLUDED IN THIS STATEMENT?

The Council's accounts for the year ended 31 March 2010 are set out on pages 24 - 79. 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 2010
 - 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 67 -71), showing separately the revenue income and expenditure during the year relating to the provision of council houses.
 - the Collection Fund (pages 72 - 74), 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 75 - 79), 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 80 - 84.

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 2009/10.

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.

The Income and Expenditure for 2009/10 shows net operating expenditure of £43.6 million, £16.8 million more than budget. The adjustments required by statute to be made to the General Fund Balance (including transfers to and from reserves), resulted in zero movement in the General fund, maintaining a year end General fund balance of £1.67 Million.

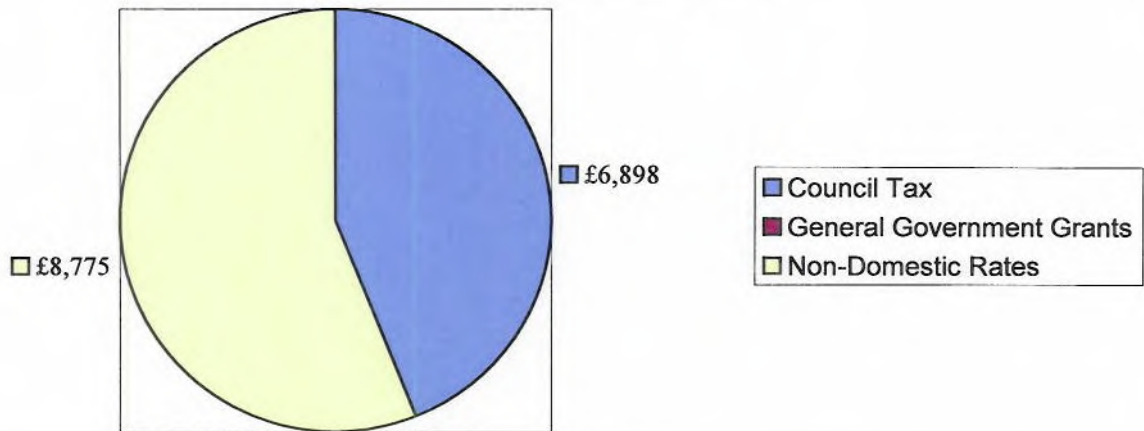
FOREWORD TO THE ACCOUNTS

	Net expenditure 2009/10		
	Revised budget £'000	Actual £'000	Over/(under) Spend £'000
Service			
Central Services to the public	2,277	1,484	(793)
Cultural, Environmental and Planning Services	16,775	18,659	1,884
Highways, Roads & Transport Services	1,997	3,232	1,235
Housing Revenue Account	306	9,279	8,973
Other Housing Services	2,310	906	(1,404)
Corporate and Democratic Core	1,871	1,195	(676)
Non-distributed Costs	-	504	504
Exceptional Items	-	1,101	1,101
Net cost of services	25,536	36,360	10,824
Gains/losses on sale of fixed assets	-	-	-
Parish Council precepts	193	193	-
Surplus on trading accounts	(719)	2,324	3,043
Interest payable	839	1,466	627
Contribution to Housing Pooled Receipts	-	149	149
Interest and investment income	(200)	(80)	120
Pensions Interest and Expected Return	1,155	3,224	2,069
Net operating expenditure	26,804	43,636	16,832
Less Funding			
Council Tax	(6,892)	(6,898)	(6)
General Government Grant	(2,025)	(2,134)	(109)
Non Domestic Rates	(8,775)	(8,775)	-
	(17,692)	(17,807)	(115)
Deficit for the year	9,112	25,829	16,717
Less amounts required by statute to be excluded from General Fund Balance	(4,632)	(15,998)	(11,366)
Add amounts required by statute to be included in General Fund Balance	3,770	3,169	(601)
Transfers to /from Balances and Reserves	(8,250)	(13,000)	(4,750)
Increase in General Fund Balance in Year	-	(0)	(0)
General Fund Revenue balance 1 April 2009	(1,670)	(1,670)	-
General Fund Revenue balance 31 March 2010	(1,670)	(1,670)	0

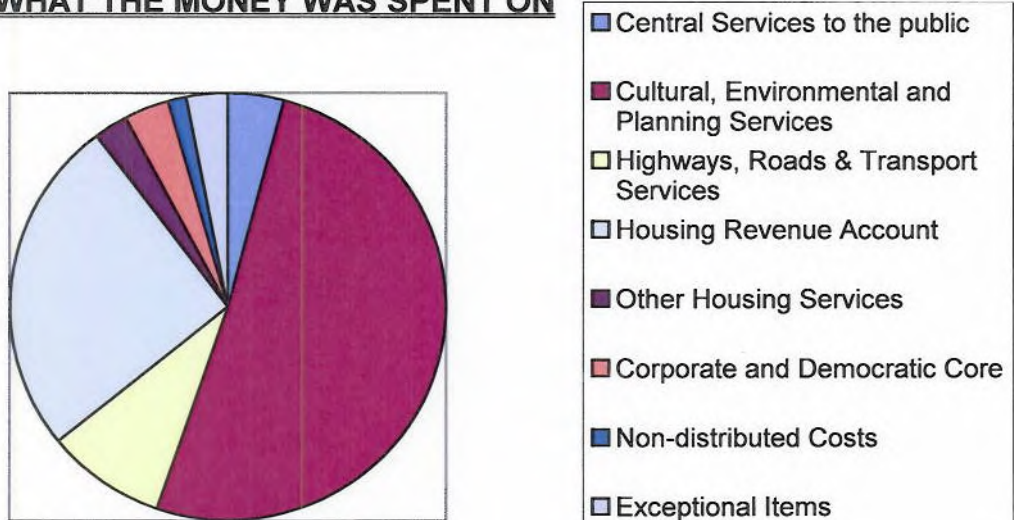
FOREWORD TO THE ACCOUNTS

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

WHERE THE MONEY CAME FROM



WHAT THE MONEY WAS SPENT ON



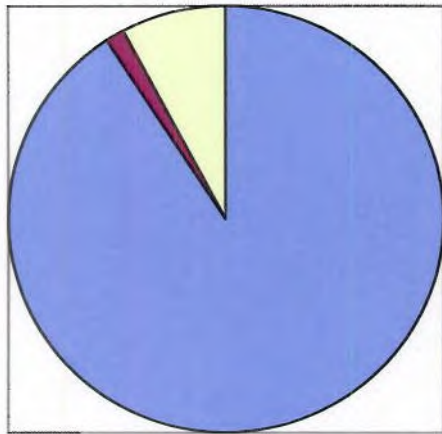
FOREWORD TO THE ACCOUNTS

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 67 - 71.

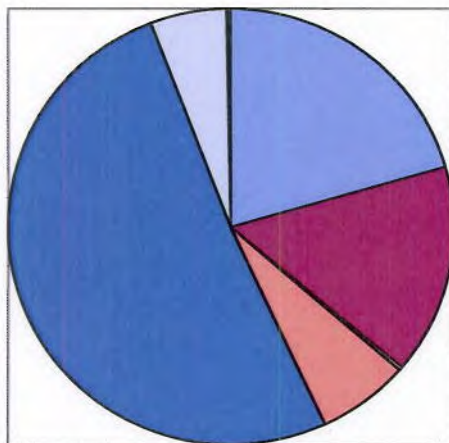
An analysis of the account is shown graphically below:

WHERE THE MONEY CAME FROM



- Gross rental Income - Dwellings
- Gross rental Income - Other
- Charges for Services and Facilities

WHAT THE MONEY WAS SPENT ON



- Management & Supervision
- Repairs & Maintenance
- Rents, rates, taxes and other charges
- Rent Rebates
- Provision for Bad/Doubtful Debts
- Housing Subsidy Payable
- Depreciation and Impairment
- Interest Payable
- Debt Management costs

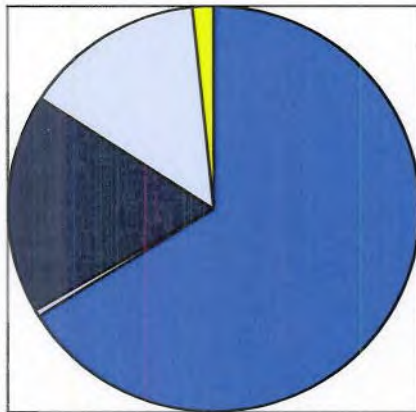
FOREWORD TO THE ACCOUNTS

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 £25.457 million, however due to changes in a number of projects giving an overall slippage of £5.028 million, the expenditure was £20.429 million. Further details are found on pages 44-47.

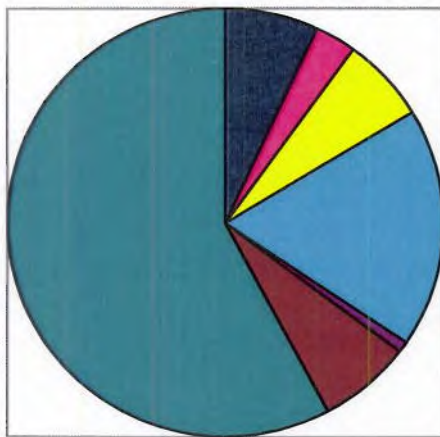
An analysis of the expenditure and the funding for 2009/10 is shown below:

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 2010 is considered to be sound.

The fixed assets held by the council are estimated to have a current value of £298.485 million, of which £211.375 million relates to council dwellings.

Assets less liabilities of the council (Net Assets), as shown on the balance sheet (page 34), totalled £160.818 million at 31 March 2010, a decrease of £51.041 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 £29.919 million), a decrease in the value of tangible fixed assets of £4.168 million, and an increase of £34.945 million in short term borrowing.

Long and short term borrowing was £69.303 million at the year end, an increase of £34.369 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 £15.775 million, an increase of £10.942 million over the previous year.

Earmarked revenue reserves, which are reserves set aside for specific purposes, were £2.173 million at the year end, a decrease of £2.238 million over the previous year. Provisions were £0.432 million at 31 March 2010, a reduction of £0.153 million over that of 31 March 2009.

Capital grants and contributions, available to fund future capital expenditure and required to meet development obligations, were £4.013 million at the year end and usable capital receipts, also available to fund capital expenditure, were £0.543 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 2010 the authority's share of the pension fund deficit was £71.318 million (increased from £41.4 million at 31 March 2009). 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.

Heritable Bank went into administration in the autumn of 2008 and the Council had £2 million invested. The administrators have supplied current projections to suggest a return to creditors of 79 to 85 pence in the pound up from the previously quoted 70 to 80 pence in the pound. To date over £700k has been received in repayments through the Heritable administrators, in line with the estimate payments profile. Based on this position, no further impairment has been completed.

The financial climate during the year has had a dramatic impact on the council's income. Local Authorities are in no way immune from the restrictions felt by other organisations. For Gloucester City Council these restricted incomes include Planning Application Fees, Building Control Fees, Land Charges income, Parking income and interest received on lendings.

As part of the Council's approved 3-Year Money Plan, we have established a distinction between shorter-term pressures and base budget ongoing pressures. The shorter-term reductions in income for 2009/10, as part of the plan, have been funded by reserves. Ongoing pressures, again in accordance with the approved plan, will be funded by matching reductions in spending.

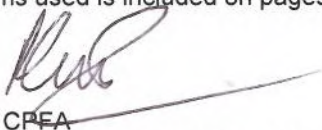
FOREWORD TO THE ACCOUNTS

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, Herbert Warehouse, The Docks, Gloucester, GL1 2EQ. Tel. (01452) 396236. A statement of the accounting policies used is shown on pages 24 - 30 and a glossary explaining some of the technical terms used is included on pages 80 - 84.



Peter Gillett, CFEA
Director of Resources (Section 151 Officer)

STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES

1 ACCOUNTING PRINCIPLES

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: a Statement of Recommended Practice (the 'SORP'), published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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.

Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Debtors and creditors at the year end include estimated sums due from or to the Government or other third parties. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3 SUPPORT SERVICES AND SERVICE ADMINISTRATION

The costs of support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2009 (BVACOP).

Support Services include Accountancy, Information Technology, Human Resources, Internal Audit, Payroll and Creditor 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 (LGPS). The Scheme provides defined benefits (retirement lump sums and pensions) to members earned as the employees work for the Council.

The cost of retirement benefits is calculated by the Pension Fund Actuary and is recognised in the Income and Expenditure account when these benefits are earned by employees, rather than when lump sums and contributions to the Pension Fund are made.

The Local Government Scheme is accounted for as a defined benefits scheme:

The liabilities of the LGPS attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bond).

The assets of the LGPS attributable to the council are included in the Balance Sheet at their fair value: Quoted securities – current bid price; Unquoted securities – professional estimate; Unlisted securities – current bid price; and Property – market value.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked

- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs

- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account

- expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account

- gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost

- actuarial gains and losses – changes in the net pensions liability that arise because events have not occurred

- contributions paid to the LGPS – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for

retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of the employer's FRS17 liabilities by around 6% and the FRS17 balance sheet deficit by around 11%.

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.

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.

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

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 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 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

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 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.

- 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
- 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.

the asset to it relates. If no depreciation is charged, for example if an asset is not in operational use, the 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.

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.

STATEMENT OF ACCOUNTING POLICIES

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

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. is paid to a central pool maintained by the government.

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.

15 DEFERRED CREDITS

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

Revaluation gains are also depreciated, with the difference between current value depreciation and the

16 **depreciation that would have been charged based on historical cost, being transferred each year from the**

Revaluation Reserve to the Capital Adjustment Account.

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.

STATEMENT OF ACCOUNTING POLICIES

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 Account.

*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. Where assets are impaired the asset is written down and a charge made to the Income and Expenditure Account.

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.

21 COUNCIL TAX

From 1st April 2009 for both billing authorities and major preceptors, the Council Tax income included in the Income and Expenditure Account for the year shall be accrued income for the year.

For both the billing authority and major preceptors the difference between the income included in the I and E Account 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. be recognised. The Cash Flow Statement of the billing authority shall include in Revenue activities cash flows only its own share of Council Tax net cash collected from Council Tax debtors in the year; and the amount included for 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.

Account, the Statement of Movement on the General Fund Balance the Balance Sheet and Cashflow Statement. The Where major components of assets can be separately identified and have different estimated useful lives, these are depreciated separately.

be carried as creditors/debtors and the Council's share will be credited to the I and E Account. The Collection Fund 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.

22 Business Rates(NNDR)

Arrears, prepayments and provisions for doubtful debts in respect of business rates will not now be shown separately on the Balance Sheet. These will be consolidated into one entry. A prior period adjustment as at 31 March 2009 has been made.

CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH

2009 Net £'000	Service	Note	2010 Expenditure £'000	2010 Income £'000	Net £'000
	Central Services to the public				
857	Local tax collection		9,740	9,007	733
301	Elections		362	94	268
48	Emergency planning		20	-	20
3	Local land charges		232	216	16
256	General grants and bequests		166	-	166
34	Central Support Services		554	273	281
1,499			11,074	9,590	1,484
	Cultural, Environmental and Planning Services				
	Cultural Services				
1,950	Culture and Heritage		2,316	638	1,678
3,455	Recreation and Sport		3,939	854	3,085
570	Tourism		1,426	758	668
	Environmental Services				
(305)	Cemeteries and Crematorium		1,049	1,237	(188)
1,652	Environmental Health		2,360	781	1,579
175	Flood defence and land drainage		52	108	(56)
2,817	Waste collection	3	4,083	897	3,186
1,120	Street cleansing	3	1,191	1	1,190
	Planning and Development Services				
304	Building control		540	322	218
421	Development control		868	307	561
754	Planning policy		891	1,419	(528)
350	Economic development		455	17	438
1,309	Community development		1,829	710	1,119
1,132	Service Management and Support Services		5,795	86	5,709
15,704			26,794	8,135	18,659
	Highways, Roads and Transport Services				
(5)	Transport planning, policy and strategy		19	-	19
1	Structural Roads Maintenance	3	-	-	-
826	Routine Roads Maintenance	3	341	12	329
(1,033)	Parking Services	3	3,563	3,268	295
1,363	Public Transport		3,205	616	2,589
1,152			7,128	3,896	3,232
11,613	Housing Revenue Account		24,510	15,231	9,279
	Other Housing Services				
599	Housing Strategy		519	-	519
47	Housing Advice		-	-	-
8	Housing Advances		4	-	4
688	Private Sector Renewal		1,510	1,350	160
412	Homelessness		919	399	520
(277)	Housing Benefit Payments		38,041	38,673	(632)
131	Housing Benefits Administration		989	674	315
3	Welfare Services		105	85	20
-	GF Housing management		-	-	-
1,611			42,087	41,181	906
31,579	COST OF SERVICES C/F		111,593	78,033	33,560

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH

2009 Net £'000	Service	Note	2010		
			Expenditure £'000	Income £'000	Net £'000
31,579	COST OF SERVICES B/F		111,593	78,033	33,560
	Corporate & Democratic Core				
1,043	Democratic representation and management		1,080	3	1,077
820	Corporate management		715	597	118
1,863			1,795	600	1,195
1,468	Non Distributed Costs		504	-	504
	Exceptional Items				
627	Heritable Bank Impairment	2a			-
327	Senior Management Restructuring	2a	1,102	1	1,101
954			1,102	1	1,101
35,864	NET COST OF SERVICES		114,994	78,634	36,360
35	(Gains) / Losses on the disposal of fixed assets				-
192	Precepts paid to parish councils				193
(574)	Net deficit / (surplus) on trading operations	4			2,324
1,511	Interest payable and similar charges				1,466
120	Contribution to Housing Pooled Receipts				149
(1,069)	Interest and Investment Income				(80)
2,082	Pensions Interest and Expected Return on pensions assets	39			3,224
38,161	NET OPERATING EXPENDITURE				43,636
	Principal sources of finance -				
(6,612)	Income from the collection fund				(6,898)
(1,313)	General Government Grants - Revenue Support Grant (RSG)				(2,025)
(880)	- Local Authority Business rates growth incentive scheme (LABGI)				(56)
(32)	- Area Based Grant				(53)
(9,433)	Contribution from non-domestic rates pool				(8,775)
19,891	Net Deficit for the Year				25,829

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2008/09 £'000			2009/10 £'000
19,891	Net Deficit for the year on the Income and Expenditure Account		25,829
(19,916)	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance in the Year	10	(25,829)
(25)	(Increase) / Decrease in General Fund Balance in the Year		0
(1,645)	General Fund Balance brought forward		(1,670)
(1,670)	General Fund Balance carried Forward		(1,670)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2008/09 £'000 Restated		2009/10 £'000
19,891	Deficit on the Income and Expenditure Account for the Year	25,829
(43,247)	Deficit / (Surplus) arising from the revaluation of fixed assets	(2,486)
9,303	Actuarial (Gains) / losses on pension fund assets and liabilities	28,429
(14,380)	Total recognised (gains) / losses since the last annual report	51,772
	Prior Year adjustments recognised in the current year (see note 2 page 36) :-	
	- 2009 SORP adjustment to Collection Fund	61
(14,380)		51,833

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase (-) / decrease in its net worth. In addition to the surplus or deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

The movement on this statement matches the movement on the Balance Sheet for the year.

BALANCE SHEET AS AT 31 MARCH

RESTATED 2009 £'000		Note	2010	
			£'000	£'000
	Fixed Assets			
734	Intangible Fixed Assets	12		824
	Tangible Fixed Assets	11		
212,894	Operational Assets		211,375	
44,014	-Council Dwellings		42,483	
2,284	-Other Land and Buildings		2,167	
9,674	-Vehicles, Plant, Furniture & Equipment		10,128	
31,823	-Infrastructure Assets		31,930	
1,563	Non-Operational Assets - Investment Properties		1	
401	- Under Construction		401	298,485
	- Surplus held for disposal			
303,387	Total Fixed Assets			299,309
437	Long Term Investments	17(i)		840
206	Long Term Debtors	18		206
304,030	Total Long Term Assets			300,355
	Current Assets			
48	Stock		104	
9,838	Debtors	19	15,333	
4,396	Short Term Investments	17(ii)	14,935	
-	Cash and Bank	20	-	
14,282				30,372
318,312	Total Assets			330,727
	Current Liabilities			
2,390	Bank Overdraft	20	3,076	
5,945	Short Term Borrowing	21	40,204	
12,746	Creditors	22	9,215	
21,081				52,495
297,231	Total Assets less Current Liabilities			278,232
	Long Term Liabilities			
28,989	Long Term Borrowing	23(i)	29,099	
1	Deferred Liabilities	24	-	
14,820	Capital Grants Deferred	25	16,565	
585	Provisions	27	432	
41,399	Liability related to defined benefit pension scheme	39	71,318	
85,794				117,414
211,437	Total Assets less Liabilities			160,818
	Financed by:			
179,936	Capital Adjustment Account	28(b)	158,858	
(637)	Financial Instruments Adjustment Account		(574)	
61	Collection Fund Adjustment Account	31	54	
63,729	Revaluation Reserve	28(a)	66,039	
206	Usable Capital Receipts Reserve	28(c)	543	
-	Major Repairs Reserve		-	
185	Deferred Credits	26	191	
4,411	Earmarked Revenue Reserves	29	2,173	
(41,399)	Pensions Reserve	33	(71,318)	
206,492				155,966
	Revenue Balances			
1,670	General Fund	30	1,670	
3,275	Housing Revenue Account	32	3,182	4,852
211,437	Total Net Worth	34		160,818

CASHFLOW STATEMENT FOR YEAR ENDED 31 MARCH

Revised 2009 £'000		Note	2010	
			£'000	£'000
	Revenue Activities			
	Cash Outflows			
15,579	Cash paid to and on behalf of employees		16,116	
31,298	Other operating cash payments		31,862	
20,941	Housing benefit paid out		28,129	
192	Precepts paid (excluding payments to major preceptors)		193	
-	Payment to National Non-Domestic Rates (NNDR) pool		-	
331	Payments to capital receipts pool		161	
-	Other government grants	40	1,300	
68,341				77,761
	Cash Inflows			
7,188	Rents (after rebates)		7,092	
5,820	Council tax receipts (excluding major preceptors' share of receipts)		3,358	
179	Non-domestic rate receipts		177	
1,533	Receipts from NNDR pool		1,385	
1,329	Revenue support grant		2,247	
38,554	DWP grants for benefits		47,380	
1,206	Other Government grants	40	807	
12,440	Cash received for goods and services		9,693	
1,137	Other revenue cash receipts		273	
69,386				72,412
(1,045)	Revenue activities net cash (inflow)/outflow	41		5,349
	Dividends from joint ventures and associates			
	Cash Inflows			
(25)	Dividends Received			(25)
	Returns on Investments and Servicing of Finance			
	Cash Outflows			
1,547	Interest paid		1,458	
	Cash Inflows			
1,280	Interest received		184	
267				1,274
	Capital Activities			
	Cash Outflows			
20,578	Purchase of fixed assets		18,540	
1,851	Other capital cash payments		1,099	
22,429			19,639	
	Cash Inflows			
239	Sale of fixed assets		562	
2,064	Capital grants received		1,053	
39	Other capital cash receipts		33	
2,342			1,648	
20,087				17,991
19,284	Net cash (inflow)/outflow before financing			24,589
	Management of Liquid Resources			
(14,628)	Net increase/(decrease) in short term deposits	42	10,300	
-	Net increase/(decrease) in long term deposits	42	-	
-	Net increase/(decrease) in other liquid resources	42	-	
(14,628)				10,300
	Financing			
	Cash Outflows			
68,178	Repayments of amounts borrowed		110,145	
	Cash Inflows			
-	New long term loans raised		-	
(69,759)	New short term loans raised		(144,348)	
(1,581)	Net (increase) / decrease in borrowing	42		(34,203)
3,075	Net decrease / (increase) in cash	42		686

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 2010 by the Council's Audit Committee.

2 Prior Year Adjustments and Comparative figures

To allow comparison with the previous year, some of the 2008/09 published figures have been restated so that they comply with the 2009 Code of Practice on Local Authority Accounting. The changes are:

The Collection Fund has been amended as a result of the changed requirements for 2009/10. Both billing and major preceptors have to include the accrued income for the year in the Income and Expenditure Account. For both the billing authority and major preceptors the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund shall be taken to a new Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

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, have issued various progress reports throughout the year.

At the time LAAP Bulletin 82 Update 1 was issued the total amount to be received was estimated to be between 70 to 80 pence in the pound of the claim. The administrators issued the latest creditors report and the current projections suggest a return to creditors of 79 to 85 pence in the pound.

The first interim payment was made in July 2009 for 16.13% of the claim. Further dividends have been paid (12.66% in December 2009 and 6.19% in March 2010) bringing the total dividends paid to date to 34.98% of the claim.

LAAP therefore recommends the following repayment schedule to estimate the recoverable amount at 31 March 2010. The schedule is based on total expected dividends of 84.985 pence in the pound of the claim. This is based on the strategy of the winding up of the bank by 2012 and expected to produce a return at the top end of the range.

Date	Repayment	Date	Repayment
June 2010	5%	September 2011	5%
September 2010	5%	December 2011	5%
December 2010	5%	March 2012	5%
March 2011	5%	June 2012	5%
June 2011	5%	September 2012	5%

See note 17 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 £6.07 million and the contract start date was 14th January 2008.

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 17 on page 49). The costs of these services for the year were £5.7 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.

2008/09 NET £'000		2009/10		
		EXPENDITURE £'000	INCOME £'000	NET £'000
(982)	City Estates	1,406	1,634	(228)
8	St.Oswald's Park	599	15	584
134	Eastgate Market	2,085	334	1,751
279	Open market and other markets	161	106	55
-	Lettings & Catering Services	52	51	1
(9)	Translation & Interpreting Services	108	109	(1)
(3)	Building Design Services	1	1	-
24	Legal & Office Services	151	93	58
(549)	Total	4,563	2,343	2,220

In addition there was £128,642 expenditure incurred re Eastern Avenue Depot in 2009/10.

NOTES TO THE CORE FINANCIAL STATEMENTS

5 Members Allowances

The total of the allowances paid to councillors in 2009/10 was £291,974 (2008/09 £294,008). 2008/09 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.

6 Audit Fees

During 2009/10 the council incurred the following fees relating to external audit and inspection:

	Restated 2008/09 £'000	2009/10 £'000
Fees payable to the Audit Commission for		
- external audit services	199	143
- statutory inspection	6	8
- the certification of grant claims and returns	38	20
- other services provided by the appointed auditor	2	0
Total audit fees	245	171

The 2008/09 external audit cost has been revised to include all charges made (including overruns).

NOTES TO THE CORE FINANCIAL STATEMENTS

7 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 5, page 38. There were no transactions with chief officers other than the payment of remuneration which is shown in note 9 (page 40).

	2008/09			2009/10		
	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			1,313			2,025
Non Domestic Rates			44,689			44,491
Specific Grants			830			1,351
Other Local and Police Authorities	1	52,610		1	54,500	
Precepts						
Gloucestershire County Council	12	2,872		15	3,388	
Pension Fund						
Gloucestershire Airport	4		26	6		26
Loan transactions						
Quedgeley Parish Council		193			193	
Others						
GL1 (Sports) Ltd	1	185				
Gloucester Law Centre	2	171		2	145	
Coney Hill Neighbourhood Project	2	38				
Matson Neighbourhood Project	1	43				
White City Project	1	36				
Gloucester City Homes	9	26,639		8	25,036	
Aspire	4	922		4	1,980	
Gloucester Quays	1	-	60			
Gloucester Cathedral	2	3				
Britannia construction	1	1,157				
Enterprise/Accord Operations Limited	2	7,521				
Glos Heritage Urban Regeneration Co	1	132				
Llanthony Secunda Priory Trust	1	10		1	10	
Glos Playing Fields Assoc	1	1				
Zurich	2	307		1	23	
Furniture recycling Project				1	5	
Glos College				1	8	
Severn Area Rescue				1	2	
Gloucester Chinese Women's Guild	2	307				
Rooftop Housing Ltd				1	365	

Amounts due to or from related parties (debtors/creditors) as at 31 March 2010;

	2008/09 £'000	2009/10 £'000
Debtors	80	452
Creditors	528	695

NOTES TO THE CORE FINANCIAL STATEMENTS

8 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.

9 Officer Emoluments

The following table discloses the number of employees at the year end whose remuneration for the year (excluding pension contributions) was £50,000 or more in bands of £5,000.

The remuneration relates to actual payments to employees during the year. The remuneration of staff at 31 March 2010 and in prior year includes severance pay arising from management restructuring during the two periods. To ensure transparency, these have been shown separately from normal salary.

The cost of the senior management restructuring, £1.027 million was capitalised under a capitalisation directive, as shown in note 13 on page 44.

Remuneration Band	Normal salary		Severance payments		Total	
	Number of Employees		Number of Employees		Number of Employees	
	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10
£50,000 to £54,999	3	-	3	1	6	1
£55,000 to £59,999	-	-	-	-	-	-
£60,000 to £64,999	-	-	-	1	-	1
£65,000 to £69,999	-	-	1	-	1	-
£70,000 to £74,999	-	-	1	2	1	2
£75,000 to £79,999	2	1	1	-	3	1
£80,000 to £84,999	-	3	-	-	-	3
£85,000 to £89,999	-	-	2	-	2	-
£90,000 to £94,999	-	-	-	-	-	-
£95,000 to £99,999	-	-	-	-	-	-
£100,000 to £104,999	-	-	-	-	-	-
£105,000 to £109,999	-	-	-	1	-	1
£110,000 to £114,999	1	-	1	-	2	-
£115,000 to £119,999	-	1	-	-	-	1

Regulation 4 of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 [SI 2009 No. 3322] and Regulation 7 of the Accounts and Audit (Wales) (Amendment) Regulations 2010 [SI 2010 No. 683 (W66)] introduce a new legal requirement to increase transparency and accountability in Local Government for reporting remuneration of senior employees and senior police officers.

The following disclosure categories are in regards to senior employees' remuneration only. The remuneration categories are in line with the remuneration transparency and accountability legal requirement.

Senior Officer	Chief Executive (Head of Paid Service)		Corporate Director of Regeneration		Corporate Director of Resources (Section 151 Officer)	
	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10
Salary, fees & allowances	113,226.06	115,614.59	78,836.20	81,843.11	52,894.95	80,241.73
Bonuses	-	-	-	-	-	-
Expenses allowance	135.75	49.08	169.12	-	-	-
Compensation for loss of employment	-	-	-	-	-	-
Employers pension contribution	17,210.37	17,573.41	10,887.37	13,535.88	8,040.03	12,196.74
Any other emoluments	-	-	-	-	-	-
Total	130,572.18	133,237.08	89,892.69	95,378.99	60,934.98	92,438.47

Senior Officer	Corporate Director of Services & Neighbourhoods		Corporate Director of Strategy & Development		Monitoring Officer *	
	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10
Salary, fees & allowances	54,042.18	79,487.59	76,922.20	81,799.73	52,847.87	54,788.70
Bonuses	-	-	-	-	-	-
Expenses allowance	-	-	-	132.40	64.15	220.36
Compensation for loss of employment	-	-	-	-	-	52,157.30
Employers pension contribution	8,214.42	12,082.10	10,606.25	13,519.48	8,032.88	8,087.89
Any other emoluments	-	-	-	-	-	-
Total	62,256.60	91,569.69	87,528.45	95,451.61	60,944.90	115,254.25

* The individual holding the post of Monitoring Officer was made redundant within 2009/10. Therefore their whole remuneration amount was captured within the severance payment category in the £5k remuneration band table.

NOTES TO THE CORE FINANCIAL STATEMENTS

10 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

2008/09 £'000		2009/10 £'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		
(220)	Amortisation of Intangible fixed assets	(202)	
(2,879)	Depreciation and Impairment of fixed assets	(10,221)	
541	Capital grants deferred amortised	505	
(1,611)	Amount treated as revenue expenditure but classified as capital expenditure	(1,314)	
(43)	Net loss on the disposal of fixed assets	-	
(4,811)	Net charges made for retirement benefits	(4,766)	
(9,023)			(15,998)
	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	
297	Capital expenditure financed from Revenue	315	
(138)	Transfer from usable capital receipts to meet payments to the housing capital receipts pool	(154)	
2,755	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	2,950	
-	Collection Fund Adjustment Account	54	
2,918			3,169
	Transfers to or from the general fund balance or HRA required to be taken into account when determining movement on the general fund balance		
(13,017)	Transfer to / (from) Housing Revenue account (HRA) balance	(10,762)	
(794)	Net transfers to / (from) earmarked reserves	(2,238)	
(13,811)			(13,000)
(19,916)	Net additional amount required to be charged / (credited) to the general fund balance for the year		(25,829)

NOTES TO THE CORE FINANCIAL STATEMENTS

11 Tangible Fixed Assets

Approximately one fifth of the council's non-dwelling land and buildings were revalued as at 31 March 2010, adopting a valuation datum date of 1 April 2009. 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 2010, using the beacon principle and adopting a valuation datum of 1 April 2009. 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

	2009/10								2008/09
	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	
									Total £'000
Gross book value - as at 1 April 09	216,077	45,872	5,305	12,447	31,823	405	1,563	313,492	281,730
Additions (see note 16)	11,815	1,995	198	853	2,301	-	1	17,163	21,373
Disposals	(355)	-	-	-	(165)	-	-	(520)	(247)
Revaluation gains	76	(485)	-	-	1,590	-	-	1,181	28,334
Impairments	(10,141)	(5,443)	-	-	(3,167)	-	-	(18,751)	(16,325)
Transfers	-	2,015	-	-	(452)	-	(1,563)	-	(1,373)
Gross book value at 31 March 10	217,472	43,954	5,503	13,300	31,930	405	1	312,565	313,492
Depreciation - as at 1 April 09	3,183	1,858	3,021	2,773	-	4	-	10,839	20,896
Depreciation for year	2,914	1,143	315	399	-	-	-	4,771	4,856
Disposals	-	-	-	-	-	-	-	-	-
Revaluation gains	-	(1,306)	-	-	-	-	-	(1,306)	(14,913)
Impairments	-	(224)	-	-	-	-	-	(224)	-
Transfers	-	-	-	-	-	-	-	-	-
Depreciation as at 31 March 10	6,097	1,471	3,336	3,172	-	4	-	14,080	10,839
Net book value as at 31 March 10	211,375	42,483	2,167	10,128	31,930	401	1	298,485	302,653
Net book value as at 1 April 09	212,894	44,014	2,284	9,674	31,823	401	1,563	302,653	

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

Valuation information

	Operational				Non Operational			TOTAL £'000
	Council dwellings £'000	Other land and buildings £'000	Vehicles plant and equipment £'000	Infrastructure assets £'000	Investment properties £'000	Surplus assets held for disposal £'000	Under Construction £'000	
Valued at historical cost	-	-	-	10,128	-	-	1	10,129
Valued at current value in								
2005/06	-	789	-	-	5,024	-	-	5,813
2006/07	-	2,499	-	-	2,960	-	-	5,459
2007/08	171,780	36,583	2,645	-	23,361	401	-	234,770
2008/09	212,894	44,014	2,284	-	31,823	401	-	291,416
2009/10	211,375	42,483	2,167	-	31,930	401	-	288,356
	211,375	42,483	2,167	10,128	31,930	401	1	298,485

NOTES TO THE CORE FINANCIAL STATEMENTS

The following is a list of the major fixed assets owned by the City Council at 31 March 2010.
All assets are owned freehold unless otherwise stated.

Operational assets	Non-operational assets
4543 Council dwellings Other Operational land and buildings Gloucester Leisure Centre 2 Cemeteries and 1 Crematorium North Warehouse HKP warehouses (leasehold) Guildhall Depot at Eastern Avenue City and Folk Museums 2 Multistorey Car Parks (1 leasehold) 14 Surface Car Parks (2 leasehold) Tourist Information Centre (leased) Oxstalls Tennis Centre City Farm, Albany Steet Hempsted Market Community assets Various Parks and open spaces Works of art Museum Exhibits Civic regalia Vehicles plant and equipment Vehicles and items of plant Computer equipment Sports and playground facilities in parks Infrastructure assets Street furniture 12 Public Conveniences (2 leasehold)	Investment properties Eastgate market and shopping centre Bearland Lodge Kings' Square / Kings' Walk Kings' Theatre Bus station 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) Spartans Club

12 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	
	2008/09 £'000	2009/10 £'000
Gross book value - as at 1 April 09	1,483	1,794
Additions (see note 16)	311	292
Gross book value at 31 March 10	1,794	2,086
Amortisation as at 1 April 09	840	1,060
Amortised during year	220	202
Depreciation as at 31 March 10	1,060	1,262
Net book value as at 31 March 10	734	824

NOTES TO THE CORE FINANCIAL STATEMENTS

13 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

2008/09		2009/10		
Actual £'000	SERVICE	Latest Estimate £'000	Actual £'000	Over/(Under) spend £'000
	<u>Central Services (including support services)</u>			
	IT Server Infrastructure Upgrade	88	74	(14)
137	Computer Systems Development	74	79	5
-	Customer Services/Virtual Call Centre	19	21	2
4	Disabled Access -upgrading lifts at offices, etc	361	32	(329)
8	Document Image Processing	33	3	(30)
43	HKP/North warehouses refurbishment works			-
920	Hempsted Market (Netheridge)	-	54	54
40	Customer Access/Kiosks/E-Voting			-
-	Eastgate Market Electrical Works	20	1	(19)
689	Restructuring Capitalisation	-	1,027	1,027
12	75/81 Eastgate St works	24	10	(14)
-	Telephone System Upgrade	50	47	(3)
50	Westgate Street Redevelopment	25	25	-
174	Computer Projects	120	67	(53)
2,077		814	1,440	626
	<u>Cultural, Environmental, Planning Services</u>			
	<u>Cultural and Related Services</u>			
10	Alney Island Intrusive Investigations	293	285	(8)
-	Abbeydale Community Centre	69	7	(62)
6	City Centre Modernisation/Redevelopments	13	4	(9)
94	Former Coney Hill Hospital Site - improvements	169	67	(102)
1	Museums Boiler replacement	-	-	-
49	Naas Lane Investigations	43	25	(18)
-	King George V Pavilion	60	-	(60)
-	Cathedral Precinct lighting	-	10	10
49	Gloucester Park Improvements	179	30	(149)
49	TIC Refit	-	-	-
258	Cultural and Related Services c/fwd	826	428	(398)

NOTES TO THE CORE FINANCIAL STATEMENTS

2008/09		2009/10		
Actual £'000	SERVICE	Latest Estimate £'000	Actual £'000	Over/(Under) spend £'000
2,077	Central services b/fwd	814	1,440	626
258	Cultural and Related Services - b/fwd	826	428	(398)
10	Guildhall Improvements & café works	33	23	(10)
3	Eastgate Viewing Chamber	197	6	(191)
35	Museum Roof works	-	-	-
34	Museum New Heritage Centre	118	58	(60)
87	Neighbourhood Projects - capital grants	87	86	(1)
1	Hillfield Gardens	48	7	(41)
251	Play Areas	205	11	(194)
(8)	Waterwells Sports Ground Development	-	-	-
671		1,514	619	(895)
	<u>Environmental Services</u>			
6	Improvements to Public Toilets	-	69	69
64	Crematorium Doors & Windows Major Repairs	26	10	(16)
7	Tredworth Cemetery Chapel Refurbishment	-	-	-
-	Crematorium Abatement	520	154	(366)
-	Crem/Cemetery Café	500	-	(500)
-	Crematorium Roads	150	1	(149)
44	Wind Turbines	186	14	(172)
43	YMCA Sebert Street capital grant	698	689	(9)
546	Flood defence Works	844	340	(504)
-	Wheeled Bins	-	2	2
-	Safe Stronger Communities	36	31	(5)
710		2,960	1,310	(1,650)
	<u>Planning and Development Services</u>			
187	Kings Square/Oxbode Redesign	1,313	196	(1,117)
-	Eastgate Market gates	5	-	(5)
-	BT Land and 16-18 Commercial Road	-	1,150	1,150
1	Westgate Coach Parking	-	-	-
27	Energy Conservation Works	-	4	4
-	Bus Shelters	26	-	(26)
(74)	St Oswalds Park redevelopment	-	84	84
5	Brionne Way Improvements	105	105	-
1,563	Depot Improvements	2,271	2,101	(170)
33	Woolstrop Moat Hydro Study	1	6	5
1	Eastgate/Westgate Orientation works	-	-	-
1	Castlemeads Footbridge works	-	-	-
1,744		3,721	3,646	(75)
	<u>Highways, Roads, Transport Services</u>			
81	Eastgate Rooftop Repairs	1,379	129	(1,250)
-	Kimbrose Triangle	350	-	(350)
-	Longlevens Safer City Works	10	-	(10)
5	Enhanced Lighting Schemes	76	61	(15)
5	Gloucester Car Parks	-	-	-
91		1,815	190	(1,625)
5,293	C/Fwd	10,824	7,205	(3,619)

NOTES TO THE CORE FINANCIAL STATEMENTS

2008/09 Actual £'000	SERVICE	2009/10		
		Latest Estimate £'000	Actual £'000	Over/(Under) spend £'000
5,293	B/Fwd	10,824	7,205	(3,619)
	<u>Housing Services</u>			
	<u>Housing General Fund</u>			
1,745	Home Improvement Grants	1,695	1,398	(297)
43	Flood Protection Grants	49	8	(41)
	Southgate Street Facelift	249	-	(249)
48	Housing Renewal Policy-Grants and Loans to Vulnerable Persons	200	3	(197)
-	Housing Market Partnership	370	-	(370)
1,836		2,563	1,409	(1,154)
	<u>Housing Revenue Account</u>			
52	Dwelling Acquisitions	-	132	132
16,005	Dwelling Improvements and Modernisations	12,070	11,683	(387)
16,057		12,070	11,815	(255)
23,186	Total Capital Expenditure	25,457	20,429	(5,028)
Total Capital Expenditure Comprises:				
21,373	Expenditure on Tangible Fixed Assets (see note 11)	22,232	17,163	(5,069)
311	Intangible Fixed Assets (see note 12)	345	293	(52)
2,828	Deferred Charges (see note 14)	2,680	2,971	291
47	Long term Debtors (written off to CAA)	200	2	(198)
24,559		25,457	20,429	(5,028)

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 2010 the council was committed to completing most of the delayed schemes listed above. This included contractual commitments at 31 March 2009 of £0.610m.

The council has approved capital schemes totalling £16.45 million for 2010/11. Of this, approximately £4.14million (the planned expenditure on decent homes) was contracted for at 31 March 2010.

Revenue Expenditure Funded from Capital Under Statute

Revenue Expenditure funded from capital under statute 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	1,399	1,399
Flood defence and emergency and security grants	8	8
Commercial property major repairs grant	25	25
Contaminated Land Investigative Work	258	258
Other - capital schemes feasibility and investigative work	1,281	1,281
Total 2009/10	2,971	2,971
Total 2008/09	2,828	2,828

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

15 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.

2008/09 Actual £'000	Financing of Capital Expenditure	2009/10 Actual £'000
30,918	Opening Capital Financing Requirement	44,902
23,186	Add capital expenditure in year (see note 13)	20,429
(2,459)	Less sources of finance	
(2,308)	- Usable capital receipts	(78)
(3,843)	- Capital grants and contributions	(3,598)
(297)	- Major Repairs Reserve	(2,914)
(8,907)	- Revenue contributions	(315)
		(6,905)
(295)	Revenue Provision (including Minimum Revenue Provision)	(280)
-	Capital Receipts applied for debt repayment	-
44,902	Closing Capital Financing Requirement	58,146
	Movements in year	
11,820	Increase in underlying need to borrow for capital investment	
2,458	- supported by government financial assistance	9,170
	- unsupported by government financial assistance	4,354
(295)	Amounts 'set aside' for debt repayment	(280)
13,983	Net Increase / (decrease) in Capital Financing Requirement	13,244

16 Assets held under Finance and Operating Leases

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

2008/09			2009/10	
Finance leases £'000	Operating leases £'000		Finance leases £'000	Operating leases £'000
-	290	Total rentals paid	-	170
-	-	Cost of items leased during year	-	-
-	206	Outstanding obligations at 31 March (including interest)	-	43

Of the outstanding obligations at 31 March 2010 for operating leases the following fall within

-	164	1 year	-	28
-	42	2 - 5 years	-	15
-	-	6 or more years	-	-
-	206	Total	-	43

NOTES TO THE CORE FINANCIAL STATEMENTS

17 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 2009 £'000	31 March 2010 £'000
Share capital	435	435
Government Stock	2	2
Heritable Bank		403
Total	437	840

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 21 and 37).

The loan to Heritable Bank was initially a short term investment and is now subject to a long term arrangement for repayment following the collapse of the Icelandic Banks. Payments have been received in line with expectations to date.

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 audited accounts showed net assets of the company at 31 March 2010 of £2,442,969 (£2,555,355 at 31 March 2009) and an after tax operating loss of £120,386 in the year to 31 March 2010 (£62,646 to 31 March 2009).

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 2009, of which the council received £25,000.

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 - 79. 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 £25,000 at 31 March 2010 (£50,000 at 31 March 2009).

The accounts of Gloucestershire Airport Ltd for the year ending 31 March 2010 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 2010 of £1 (£1 at 31 March 2009). The company has been dormant for 2009-10 and there was no financial activity (£11,940 for the year ended 31 March 2009). The company's accounts have been consolidated with those of the council in the group accounts (pages 75 - 79).

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 2010 showed net assets of £1,094,785 (£662,623 at 31 March 2009) and an after tax operating loss of £29,542 (loss of £33,997 to 31 March 2009).

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 2010 been included in the group accounts on pages 75 - 79.

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 loss of £390,000 for the year ended 31 March 2010 (£33,000 surplus for the 15 months to 31 March 2009) and net assets of £2,600,000 at 31 March 2010 (£321,000 at 31 March 2009). The company trades mainly with the council's Housing Revenue Account (HRA).

At 31 March 2010 GCH had £0 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 75 -79).

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 £14.8 million at 31 March 2010 (£4million at 31 March 2009) plus interest due of £0.173 million (£0.396 million to March 2009.)

(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 2010 £'000	31 March 2009 £'000	31 March 2010 £'000	31 March 2009 £'000
Loans and receivables at amortised cost				
- Long term debtors		-	206	206
- Debtors	15,333	9,838		-
- Investments	14,935	4,396	840	437
- Cash at bank and in hand		-		-
Total loans and receivables	30,268	14,234	1,046	643
Available-for-sale financial assets at fair value (government stock)	-	-	-	-
Available-for-sale assets at cost (unquoted equity investments)	-	-	-	-
Total Financial Instruments - Assets	30,268	14,234	1,046	643

The fair values of the Investments at 31 March 2010 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 17(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:

	2009/10		2008/09	
	Loans and receivables £'000	Available-for-sale assets £'000	Loans and receivables £'000	Available-for-sale assets £'000
Interest Income	80		1,069	-
Dividend income		25	-	25
Total Interest and Investment Income	80	25	1,069	25
Net gain (loss) for the year	80	25	1,069	25

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 £1.182 million of the sundry debtors balance of £9.330 million (see note 19) is past its due date for payment as follows:

	£'000
Less than 3 months	1,042
3 - 6 months	27
6 months - 1 year	13
More than 1 year	100
Total	1,182

The authority has set aside provisions for unrecoverable or doubtful debts (see note 19) 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 2010
Long term loans - period until repayment	%	%
Less than 1 year	20	0
1 - 2 years	20	3
2 - 5 years	50	0
5 - 10 years	75	44
Over 10 years	95	53
		100

NOTES TO THE CORE FINANCIAL STATEMENTS

Market Risk

Interest rate risk

The most significant risk for the authority is its' exposure to interest rate movements on its investments. In this case, a sensitivity analysis can be performed by simply comparing the investment interest income and the average interest rate in recent years.

Had the average interest rate for 2007/08, 4.5% been applicable in 2009/10, the effect on the Income and Expenditure account would have been an increased income (and reduced deficit) of approximately £0.4 million.

The future risk is limited as the current base rate is only 0.5% and the investment income is at a low level. The methods used to perform future sensitivity analysis will mainly involve use of interest rate forecasts from a number of sources.

There is no planned change to the methods and assumptions used in preparing this sensitivity analysis, but the accuracy of the forecasts will be monitored in order to assess the most reliable forecasts in the future.

The council will continue to employ an active strategy for minimising the impact of rate 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 39.

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.

At the time LAAP Bulletin 82 Update 1 was issued the total amount to be received was estimated to be between 70% to 80% of the claim. The administrators issued the latest creditors report and the current projections suggest a return to creditors of 79 to 85 pence in the pound.

The first interim payment was made in July 2009 for 16.13% of the claim. Further dividends have been paid (12.66% in December 2009 and 6.19% in March 2010) bringing the total dividends paid to date to 34.98% of the claim.

LAAP therefore recommends the following repayment schedule to estimate the recoverable amount at 31 March 2010. The schedule is based on total expected dividends of 84.985 of the claim. This is based on the strategy of the winding up of the bank by 2012 and expected to produce a return at the top end of the range.

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:

Date	Repayment	Date	Repayment
June 2010	5%	September 2011	5%
September 2010	5%	December 2011	5%
December 2010	5%	March 2012	5%
March 2011	5%	June 2012	5%
June 2011	5%	September 2012	5%

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

18 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 2009 £'000	31 March 2010 £'000
Mortgages to former tenants	40	40
Mortgages to private persons	5	5
Loans to vulnerable people for house renovations	75	81
Staff loans	7	2
Loans to Glos. Airport Ltd.	25	25
Other loans	54	53
Total	206	206

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').

19 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 2009 £'000	31 March 2009 £'000	31 March 2010 £'000	31 March 2010 £'000
Council taxpayers		3,037		4,335
Business ratepayers		1,429		145
Government grants		2,104		1,661
Housing rents		565		731
Sundry debtors		5,076		9,330
Total outstanding		12,211		16,202
Less provision for bad debts:				
- Council tax	1,001		141	
- Housing rents	335		239	
- Housing benefits	757		386	
- Other	280	(2,373)	103	(869)
Total debtors		9,838		15,333

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

The provision for housing benefits includes £0.068m 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.

20 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.

21 Temporary Borrowing

This consists of loans repayable by the council on demand or within twelve months of the balance sheet date. The amount includes a deficit of £0.166 million (£0.416 million at 31 March 2009) balance for Gloucester City Homes' funds with the council at 31 March 2010 (see page 49 for details of this company) and £0.203 million (£0.218 million at 31 March 2009) of Trust funds deposited with the council, together with £1,000 of interest (£1,000 at 31 March 2009) owing at 31 March 2010.

The fair value of the loans approximates to their cost.

NOTES TO THE CORE FINANCIAL STATEMENTS

22 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 2009 £'000	31 March 2010 £'000
Sundry creditors	7,079	4,491
Overpayments - Council tax	848	102
Government departments	459	397
Other Local Authorities	135	242
Developers Contributions	4,225	3,983
Total creditors	12,746	9,215

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 £2.340m at 31 March 2010, broken down as follows:

Scheme	1 April £'000	Income £'000	Expenditure £'000	31 March £'000
Quedgeley Urban Village	-	185	177	8
St Oswalds Park redevelopment	564	-	365	199
Cotswold View development	647	-	-	647
Glos Quays development	300	-	-	300
West Quay development	173	-	-	173
Coney Hill former hospital site redevelopment	229	100	74	255
Brionne Way improvements	136	-	105	31
Other schemes	850	74	197	727
Total 2009/10	2,899	359	918	2,340
Total 2008/09	3,177	246	524	2,899

23 (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 (PWL) 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 2009				
		1 - 2	2 - 5	5 - 10	10+	Total
		£000	£000	£000	£000	£000
PWL	4.41 - 5.00	0	3,500	10,000	15,489	28,989
Total		-	3,500	10,000	15,489	28,989

Loans	Rates Payable (%)	Years Until Repayment at 31 March 2010				
		1 - 2	2 - 5	5 - 10	10+	Total
		£000	£000	£000	£000	£000
PWL	4.41 - 5.00	1,000	2,500	10,000	15,599	29,099
Total		1,000	2,500	10,000	15,599	29,099

The loans are shown at amortised cost. The amortised cost of all of the council's PWL loans is £29.099 million at 31 March 2010 (£28.989 million at 31 March 2009), compared to a fair value of £30.964 million (£32.386 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 2010 figure has been calculated by reference to the premature repayment set of rates in force on that day, the 2010 by reference to the set of interest in force on 30 March 2010 (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 2009 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2010 £'000
Financial liabilities at amortised cost				
- Bank overdraft	2,390	3,076	-	-
- Borrowing	5,945	40,204	28,989	29,099
- Creditors	12,746	9,215	-	-
- Deferred Liabilities	-	-	1	-
Financial liabilities at fair value through profit and loss	-	-	-	-
Total Financial Instruments - Liabilities	21,081	52,495	28,990	29,099

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:

	2009/10	2008/09
	Financial liabilities at amortised cost £'000	Financial liabilities at amortised cost £'000
Interest payable	1,466	1,511
Net gain (loss) for the year	1,466	1,511

24 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. Repayment of £0.298 million was made in 2008/09 and final settlement of the loan was completed in 2009/10.

Due to full settlement in 2009/10, no amount of the HRA revenue balance has been earmarked for specific purposes. This is confirmed through note 11 to the HRA (page 70).

25 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.

26 Deferred Credits

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

27 Provisions

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

Provision	Balance at 1 April £'000	Approp'ns to or receipts in year £'000	Approp'ns from or payments in year £'000	Balance at 31 March £'000
Insurance provision	469	90	168	391
Car Parks provision	116	-	75	41
Total 2009/10	585	90	243	432
Total 2008/09	688	418	521	585

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 original contract was with NCP and the compensation was paid during 2005/06. The interest is being paid in monthly instalments over a five year period with final instalment payments made within 31/03/2010.

We now await a settlement statement from the NCP to complete the agreement, this is likely to be received in 2010/11. Once settlement is confirmed, the provision will be removed from the accounts.

NOTES TO THE CORE FINANCIAL STATEMENTS

28 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.

	2009/10			2008/09
	General Fund £'000	HRA £'000	Total £'000	Total £'000
Balance at 1 April	13,161	50,568	63,729	20,555
Surplus on revaluation of assets	2,063	423	2,486	43,247
Depreciation	-	-	-	-
Impairments	-	-	-	-
Disposals	(101)	(75)	(176)	(73)
Balance at 31 March	15,123	50,916	66,039	63,729

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.

	2009/10			2008/09
	General Fund £'000	HRA £'000	Total £'000	Total £'000
Balance at 1 April	70	135	205	2,528
Proceeds from				
sale of fixed assets	175	355	530	239
repayment of loans and grants	5	36	41	38
Less Right to Buy Administration costs	-	(1)	(1)	(2)
Capital Receipts due to National Pool	-	(154)	(154)	(138)
Transfer from capital grants and contributions	-	-	-	-
Applied to finance new capital expenditure	(28)	(50)	(78)	(2,460)
Balance at 31 March	222	321	543	205

NOTES TO THE CORE FINANCIAL STATEMENTS

29 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 2008/09 have been restated to give more detail.

CAPITAL RESERVES	2009/10							2008/09
	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Usable capital receipts	Deferred Credits	Major Repairs Reserve	Total Capital Reserves	Total Capital Reserves
	(Note 28a) £'000	(Note 28b) £'000	£'000	(Note 28c) £'000	£'000	£'000	£'000	£'000
Balance as at 1 April	63,729	179,935	(637)	206	185	-	243,418	219,715
Depreciation of fixed assets		(4,781)				2,914	(1,867)	(2,068)
Excess of HRA depreciation over Major Repairs Allowance						1,067	1,067	(24)
Provision for repayment of loans		280					280	295
Gains on revaluation of fixed assets	2,486						2,486	43,247
Effects of disposals of fixed assets:								
Revaluation gains on assets sold	(176)	176					-	-
Net book value of disposals		(520)					(520)	(247)
Proceeds of disposals (net of eligible expenses)				530			530	237
Capital loan advances		(3)			6		3	(48)
Capital Loan and Grant repayments				41			41	55
Items charged to Income & Expenditure Account -								
- Deferred charges		(2,971)					(2,971)	(1,611)
- Intangible assets		(202)					(202)	(220)
- Capital grants deferred		505					505	542
- Impairment of fixed assets		(18,527)					(18,527)	(16,325)
Capital Receipts due to National Pool				(155)			(155)	(138)
Financing of fixed assets, deferred charges and capital advances		4,966		(78)		(3,981)	907	321
Loan Premiums and Discounts written off to revenue balances			63				63	201
Impairment							-	(514)
Transfers							-	-
Total increase / (decrease) in Capital Reserves	2,310	(21,077)	63	338	6	-	(18,360)	23,703
Balance as at 31 March	66,039	158,858	(574)	544	191	-	225,058	243,418

REVENUE RESERVES	2009/10						2008/09
	Earmarked reserves (see note below)	General fund balance	HRA balance	Pensions Reserve (Note 42)	Collection Fund Adjust Ac	Total Revenue Reserves	Total Revenue Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April	4,411	1,670	3,275	(41,399)	61	(31,982)	(20,220)
Appropriations to / from revenue	(2,238)		(93)	(4,766)	(7)	(7,104)	(5,080)
Actuarial gains and losses relating to Pensions				(28,429)		(28,429)	(9,303)
Pension contributions				3,276		3,276	3,043
Total increase / (decrease) in Revenue Reserves	(2,238)	-	(93)	(29,919)	(7)	(32,257)	(11,340)
Balance as at 31 March	2,173	1,670	3,182	(71,318)	54	(64,239)	(31,560)
TOTAL RESERVES						160,819	211,858

NOTES TO THE CORE FINANCIAL STATEMENTS

29. 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	250	442	-
2	Insurance Reserve	375	-	275	100
3	Historic Buildings Reserve	115	-	95	20
4	Portfolio Reserves	542	-	542	-
5	Concessionary Fares Reserve	300	50	350	-
6	Housing Benefits Reserve	66	74	110	30
7	Local Authority Business rates growth incentive scheme Reserve	428	-	428	-
8	Planning Delivery Grant Reserve	502	913	1,098	317
9	Gloucester Park Bandstand Reserve	50	-	50	-
10	Invest To Save	-	250	-	250
11	Kings Square Redevelopment Reserve	1,500	-	500	1,000
12	Depot Reserves	126	-	126	-
13	Pensions Backfunding Reserve	215	-	215	-
14	Heritable Bank Reserve	-	456	-	456
Total 2009/10		4,411	1,993	4,231	2,173
Total 2008/09		5,224	426	1,239	4,411

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 27, page 54).

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. These costs have either been met from other capital budgets or dealt with via Gloucester Historic Buildings Ltd

4 Portfolio Reserves

This reserve was made up of a number of specific reserves to meet additional cost items in the year

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

Reserve

No. Further details of the larger reserves

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

This reserve was set up from then Local Authority Business Growth Incentive (LABGI) grant. The grant has been fully spent in 2009/10 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 Invest to Save Reserve

This reserve was set up to deal with a variety of projects aimed at long-term savings for the council.

11 Kings' Square Redevelopment Reserve

This reserve has been set up to help meet the cost of the redevelopment of Kings' Square and King's Quarter

12 Depot Reserves

These reserves were 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. Following the completion of the works at the Depot, this reserve has been released.

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 39).

14 Heritable Bank Reserve

This has been set up to cover potential losses relating to the councils £2 million investment with the Heritable Bank. Recent Ernst and Young reports have shown an improvement in the likely level of recovery which has made estimating the potential loss difficult. The reserve has been established at the level of loss indicated in the most recent of these reports in conjunction with the latest LAAP bulletin.

NOTES TO THE CORE FINANCIAL STATEMENTS

30 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.

31 Collection Fund Balance

See note 4 to the collection fund on page 74.

32 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.

33 Pensions Reserve

See the note 39, Pension costs, on pages 61 to 65.

34 Analysis of net assets employed

	RESTATED 31 March 2009 £'000	31 March 2010 £'000
General Fund	(1,968)	(54,736)
Housing Revenue Account	213,425	215,554
Total net assets	211,457	160,818

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

NOTES TO THE CORE FINANCIAL STATEMENTS

35 Contingent Liabilities

Municipal Mutual Insurance Ltd (MMI) liabilities

On the 19 January 1994 one of the Council's insurers MMI obtained High Court approval for a scheme of arrangement that will come into operation if the company becomes insolvent. If the scheme is implemented, the Council will have to pay the balance of any liabilities not met by the insurers. Claims settled to date total £593,855.12 and the estimated outstanding claims as at 31 March 2010 are £53,700. 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.

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. Note 38 on Page 61 gives details of the Post Balance Sheet event relating to the pension liability arising from the housing maintenance contractor, Morrisons.

36 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.

37 Trust Funds

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

	Value of fund (net assets) at 1/04/09 £'000	Movements		Value of fund (net assets) at 31/03/10 £'000
		Expenditure during the year £'000	Income during the year £'000	
John Ward and Others	55	4	3	54
John Ward Educational Foundation Trust	11	-	-	11
Free Hospital Trust Fund	62	4	19	77
Gloucester Historic Buildings Ltd	152	6	2	148
Total	280	14	24	290

The trust funds had the following amounts invested with the council at 31 March 2010:-

	£'000
John Ward and Others	24
John Ward Educational Foundation Trust	11
Gloucester Historic Buildings Ltd	168
Total	203

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 2010 is £432,292.05.

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 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.

38 Post Balance Sheet Events

In July 2010 Gloucester City Council agreed to take on a liability of £1.085m on the Local Government Pension Scheme with regards to Morrisons, who were an admitted body of the pension fund under Gloucester City Council as their scheme employer. Morrisons were a contractor for Gloucester City Homes.

The liability will be incorporated into the actuarial valuations of the pension scheme within the 2010/11 statement of accounts.

39 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:

Business Management Directorate
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:

	2008/09 £000	2009/10 £000
Income and Expenditure Account		
<i>Net Cost of Services :</i>		
Current service cost (apportioned across services)	1,265	1,039
Past service costs, curtailments and settlements (included in Non-Distributed costs)	1,464	503
<i>Net Operating Expenditure :</i>		
Interest cost on scheme liabilities	6,019	5,738
Expected return on assets in the scheme	(3,937)	(2,514)
Net charge to the Income and Expenditure Account	4,811	4,766
Statement of movement in the General Fund Balance		
- reversal of net charges made for retirement benefits (including charges to the HRA)	(4,811)	(4,766)
- employer's contributions payable by the general fund to the scheme	2,755	3,388
Actual amount charged against the general fund balance	2,755	3,388

Assets and Liabilities in relation to the Pension scheme

At 31 March 2010 the Authority had the following overall assets and liabilities in relations to pensions.

	31-Mar-06 £'000	31-Mar-07 £'000	31-Mar-08 £'000	31-Mar-09 £'000	31-Mar-10 £'000
Fair Value of Employer Assets	65,749	63,422	58,237	42,829	59,483
Present Value of Defined Benefit Obligation	(111,067)	(102,149)	(88,565)	(84,228)	(130,801)
Surplus/(Deficit)	(45,318)	(38,727)	(30,328)	(41,399)	(71,318)
Experience Gains/(Losses) on Assets	9,430	(76)	(8,941)	(16,490)	14,582
Experience Gains/(Losses) on Liabilities	(64)	80	2,323	(60)	(63)

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 £71 million at 31 March 2010 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).

Post Balance Sheet Event

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of the employer's FRS17 liabilities by around 6% (£125,000) and the FRS17 balance sheet deficit by around 11% (£7.8 million). 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 money plan for each of the next three years to accommodate this item.

NOTES TO THE CORE FINANCIAL STATEMENTS

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:

	2008/09 %	2009/10 %
Rate of inflation	3.1	3.8
Expected rate of increase in salaries	4.6	5.3
Rate of increase in pension payments	5.9	6.9
Rate used to discount scheme liabilities	6.9	5.5
Take up of option to convert actual pension into retirement	50.0	50.0

	Male	Female
Mortality		
Current Pensioners	22.7 years	26.1 years
Future Pensioners	24.8 years	28.3 years

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

Historic Mortality

Year Ended	Prospective Pensioners	Pensioners
31-Mar-2010	year of birth, medium cohort and 1% pa minimum improvements from 2007	year of birth, medium cohort and 1% pa minimum improvements from 2007
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

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

Please note that the allowance for future life expectancy has changed at this year end.

Projected pension expense for the year to 31 March 2011

Analysis of projected amount to be charged to operating profit for the year to 31 March 2011

Year ended	31-Mar-2011 £000	% of pay
Projected Current Service Cost	2,081	22.2
Interest on Obligation	7,154	76.2
Expected Return on Plan Assets	(4,093)	(43.6)
Past Service Cost	-	-
Losses/(Gains) on Curtailments and Settlements	-	-
Total	5,142	54.8

NOTES TO THE CONCOLIDATED FINANCIAL STATEMENT

Recognition in the Profit and Loss

Year Ended	31-Mar-09		31-Mar-10	
	£'000	% of Pay	£'000	% of Pay
Current Service Cost	1,265	13.3	1,039	11.2
Interest Cost	6,019	63.2	5,738	61.8
Expected Return on Employers Asset	(3,937)	(41.4)	(2,514)	(27.1)
Past Service Cost / (Gain)	765	8.0	28	0.3
Losses / (Gains) on Curtailments and Settlements	699	7.3	475	5.1
Total	4,811	50.4	4,766	51.3
Actual Return on Plan Assets	(13,219)		17,096	

Reconciliation of Defined Benefit Obligation

Year Ended	31-Mar-09 £'000	31-Mar-10 £'000
Opening Defined Benefit Obligation	88,565	84,228
Current Service Cost	1,265	1,039
Interest Cost	6,019	5,738
Contributions by Members	644	571
Actuarial Losses / (Gains)	(7,187)	43,011
Past Service Costs / (Gains)	765	28
Losses / (Gains) on Curtailments	261	475
Liabilities Extinguished on Settlements	(2,174)	-
Liabilities Assumed in a Business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	(131)	(132)
Estimated Benefits Paid	(3,799)	(4,157)
Closing Defined Benefit Obligation	84,228	130,801

Reconciliation of Fair Value of Employer Assets

Year Ended	31-Mar-09 £'000	31-Mar-10 £'000
Opening Fair Value of Employer Assets	58,237	42,829
Expected Return on Assets	3,937	2,514
Contributions by Members	644	571
Contributions by Employer	2,912	3,144
Contributions in respect of Unfunded Benefits	131	132
Actuarial Gains / (Losses)	(16,490)	14,582
Assets Distributed on Settlements	(2,612)	-
Assets Acquired in a Business Combination	-	-
Exchange Differences	-	-
Unfunded Benefits Paid	(131)	(132)
Benefits Paid	(3,799)	(4,157)
Closing Fair Value of Employer Assets	42,829	59,483

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 £0.207 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 31/3/09			At 31/3/10		
	Fair value of Assets £'000	Asset Distribution %	Expected Return %	Fair value of Assets £'000	Asset Distribution %	Expected Return %
Equities	21,415	50.0	7.0	39,854	67.0	7.8
Bonds	10,707	25.0	5.4	14,276	24.0	5.0
Property	3,426	8.0	4.9	3,569	6.0	5.8
Cash	7,281	17.0	4.0	1,784	3.0	4.8
Total	42,829	100.0	5.9	59,483	100.0	6.9

The above asset values as at 31 Mar 2010 are at bid value as required under FRS17.

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-06 £'000	31-Mar-07 £'000	31-Mar-08 £'000	31-Mar-09 £'000	31-Mar-10 £'000
Actuarial Gains/(Losses)	(2,896)	6,133	9,125	(9,303)	(28,429)
Actuarial Gains/(Losses) recognised in STRGL	(2,896)	6,133	9,125	(9,303)	(28,429)
Cumulative Actuarial Gains and Losses	(19,073)	(12,940)	(3,815)	(13,118)	(41,547)

Amounts for the current and previous accounting period

Year Ended	31-Mar-06 £'000	31-Mar-07 £'000	31-Mar-08 £'000	31-Mar-09 £'000	31-Mar-10 £'000
Fair Value of Employer Assets	65,749	63,422	58,237	42,829	59,483
Present Value of Defined Benefit Obligation	(111,067)	(102,149)	(88,565)	(84,228)	(130,801)
Surplus / (Deficit)	(45,318)	(38,727)	(30,328)	(41,399)	(71,318)
Experience Gains / (Losses) on Assets	9,430	(76)	(8,941)	(16,490)	14,582
Experience Gains / (Losses) on Liabilities	(64)	80	2,323	(60)	(63)

Note that the Cumulative Actuarial Gains and Losses are based on the full available history of Actual Gains and Losses for the Employer.

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 of £686k.

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.

40 Analysis of Government Grants

	2008/09 £'000	2009/10 £'000
Homelessness Coordinator	312	289
Council tax Benefit Admin	-	-
Concessionary Fares	562	518
HRA balance sheet other government grants	132	(1,023)
Other	200	(277)
Total grants	1,206	(493)

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

	2008/09 Restated £'000	2009/10 £'000
Income and Expenditure Account Deficit for year	19,891	25,824
Non-cash transactions		
Depreciation & Impairment of Fixed Assets	(21,181)	(21,992)
Amortisation of Intangible Fixed Assets	(220)	(202)
Amortisation of Capital Grants Deferred	541	505
Deferred Charges financed from Capital Resources	(1,611)	(1,314)
Net losses on the disposal of fixed assets	(35)	-
Repayment of capital grants deferred	-	-
Net charges for retirement benefits	106	(4,766)
Other	-	24
	(22,400)	(27,745)
Items on an accrual basis		
Increase/(decrease) in stock	(15)	56
Increase/(decrease) in revenue debtors	(199)	9,631
(Increase)/decrease in revenue creditors	1,261	(1,006)
	1,047	8,681
Items classified differently		
Interest payable	1,511	(1,466)
Interest receivable	(1,069)	80
Dividends received	(25)	(25)
Major preceptors element of net council tax collected against precepts paid (previously held within revenue activities)	(6,829)	(6,942)
	(6,412)	(8,353)
Net cash outflow from revenue activities	(7,874)	(1,593)

42 Movement in Liquid Resources

	31 March 09 Restated £'000	31 March 10 £'000	Increase/ (decrease) £'000
Short term deposits (excluding interest)	3,372	13,672	10,300

The net increase/decrease in other liquid resources line captures the difference between the major preceptors' share of net cash collected from Council Tax and the net cash paid as precept for the year. It also captures the difference between NNDR payments to the pool and NNDR receipts (less cost of collection). This is a new requirement for our 2009/10 statement of accounts and is due to a revision to the Statement of Recommended Practice. Previously the amounts would have sat within revenue activities - precepts paid and council tax receipts.

The new treatment has been followed in the 2009/10 and 2008/09 cash flow figures (the 2008/09 column confirms that the figures are revised).

SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH

2009 £000		Note	2010 £000
	Expenditure		
4,312	Repairs & Maintenance	2	4,292
4,551	Management & Supervision	3	5,662
80	Rents, rates, taxes and other charges		41
5	Rent Rebates	4	-
1,511	Housing Subsidy payable	5	1,794
16,741	Depreciation and Impairment of fixed assets	6	14,118
44	Debt Management costs		64
81	Increase provision for bad / doubtful debts	7	(42)
27,325			25,929
	Income		
14,322	Dwelling Rents	8	15,101
241	Non-dwelling Rents		234
1,151	Charges for services and facilities		1,313
15,714			16,648
11,611	Net Cost of HRA Services		9,281
-	(Gains) / losses on sale of HRA fixed assets		-
1,605	Interest payable and similar charges	9	1,517
(200)	Interest and Investment Income		(36)
13,016	(Surplus) / Deficit for year on HRA services		10,762

STATEMENT OF MOVEMENT ON THE HRA BALANCE

2008/09 £'000			2009/10 £'000
13,016	(Surplus) / Deficit for year		10,762
	Amounts included in the HRA Income and Expenditure Account but required by statute to be excluded when determining the movement in the HRA balance for the year		
-	Net charges made for retirement benefits in accordance with FRS17	17	-
(13,893)	Difference between any other item determined in accordance with the SORP and determined in accordance with HRA statutory requirements - Impairment of fixed assets	6	(10,141)
	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		
197	Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the statutory charge for the year	9	59
(23)	Transfer from Major Repairs Reserve	10	(1,075)
213	Employers' contributions payable to the Pension Fund	17	207
295	Voluntary set aside for debt repayment	11	280
(195)	(Increase) / Decrease in the Housing Revenue Account balance		92
3,080	Housing Revenue Account surplus brought forward		(3,275)
3,275	Housing Revenue Account surplus carried forward	11	(3,183)

NOTES TO THE HOUSING REVENUE ACCOUNT

1 The Housing Revenue Account (HRA)

The housing revenue account fulfils a statutory obligation to account separately for local authority housing provision, as defined in Schedule 4 of the Local Government and Housing Act 1989. It shows the major elements of expenditure on council houses - maintenance, administration and depreciation costs - and how these are met by rents and other income. The account is included within the Council's 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 17 on page 49).

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. The residual adjustments were cleared in 2009/10 and related 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 £1.795 million in 2009/10 (£1.511 million in 2008/09), 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:-

	2008/09 £'000	2009/10 £'000
Pre-reinforced concrete houses subsidy	-	-
"Negative subsidy" for year	(1,511)	(1,794)
Net subsidy payable for the year	(1,511)	(1,794)

The negative subsidy for 2009/10 includes a £2.914 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 2009/10 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:

2008/09 £'000	Type of Tangible fixed asset	2009/10 £'000
2,789	Dwellings	3,961
-	Other Land & Buildings	12
8	Vehicles, plant and equipment	8
2,797	Total Depreciation	3,981

A total of £10.141 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 £238,957 at 31 March 2010 (£246,868 at 31 March 2009). The amount of rent arrears in respect of current and former tenants at 31 March 2010 was £545,523 (£502,446 at 31 March 2009). This is equivalent to approximately 3.61% of the total due from tenants in 2009/10 (3.5% in 2008/09).

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 2009/10 a sum of £3.981 million (representing the depreciation on HRA assets) was credited to this account. Subsequently £2.914 million was used to finance capital expenditure and £1.067 million transferred back to the HRA to offset the excess of depreciation over the MRR. The balance on this account was nil 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, no amount is earmarked for specific purposes as shown below.

	Balance at 1 April £'000	Approp'ns to balance in year £'000	Approp'ns from balance in year £'000	Balance at 31 March £'000
Earmarked for repayment of deferred purchase scheme	280	-	280	-
Unallocated balance	2,995	187	-	3,182
Total 2009/10	3,275	187	280	3,182
Total 2008/09	3,081	489	295	3,275

The deferred purchase scheme (repayment of money borrowed to construct new houses on the former Podsmead Allotment site at Badger Vale in 1989/90) was fully settled in 2009/10.

12 Capital Expenditure

Total capital expenditure on HRA assets during the year was £11.815 million, £11.683 of which was spent on improvements and modernisations to dwellings, and £0.132 m on property acquisitions.

Capital expenditure requiring financing was £11.815 million, which was financed by £8.851 million borrowing (for which the costs are met by government subsidy), £2.914 million from the Major Repairs Reserve, and £0.050 million from usable Capital Receipts.

13 Fixed Assets

Government regulations requires a full stock valuation on council dwellings 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-09	31-Mar-10
Houses	2,332	2,332
Flats	2,186	2,185
Shared ownership (whole equivalents)	29	26
Total Stock	4,547	4,543
<u>Age Analysis</u>		
Pre 1919	49	49
1919 - 1944	698	698
1945 - 1964	2,275	2,274
1964 onwards	1,525	1,522
Total Stock	4,547	4,543

The dwellings were valued at 31 March 2010 at £211.38 million (£212.89 million at 31 March 2009) - see note 11 to the balance sheet, page 42.

Other operational assets, comprising garages, were valued at £0.493 million at 31 March 2010 (£0.600 million at 31 March 2009).

The value of non-operational property, comprising mainly estate shops, was £1.413 million at 31 March 2010 (£1.600 million at 31 March 2009).

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 £213.95 million at 31 March 2009. With vacant possession the dwellings would have had an estimated value of £486.25 million, thereby recognising an economic cost of providing council housing at less than open market rents of £272.3 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.

2008/09 £000's	HRA Capital Receipts Receivable	2009/10 £000's
204	- Dwellings	355
204	Total	355

17 Pensions

From 2009/10 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.

COLLECTION FUND FOR YEAR ENDED 31ST MARCH

2009 £'000	<u>Expenditure</u>	Note	2010		
			£'000	£'000	£'000
52,610	Precepts & Demands	3		54,500	
381	Write Offs - Council Tax			394	
44,857	Business Rates	2			
179	- payment to national pool		44,314		
	- cost of collection		177	44,491	
51	Distribution of previous years' estimated Collection Fund surplus				
	- Council Tax			79	
98,078					99,464
	<u>Income</u>				
45,865	Council Tax	1		46,950	
6,958	Transfers from General Fund - council tax benefits			8,091	
45,036	Collectable from Business Ratepayers	2		44,492	
546	Adjustment of Previous Years' Council Tax			(119)	
98,405					99,414
327	Increase/(decrease) in Fund				(50)
158	Balance of Fund at beginning of year				485
327	Increase/(decrease) in year	4			(50)
485	Balance of Fund at 31 March	4			435

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	70	5/9	39
Disabled A	12,900	6/9	8,600
B	12,564	7/9	9,772
C	11,072	8/9	9,842
D	4,883	9/9	4,883
E	3,109	11/9	3,800
F	766	13/9	1,106
G	150	15/9	250
H	2	18/9	4
Total	45,516		38,296
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)			(479)
Add contributions in lieu of government properties			1
Council Tax Base for 2009/10			37,818
Council Tax Base for 2008/09			37,596

NOTES TO THE COLLECTION FUND

2 Income from Business Ratepayers

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

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

The total non-domestic rateable value at 31 March 2010 was £110.98 million (£107.45 million at 31 March 2009) and the national non-domestic multiplier for 2009/10 was 48.5p (2008/09 45.8p), resulting in gross income before transitional, small property, empty property and mandatory relief, write offs, provision for bad debts and interest of approximately £52.6 million. The income shown in the collection fund of £45 million is net of these adjustments.

3 Precepts and Demands

	2008/09 £'000	2009/10 £'000
Gloucestershire County Council	38,963	40,312
Gloucestershire Police Authority	7,085	7,337
Gloucester City Council	6,562	6,849
Total	52,610	54,498

4 Fund Balance

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

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 according to the proportion that their precept constitutes of the total for precepts for that year.

The effect of the 2009 SORP is that the Collection Fund balance in the Balance Sheet disappears. The surplus/deficit will be shared out in its entirety between the Council and County Council and Police Authority. The County and Police will be carried as creditors/debtors and the Council's share will be credited to the I and E Account. The Collection Fund Adjustment Account is then needed to reconcile the net credit made to the I and E account for council tax to the statutory amount in the Statement of General Fund Movement.

The deficit for 2009/10 is £0.050 million (2008/09 surplus £0.327 million). This is proportioned:

	2008/09 £'000	2009/10 £'000
Gloucestershire County Council	241	(37)
Gloucestershire Police Authority	45	(7)
Gloucester City Council	41	(6)
Total	327	(50)

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 (in which the council has a 18.18% share) 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 17 to the council's balance sheet (pages 48 - 49).

Trust funds administered by the council (see note 37, page 60) 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) Aspire 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).

This treatment is a policy change from prior year (2008/09 is shown as restated figures) in order to bring the Gloucestershire Airport Ltd accounts in line with Gloucester City Council policies.

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, GL1 Sports Ltd and Aspire Sports and Cultural Trust are shown within their relevant services with inter organisation transactions eliminated. As an associated company, the council's share 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.

2009 Net £'000	Service	2010 Expenditure £'000	2010 Income £'000	2010 Net £'000
1,499	Central Services to the Public	11,074	9,590	1,484
15,492	Cultural, Environmental and Planning services	29,485	10,358	19,127
1,152	Highways, Roads and Transport services	7,128	3,896	3,232
11,637	Housing Revenue Account	24,730	15,036	9,694
1,611	Other Housing Services	42,087	41,181	906
1,863	Corporate and Democratic Core	1,795	600	1,195
1,468	Non-Distributed costs	504	-	504
954	Exceptional Items	1,102	1	1,101
35,676	NET COST OF SERVICES OF GROUP	117,905	80,662	37,243
(67)	Share of operating result of Gloucestershire Airport Ltd	12		12
24	Share of operating result of Barton & Tredworth Developments Ltd	8		8
35,633	NET COST OF SERVICES	117,925	80,662	37,263
35	(Gains) / losses on sale of fixed assets			-
192	Precepts paid to parish councils			193
(549)	(Surplus) / Deficit on other trading operations			2,349
1,455	Interest payable			1,458
30	Share of interest payable of Gloucestershire Airport Ltd			62
120	Contribution to Housing Pooled Receipts			149
(1,093)	Interest and Investment Income			(80)
(5)	Share of interest and Investment income of Gloucestershire Airport Ltd			-
(16)	Share of interest and investment income of Barton and Tredworth Developments Ltd			-
2,100	Pensions Interest and Expected Return			3,202
16	Share of taxation of Associates and Joint Ventures			(9)
37,918	NET OPERATING EXPENDITURE			44,587
	Less Funding			
(6,612)	Income from collection fund			(6,898)
(2,225)	General Government Grants			(2,134)
(9,433)	Contribution from non-domestic rate pool			(8,775)
19,648	(SURPLUS) / DEFICIT FOR THE YEAR			26,780

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

2008/09 £'000		2009/10 £'000
19,891	Deficit on the council's Income and Expenditure Account	25,829
68	Add dividend income from subsidiaries and joint ventures included in the deficit on the Income and Expenditure Account	25
	Add (surplus) / deficit arising from the other entities of the group	
(288)	Subsidiaries	858
(31)	Joint Ventures	60
8	Associates	8
19,648	Group Accounts Deficit for the year	26,780

GROUP ACCOUNTS

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2008/09 Restated £'000		2009/10 £'000
19,648	Deficit on the Income and Expenditure Account for the Year	26,780
(43,247)	Deficit / (Surplus) arising from the revaluation of fixed assets	(2,486)
10,170	Actuarial (Gains) / Losses on pension fund assets and liabilities	31,716
	Prior Year adjustments recognised in the current year (see note 2 page 36) :-	56,010
-	2009 SORP adjustment to Collection Fund	61
(21,604)	Airport Revaluation	(21,596)
(35,033)	Total recognised (gains) or losses in the year	34,475

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 an decrease of approximately £1.2 million in balances and reserves compared to those of the city council.

GROUP ACCOUNTS

GROUP BALANCE SHEET AS AT 31 MARCH

Revised 2009 £'000		2010	
		£'000	£'000
	Fixed Assets		
1,622	Intangible Fixed assets		1,614
	Tangible fixed assets		
	Operational Assets		
212,894	-Council Dwellings	211,375	
44,014	-Other Land and Buildings	42,483	
2,623	-Vehicles, Plant, Furniture & Equipment	2,535	
9,674	-Infrastructure Assets	10,128	
	Non-Operational Assets		
31,823	-Investment properties	31,930	
1,563	- Under construction	1	
401	-Surplus assets held for disposal	401	
302,992			298,853
22,344	Long Term Investments	21,931	
206	Long Term Debtors	206	
-	Deferred premiums	-	22,137
327,164	Total Long Term Assets		322,604
	Current Assets		
59	Stock	120	
9,534	Debtors	14,328	
4,396	Short Term Investments	14,935	
	Cash at Bank and in hand		29,383
341,153	Total Assets		351,987
	Current Liabilities		
2,390	Cash Overdrawn	1,119	
4,115	Temporary Borrowing	38,047	
13,445	Creditors	11,918	
19,950			51,084
321,203	Total Assets less Current Liabilities		300,903
28,989	Long Term Borrowing	29,099	
1	Deferred liabilities	0	
14,820	Capital Grants Deferred Account	16,565	
585	Provisions	432	
42,550	Pension Scheme Liability	74,979	
86,945			121,075
234,258	Total Assets less Total Liabilities		179,828
85,333	Revaluation Reserve	87,635	
(637)	Financial Instruments Adjustment Account	(574)	
484	Collection Fund Adjustment Account	54	
179,936	Capital Adjustment Account	158,858	
205	Usable Capital Receipts Reserve	543	
-	Major Repairs Reserve	-	
185	Deferred Credits	191	
4,411	Earmarked Revenue Reserves	2,173	
(41,399)	Pension Reserve	(71,318)	
228,518			177,562
	Revenue Balances		
1,670	General Fund	1,670	
3,596	Housing Revenue Account	582	
474	Share of profit and loss and other reserves of associates and joint ventures	14	
			2,266
234,258	Total Group Balances and Reserves		179,828

GROUP ACCOUNTS

GROUP CASHFLOW STATEMENT AS AT 31 MARCH

Revised 2009 £'000		2010	
		£'000	£'000
	Revenue Activities		
	Cash Outflows		
15,579	Cash paid to and on behalf of employees	16,116	
37,835	Other operating cash payments	31,862	
20,941	Housing benefit paid out	28,129	
192	Precepts paid (excluding payments to major preceptors)	193	
331	Payments to capital receipts pool	161	
-	Other government grants	1,300	
74,878			77,761
	Cash Inflows		
7,188	Rents (after rebates)	7,092	
5,820	Council tax receipts (excluding major preceptors' share of receipts)	3,358	
179	Non-domestic rate receipts	177	
9,433	Receipts from NNDR pool	1,385	
1,329	Revenue support grant	2,247	
38,554	DWP grants for benefits	47,380	
1,206	Other Government grants	807	
12,683	Cash received for goods and services	11,201	
1,137	Other revenue cash receipts	273	
77,529			73,920
(2,651)	Revenue activities net cash (inflow)/outflow		3,841
	Dividends from joint ventures and associates		
	Cash Inflows		
(25)	Dividends Received		(25)
	Returns on Investments and Servicing of Finance		
	Cash Outflows		
1,547	Interest paid	1,458	
9	Tax paid	5	
	Cash Inflows		
1,360	Interest received	192	
196			1,271
	Capital Activities		
	Cash Outflows		
20,741	Purchase of fixed assets	18,652	
1,851	Other capital cash payments	1,099	
22,592		19,751	
	Cash Inflows		
239	Sale of fixed assets	562	
2,064	Capital grants received	1,053	
39	Other capital cash receipts	33	
2,342		1,648	
20,250			18,103
17,770	Net cash (inflow)/outflow before financing		23,190
	Management of Liquid Resources		
(16,947)	Net increase/(decrease) in short term deposits	9,743	
-	Net increase/(decrease) in long term deposits	-	
7,900	Net increase/(decrease) in other liquid resources	-	
(9,047)			9,743
	Financing		
	Cash Outflows		
68,178	Repayments of amounts borrowed	110,145	
	Cash Inflows		
-	New long term loans raised	-	
(69,759)	New short term loans raised	(144,348)	
(1,581)	Net (increase) / decrease in borrowing		(34,203)
7,142	Net decrease / (increase) in cash		(1,270)

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

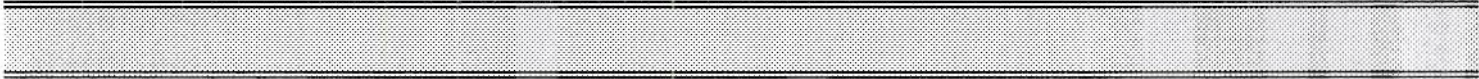
An estimate of likely actual expenditure, made towards the end of the financial year. Also referred to as 'Revised Estimate'.

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

NOTES TO THE COLLECTION FUND

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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 2010 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 auditors' 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 Director of Resources and auditors

The Director of Resources' 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 2009 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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of:

- 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 only 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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial position of the Authority and its Group as at 31 March 2010 and its income and expenditure for the year then ended.

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.

Auditors' 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.

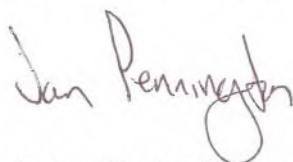
We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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 2010.

Certificate

We certify that we 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.

A handwritten signature in dark ink, appearing to read 'Ian Pennington', is written over a faint, larger version of the same signature.

Ian Pennington (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditors

Chartered Accountants

3 Assembly Square

Britannia Quay

Cardiff

CF10 4AX

30 September 2010