
GLOUCESTER CITY COUNCIL

CONTENTS

	Page
Welcome to the Statement of Accounts 2010/11	1
Statement of Responsibilities for the Statement of Accounts	2
Annual Governance Statement 2010/11	3
Annual Governance Action Plan 2010/11	15
Foreword to the Accounts	17
Statement of Accounting Policies	23
The Core Financial Statements	
Movement in Reserves Statement	31
Group Movement in Reserves Statement	32
Comprehensive Income and Expenditure Statement	33
Group Comprehensive Income and Expenditure Statement	34
Balance Sheet	35
Group Balance Sheet	36
Cash Flow Statement	37
Group Cash Flow Statement	38
Notes to the Core Financial Statements	39
The Supplementary Financial Statements	
Housing Revenue Account	77
Collection Fund	83
Glossary of Financial Terms	85
Audit Report	
Audit Report	89

INTRODUCTION

Gloucester City Council

Welcome to the Statement of Accounts 2010/11

The financial year 2010/11 was the third year in the span of the Council's corporate plan, 'Building a Better Gloucester'. A council tax increase of 2.5% was set.

The average council tax band in Gloucester is band D and the council tax set for this band was £180.42. 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.

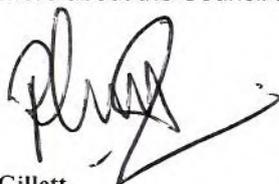
We have improved the way we present our financial information. This is because we want residents and others to understand how the Council's services are financed.

The 2010/11 annual report will be published in October 2011.

Finally, two 'thank yous'.

Firstly, to the Finance Team, which has produced this much changed document following the revised guidelines surrounding the International Financial Reporting Standards (IFRS).

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

Corporate Director of Resources (Section 151 Officer)

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's responsibilities

The authority is required:

- * to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director 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.

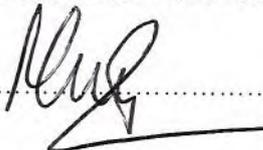
Responsibilities of The Director of Resources (Section 151 Officer)

The Corporate 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').

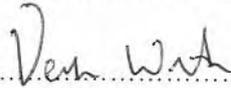
In preparing the statement of accounts, the Corporate Director of Resources (Section 151 Officer) has:

- * 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 2011 and its income and expenditure for the year ended 31 March 2011.

Signed  Dated 27/9/2011

Peter Gillett CPFA
Corporate Director of Resources (Section 151 Officer)

Signed  Dated 27.09.2011

Chair of Audit Committee

ANNUAL GOVERNANCE STATEMENT

Review of 2010/11 and Actions Required in 2011/12

ANNUAL GOVERNANCE STATEMENT

1.0 Scope of responsibility

- 1.1 Gloucester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded properly accounted for, and used economically, efficiently and effectively. Gloucester City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Gloucester City Council is responsible for putting in place proper arrangements for the governance of its affairs, to facilitate the effective exercise of its functions.
- 1.3 Gloucester City Council has approved and adopted a 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 or the Monitoring Officer. 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 (England) Regulations 2011 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 it's the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Gloucester City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at Gloucester City Council for the year ended 31st March 2011, 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 in 2010/11 were detailed as part of the corporate plan, entitled 'Building a Better Gloucester'. This Plan focused on the outcomes that the residents of Gloucester stated were important to them, and has been 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 25th May 2010, the Council approved the 2010/11 update to the Corporate Plan.

4.4 The '2010/11 Plan' refreshed and updated the Corporate Plan for the third year of the 3-year Plan. It reflected the learning and achievements of the first two years; 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 Forward Plan of member decisions, which contains details of the key decisions and major budget and policy decisions, is reviewed and approved by Cabinet monthly. It is subject to scrutiny by the Overview and Scrutiny Management Committee, who also use it to inform their work plan. A copy of the Forward Plan is also published on the Council's web site.
- 4.6 Performance monitoring against key aims, as set out in 'Building a Better Gloucester' and in Service Delivery plans, is a vital part of the Council's improvement agenda. During 2010/11, the method of reporting performance measures was changed. In order to streamline the reporting process, and to help focus on areas requiring attention, monthly exception reporting to GLT (Gloucester Leadership Team) and Cabinet was introduced. These reports were also made available to the Overview & Scrutiny Committee.
- 4.7 In March 2011, Cabinet received a report on some of the key achievements from the Corporate Plan 2010/11 'Building a Better Gloucester'. Cabinet endorsed the recommendation that a full report on the performance of the corporate plan 2010/11 be published in July 2011.
- 4.8 Data quality is important for Local Authorities as decisions are made based on data that is produced, and, the Council 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, Cabinet, and, Committees.
- 5.2 The relationship between Councillors and officers is essential to the successful working of the Council. This relationship within the authority is characterised by mutual respect, informality and trust. The Council has adopted a 'Councillor – Officer Relations' protocol to help councillors and officers perform effectively by giving guidance on their respective roles and expectations, and, on their relationship with each other.
- 5.3 The Council has adopted a Scheme of Delegation detailing the delegation of responsibilities and functions to the Council, Cabinet, individual Cabinet Members, Committees, and, officers.

5.4 Under the Local Authorities (Members Allowances) (England) Regulations 2003, local authorities are required to have in place a scheme which sets out payments of allowances to councillors. The 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 current scheme 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 and complaints that Members have breached the Code are dealt with by the Council's Standards Committee. Staff are also expected to maintain high standards of behaviour at all times. Their terms and conditions of employment and related matters are set out in the Employee Handbook, which incorporates an officer Code of Conduct based on a national model. The Council's Constitution also contains a number of protocols in respect of Member/Officer and Member/Member relations, and a whistle-blowing policy for employees.

6.2 The Council has a complaints procedure that enables dissatisfied members of the public to raise concerns. The Council view all comments, whether they are complaints or compliments, as a valuable way of collecting continual feedback about services and how it can help improve the services provided.

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 Council, and includes a section on Decision Making Criteria

7.2 In accordance with the statutory requirement the Council has established an overview and scrutiny function. The Overview and Scrutiny function is a central element of the Council's aims and objectives and a key part of the democratic structure. The Overview and Scrutiny Committee meets in public to discuss, and make, recommendations on the development of policies and to hold the Cabinet Members to account for both their actions and performance.

- 7.3 The Council's Democratic Services section maintains the up to date Register of Members' Interests on behalf of the Monitoring Officer and also ensures that Members are reminded at least annually to update their record. Declarations of Interest are a standard agenda item for each main Committee meeting. The requirement for staff to declare interests is included in the Officers Code of Conduct – Council Constitution Part 5, Codes and Protocols.
- 7.4 Risk Management is essentially about good management practice and effective decision making. It can be defined as:
- ‘A logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring, and communicating, risks associated with any activity, function or process in a way that will enable organisations to minimise losses and maximise opportunities’.
- 7.5 The Council recognises that all aspects of business risk must be managed. The Council has a Risk Management Strategy, the purpose of which is to provide a framework for the effective management of risks within the authority. The strategy contains the objectives of the strategy – linked to the council key aims, and guidance on the risk management cycle and scoring of risks.
- 7.6 The Gloucester Leadership Team and Cabinet are responsible for reviewing the Council's Strategic Risk Register. The Register was reviewed during the year to ensure any risks associated with the achievement of the Council's aims and objectives in the updated corporate strategy 'Building a Better Gloucester' had been identified. This will be further reviewed in 2011/12 to take account of the new 'Transforming Your City' Council Plan 2011-201 and an update reported to Cabinet for approval.
- 7.7 The Council has established an Audit Committee. The Terms of Reference for the Audit Committee cover the core functions of an audit committee as identified in the CIPFA guidance 'Audit Committees – Practical Guidance for Local Authorities'.
- 7.8 The Group Manager Legal and Democratic 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.
- 7.9 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. Following a review of the Council's whistleblowing arrangements by internal audit, it has been agreed that the Whistleblowing policy needs to be reviewed and consideration given on how to increase staff confidence in using the policy.

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

8.1 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.

8.2 Access to Member Development is a key element of the Local Code of Corporate Governance. The Council introduced a new approach to Member Training in 2010/11. This included the following:

- A new induction pack for successfully elected Councillors
- A new Members' Handbook issued to all Members of the Council
- A new approach to induction day which included an introduction to the Council from the Council's senior management team and a market place event.
- The provision of a new programme of member training. The new programme included joint working with Councils across Gloucestershire where appropriate.

In total 21 training courses were provided by the Council in 2010/11 and the total number of attendances was 178. This demonstrates that the new programme was well supported by Members of the Council in 2010/11.

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

9.1 A key element within the Council's corporate plan includes the Council's 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. During

2010/11 the Streetcare partnering board was dissolved and replaced by a revised Streetcare Forum. (Council 16/9/10)

- 9.3 During the year the Council's external auditor reported on their follow-up review of their 2007/08 report on the processes in place for managing outsourced service delivery. Their report identified the good progress made in implementing the recommendations and that partnership working was now generally better understood. The report did conclude that the Council needed to work with its partners to ensure that medium to long term strategies are embedded, so that partnerships can deliver corporate objectives.

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 the decision-making procedure laid out in the Constitution details the procedures designed to support open and accountable decision-making. A complete review of the Council's Constitution was completed in March 2009. During 2010/11, a number of further changes to the Constitution were made, and agreed by Council, to ensure it remained up to date. A copy of The Constitution can be found on the Council's website at www.gloucester.gov.uk.

12.0 The Cabinet

- 12.1 The Council determines the budgetary and policy framework. The principal decision-making body is the Cabinet (Executive). The Cabinet took all Key Decisions. Key Decisions are subject to pre-scrutiny by the Overview & Scrutiny Committee.
- 12.2 The key statutory document that sets the agenda for a rolling programme of future key decisions is the Forward Plan; hence this is a critical factor in the Council's overall decision-making process.
- 12.3 All 'executive' decisions taken by Cabinet and individual Cabinet are circulated to all councillors and may be subject to a call-in process for examination by the Overview & 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 cover the core functions of an audit committee as identified in the CIPFA guidance 'Audit Committees – Practical Guidance for Local Authorities.
- 13.3 In order to review its effectiveness, the Committee undertook a self-assessment exercise in 2010. This was based on the CIPFA Toolkit for Local Authority Audit Committees, and highlighted that the Committee was operating within a recognised best practice framework. Following the exercise, an action plan was prepared in order to address the limited number of issues that arose. Progress in the implementation of these actions will be monitored at subsequent Committee meetings.

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.
- 14.2 The introduction in Parliament of the Localism Bill, which is unlikely to receive Royal Assent much before the end of 2011, will have a significant impact on the Standards Committee and ethical standards generally. The Bill proposes that:-
- the requirement for local authorities to have a Standards Committee will be abolished, although such Committees may be appointed at the discretion of local authorities
 - the requirement to adopt a statutory Member Code of Conduct will be revoked, although Councils will be free to adopt a local code should they so wish.
 - The requirement for certain Member interests to be registered will remain.
 - Failure to register/declare an interest will be potentially punishable as a criminal offence.
- 14.3 In view of the above, the Standards Committee, in March 2011, recommended to Council that the Council should consider adopting a local Code of Conduct. This will be informed by the national best practice, currently being developed by the Association of Council Secretaries and Solicitors.

15.0 Overview and Scrutiny Committee

- 15.1 As part of the Council's Overview and Scrutiny arrangements, it has been agreed that the Overview and Scrutiny committee would 'provide and co-ordinate the input to an annual report to Full Council on such issues or topics as the Committee sees fit'. The first Overview and Scrutiny Annual Report was presented to Council in July 2010.
- 15.2 The Committee used an annual work programme to manage the business of the Committee during 2010/11 and there was an agreed programme of reviews to be carried out by Task & Finish Groups, with regular reporting on progress being made to the full Committee.

16.0 Internal Audit

- 16.1 Internal Audit is a legislative requirement of the Accounts and Audit (England) Regulations 2011. This requires the authority to undertake an adequate and effective internal audit of its accounting records and of its system of internal control. The Regulations also require the authority to review the effectiveness of its internal audit once a year, and that the findings of this review should be included in the Annual Governance Statement.
- 16.2 This 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 2011. The overall conclusion from the review was that internal audit at GCC is effective, confirming that the council, in accordance with the CIPFA Code of Practice can continue to place reliance on the Group Manager Audit & Assurance's opinion on the adequacy of the control environment.
- 16.3 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 2010-11 report by the Group Manager Audit & Assurance concludes:-
- 16.4 "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."

17. External Audit and Other Review/Assurance mechanisms

External Audit

- 17.1 External Audit is part of the process of accountability for public money. It makes an important contribution to the stewardship of public resources and the corporate governance of public services. The scope of External Audit work covers not only the audit of financial statements but also aspects of corporate governance.
- 17.2 In September 2010, the Council's External Auditor produced the Annual Governance Report relating to the 2009/10 audit of the Council's financial statements. The report identified the Auditor's findings in relation to the key risks affecting the Authority's 2009/10 financial statements. These risks related to the preparation of financial statements, Group Accounts and partnership working, implementing International Financial Reporting Standards (IFRS), and, payroll. A number of recommendations were made and an agreed management response provided.
- 17.3 In relation to 'audit matters of governance interest that arise from the audit of the financial statements' the report concluded that 'there were no other matters which we wish to draw to your attention'.
- 17.4 The audit of the financial statements in previous years 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. For the 2009/10 accounts and audit process, the Council put considerable effort into improving its financial reporting arrangements and we are pleased to report that this had a positive impact (Annual Audit Letter 2009/10 – November 2010) . Further technical resources have been deployed for the 2010/11 year end process, particularly to support the implementation of International Financial Reporting Standards (IFRS).

Director of Resources

- 17.5 The work of both Internal and External Audit has confirmed the Director of Resources' view, endorsed by GLT and the Corporate Governance Group, that essential ongoing improvement 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.
- 17.6 During the course of 2010/11 as part of the required improvements in financial management, the council-wide 'LEAN' review of financial processes was introduced. This aims to embed greater ownership of budgets and financial management with budget holders and managers. As a result of the improved processes, it is also identifying freed-up resources and financial savings. This work is ongoing and remains essential to enable the further step change in Financial Management across the authority, identified by the Director as being necessary for the council to achieve.

- 17.7 Risk Management is the process by which risks are identified, evaluated and controlled, and is a key element of the governance framework. During the year GLT and Cabinet reviewed the Risk Management Strategy and Risk Register.
- 17.8 In addition to the role that the Leader and the Cabinet member for Performance and Resources play in Risk Management, the Council has recently nominated a member 'Risk Champion', who, together with the Council's Group Managers, overseen by GLT, has been tasked with ensuring that the risk management process is embedded throughout the council.
- 17.9 A further source of assurance has been obtained from the use of Management 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.

19.0 Significant governance issues

- 19.1 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 ensure continuous improvement of the system is in place and key actions identified, as appended to this statement.
- 19.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed



Paul James
Leader of the Council



Julian Wain
Chief Executive

Annual Governance Statement Action Plan 2011-12

No.	Core Principle	Governance issue	Responsible Officer	Action Required
1	Take informed and transparent decisions, which are subject to effective scrutiny and managing risk.	The Gloucester Leadership Team and Cabinet are responsible for reviewing the Council's Strategic Risk Register. The Register was reviewed during the year to ensure any risks associated with the achievement of the Council's aims and objectives in the updated corporate strategy 'Building a Better Gloucester' had been identified. This will be further reviewed in 2011/12 to take account of the new 'Transforming Your City' Council Plan 2011-2014 and an update reported to Cabinet for approval (Paras 7.9 & 17.7-17.8)	Group Manager Audit & Assurance/Group Managers Group	<p>The Strategic Risk Register will be further reviewed in 2011/12 in line with the new Council Plan "Transforming Your City", and an update reported to Cabinet for approval.</p> <p>The new Member Champion for Risk management will support this process and help embed good practice across the council.</p>
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 2011/12. This will be combined with a further publicity drive for both staff and partners/contractors who work with the council.

No.	Core Principle	Governance issue	Responsible Officer	Action Required
3	Audit Committee	Good Practice in operation of Audit Committees - Review of Effectiveness of The Committee	Director of Resources/Group Manager Audit and Assurance	The Chairman of Audit Committee will report to the committee in 2011/12 with the outcome of the review of the effectiveness of the committee. Actions arising from the review will need to be overseen and implemented.
4	Director of Resources (S151 role), Internal Audit/External Audit	The work of both Internal and External Audit has confirmed the Director of Resources' requirement that the "LEAN review" of financial management processes continues to identify ongoing improvements in financial management. This will improve ownership and accountability for financial management processes, ensure that they are fully embedded across the council, and will identify/free-up resources and financial savings.	Director of Resources/Group Manager Financial Services	Ongoing implementation of the LEAN review of Financial processes, supported by the 'LEAN Review Project Team' (comprising representatives from across the council). This will improve ownership and accountability for financial management processes, ensure that they are fully embedded across the council, and will identify/free-up resources and financial savings.

FOREWORD TO THE ACCOUNTS

FOREWORD TO THE ACCOUNTS

WHAT IS INCLUDED IN THIS STATEMENT?

The Council's overall accounts for the year ended 31 March 2011 are set out on pages 23 - 84. The accounts consist of the following :-

* the Statement of Accounting Policies (pages 23 - 30). This section explains the basis of the figures used in the accounts.

* the Core Financial Statements and the Group accounts (pages 31 - 38), comprising:

- Movement in Reserves;
- Group Movement in Reserves;
- Comprehensive Income and Expenditure Statement;
- Group Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Group Balance Sheet;
- Cash Flow Statement; and
- Group Cash Flow Statement.

Group accounts combine 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), Barton & Tredworth Developments Ltd (in which the council has a quarter partnership share) and Aspire Sports and Cultural Trust (a company limited by guarantee), Marketing Gloucester (in which the Council has 50% shareholding) and Gloucester Heritage Urban Regeneration Ltd (which the council has 13% shareholding).

* the Supplementary Statements, comprising:

- the Housing Revenue Account (pages 77 -82), showing separately the revenue income and expenditure during the year relating to the provision of council houses.
- the Collection Fund (pages 83 - 84), 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.

A Glossary of terms, explaining some of the terms used in this statement, is shown on pages 85 - 88.

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 2010/11.

All of the modifications follow changes to the Code.

The Comprehensive Income and Expenditure Account (CIES) 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 Council's Group CIES for 2010/11 shows a surplus on Provision of Services of £2.236million.

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 (£0 in 2009/10), maintaining a year end General fund balance of £1.67 million.

FOREWORD TO THE ACCOUNTS

GLOUCESTER CITY COUNCIL GROUP STATEMENT OF ACCOUNTS				
SUMMARY STATEMENT				
For the years ended 31 March 2011				
2009/10 Net Expenditure	Description	2010/11		
		Gross Expenditure	Gross Income	Net Expenditure
	Gross expenditure, gross income and net expenditure of continuing operations			
1,564	<i>Central Services to the public</i>	11,981	10,588	1,393
	Cultural, environmental, regulatory and planning services			
5,055	Cultural Services	9,845	6,199	3,646
5,902	Environmental Services	9,012	2,413	6,599
4,238	Planning and Development Services	4,983	2,150	2,833
5,710	Service Management and Support Services	2,303	603	1,700
1,276	Highways and transport services	4,056	3,731	325
9,555	Housing Revenue Account (HRA)	34,692	31,888	2,804
909	Other Housing Services	42,422	40,294	2,128
1,195	Corporate and Democratic Core	1,971	742	1,229
504	Non distributed costs	(11,431)	-	(11,431)
1,021	Exceptional Items	380	(2)	382
1,957	Service transferred to Gloucestershire County Council	2,238	535	1,703
38,886	NET COST OF SERVICES	112,452	99,141	13,311
342	Other Operating Expenditure (Note 8)			458
4,683	Financing and investment income and expenditure (Note 9)			3,989
(19,092)	Taxation and Non-specific Grant Income (Note 10)			(19,651)
	Share of the Surplus or Deficit on the provision of Services			
74	Joint Ventures			(363)
86	Associates			(1)
	Tax Expenses of Associates and Joint Venture			
(14)	Joint Ventures			18
2	Associates			2
2	Subsidiary			2
24,969	Group (surplus) or Deficit on Provision of Services			(2,236)
(4,588)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(3,920)
-	Surplus or deficit on revaluation of available for sale financial assets			0
31,716	Actuarial gains/losses on pension assets / liabilities			(20,515)
	Share of Other Comprehensive Income and Expenditure			
715	Joint Ventures			(322)
-	Associates			0
27,843	Group Other Comprehensive Income and Expenditure			(24,757)
52,812	Total Comprehensive Income and Expenditure			(26,992)

FOREWORD TO THE ACCOUNTS

Gloucester City Council Overall Financial Position

The Gloucester City Council financial position at 31 March 2011 is considered to be sound by Gloucester City Council Leadership Team.

The fixed assets held by the council are estimated to have a current value of £290.055 million, of which £209.045 million relates to council dwellings.

Assets less liabilities of the council (Net Assets), as shown on the balance sheet (page 35), totalled £188.836 million at 31 March 2011, an increase of £20.829million over the previous year. This was mainly due to a decrease in the liability related to the council's pension scheme (which decreased by £27.730 million).

Long and short term borrowing was £89.836 million at the year end, an increase of £22.114 million over the previous year. The majority of the 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.

Long and short term Investments at the year end were £25.172 million, an increase of £10.977 million over the previous year.

Earmarked revenue reserves, which are reserves set aside for specific purposes, were £0.741million at the year end, a decrease of £1.432million over the previous year. Provisions were £0.381 million at 31 March 2011, a reduction of £0.228 million over that of 31 March 2010.

Capital grants and contributions, available to fund future capital expenditure and required to meet development obligations, were £2.076 million at the year end and usable capital receipts, also available to fund capital expenditure, were £0.399 million.

Since the Council is 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 2011 the authority's share of the pension fund deficit was £43.588 million (decreased from £71.318 million at 31 March 2010). 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 approximately 85 pence in the pound. Previously, they quoted a range from 79 to 85 pence in the pound. To date over £1.030 million 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 continued to have a dramatic impact on the council's income during the year. 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. Added to these pressures in future years will be the reduction in Central Government Settlement Grant.

As part of the Council's approved 3-Year Money Plan, we established a distinction between shorter-term pressures and base budget ongoing pressures. The shorter-term reductions in income for 2010/11, 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. It has been identified, for future years, that some of the pressures previously identified as short-term, can no longer be classified as such. This leads to an increased target for spending reductions in the Council's financial plans.

FOREWORD TO THE ACCOUNTS

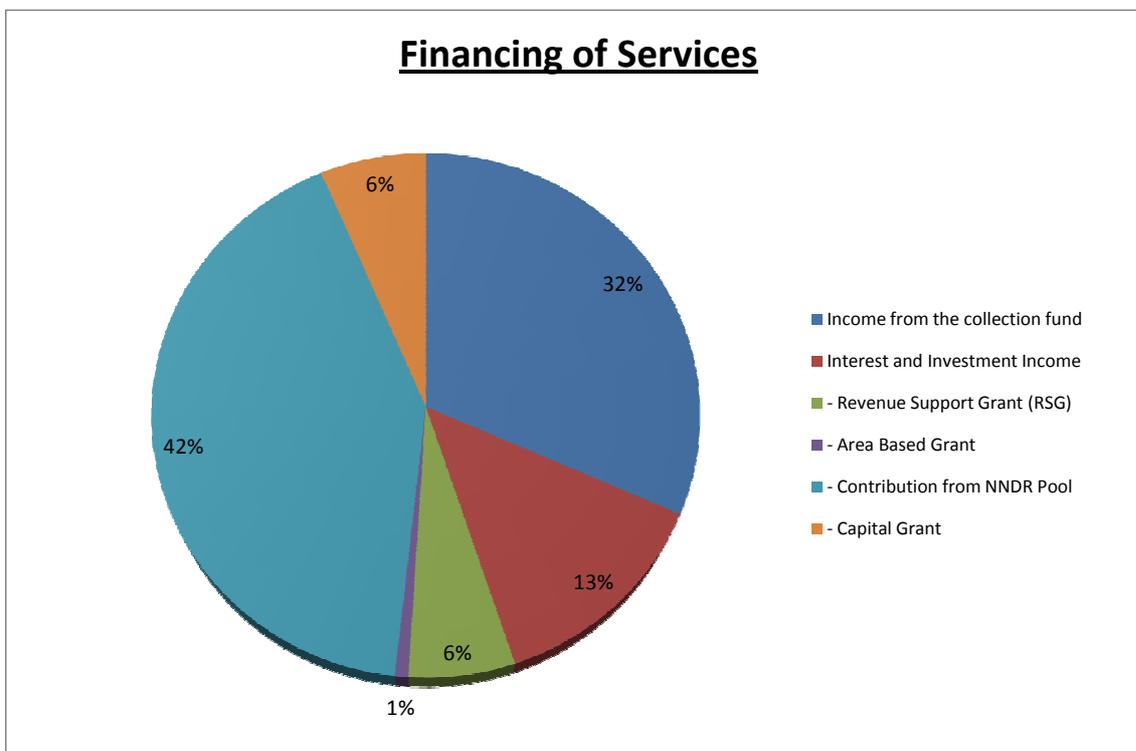
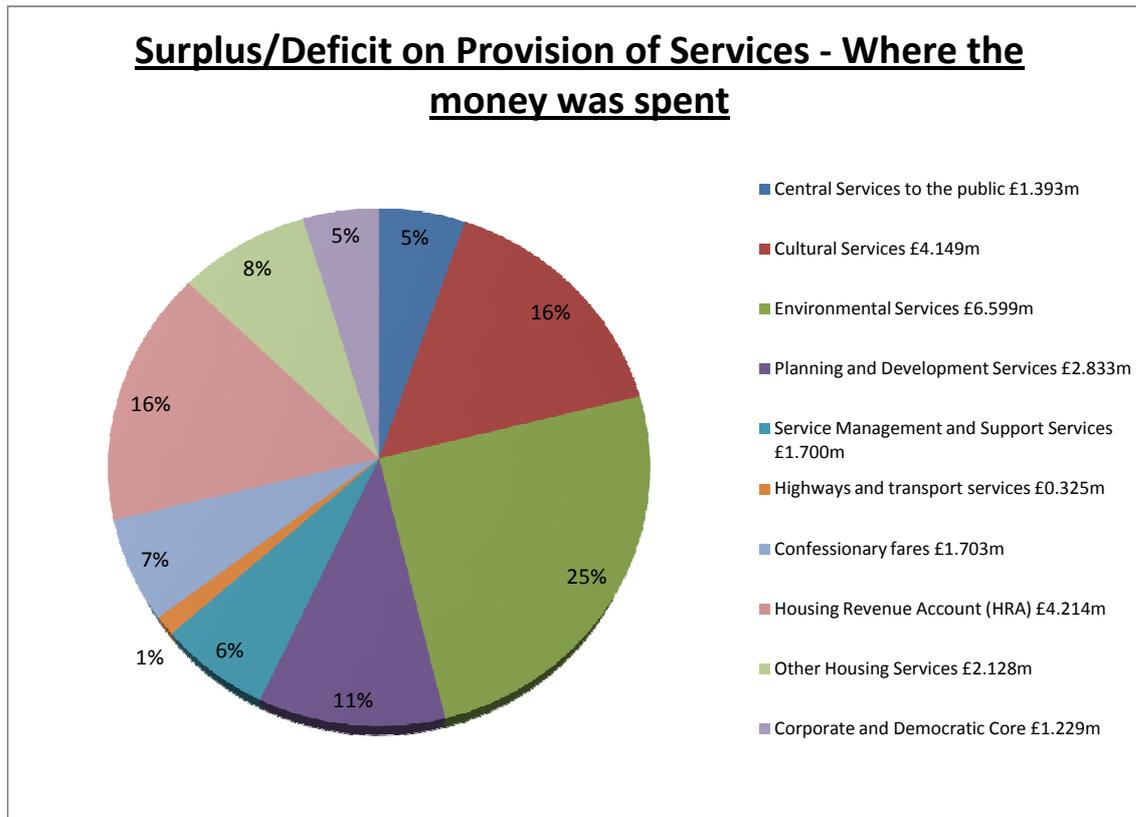
Further Information

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 23 - 30 and a glossary explaining some of the technical terms used is included on pages 85 - 88.

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

FOREWORD TO THE ACCOUNTS

The Council finances its net general fund expenditure from local taxpayers and central government grant. The following pie chart shows the net cost of services position over the various service areas.

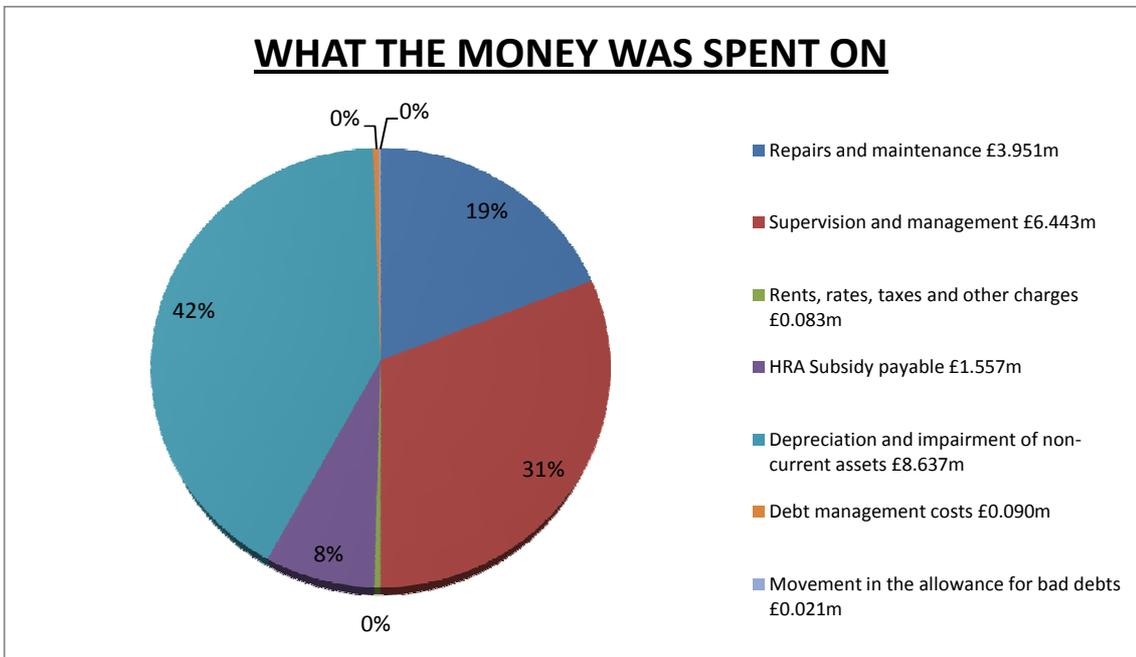
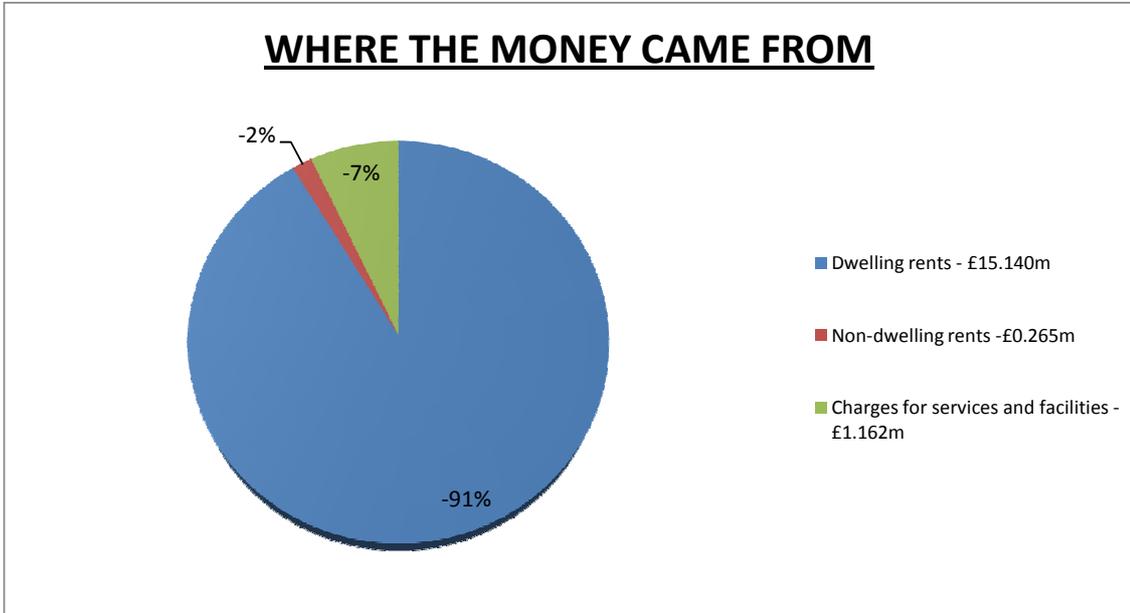


FOREWORD TO THE ACCOUNTS

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 77 - 81.

An analysis of the account is shown graphically below:



STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES

STATEMENT OF ACCOUNTING POLICIES

1 GENERAL PRINCIPLES

This Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2 ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted as income and expenditure on the basis of the effective interest rate for relevant financial instruments rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4 EXCEPTIONAL ITEMS

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

5 PRIOR PERIOD ADJUSTMENT, CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

6 CHARGES TO REVENUE AND NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement based on an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

STATEMENT OF ACCOUNTING POLICIES

7 EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits - Pensions

Employees of the Council are eligible to be members of the Local Government Pension Scheme 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 Pension 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 the adoption of the AA corporate bond basis. This is at the IAS19 valuation date, subject to removal of recently re-rated bonds from the index).
- The assets of the LGPS attributable to the council are included in the Balance Sheet at their fair value:
Quoted securities – current bid price; Unquoted securities – professional estimate; Unitised securities – current bid price; and Property – market value.
- The change in the net pensions liability is analysed into 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 Surplus or deficit on the provision 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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - 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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pension Reserve.
 - 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 or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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. This change has had a significant impact on the core statements.

Discretionary Benefits

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

STATEMENT OF ACCOUNTING POLICIES

8 EVENTS AFTER THE BALANCE SHEET DATE

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

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

Events taking place after the 27th September 2011 are not reflected in the Statement of Accounts.

9 FINANCIAL INSTRUMENTS

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

STATEMENT OF ACCOUNTING POLICIES

Available-for-Sale Assets

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the

asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

10 FOREIGN CURRENCY TRANSLATION

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

11 GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant (ABG) - is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to the Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

12 INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13 INTEREST IN COMPANIES AND OTHER ENTITIES

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

STATEMENT OF ACCOUNTING POLICIES

14 INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

15 INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

16 LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

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

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period). The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Council as Lessor

Finance Leases

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

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund in the Movement of Reserves Statement.

Operating Leases

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

STATEMENT OF ACCOUNTING POLICIES

17 OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIFFA Best Value Accounting Code of Practice 2010/11 (BVACOP).

The total absorption costing of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Charges are based on a variety of methods including allocations according to officers' use of time, charge per unit of service/deliverable and charge per member of staff/full time equivalent (FTE).

18 PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. The de-minimis for recognising an asset is £6,000.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value. Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service. Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- Infrastructure – straight-line allocation over 25 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

STATEMENT OF ACCOUNTING POLICIES

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale), and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

19 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the Council's control. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the Council's control. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

20 RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

21 REVENUE AND EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

STATEMENT OF ACCOUNTING POLICIES

22 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

23 GROUP ACCOUNTS

The code states that Group Accounts shall be prepared using uniform accounting policies for like transactions and other events in similar circumstances. The accounting policies of the Subsidiaries, Associates and Jointly Controlled Entities shall align with the policies of the reporting authority, for the purpose of Group Accounts, where materially different. Such adjustments that are necessary to align the group accounting policies may be made as Consolidation adjustments.

The group accounts have been restated to take into account the changes made in the council's single entity accounts as a result of changes in accounting policy, mainly as a result of the full implementation of International Financial Reporting standards (IFRS).

Interests in Companies and Other Entities

The council has material interests in companies and other separate entities that have the nature of being subsidiaries, joint ventures and Associates and require it to prepare Group Accounts.

Basis of Consolidation

The Group Accounts bring together the council's accounts with those of Gloucestershire Airport Ltd, in which the council has a 50% shareholding (the remaining 50% of shares are owned by Cheltenham Borough Council). Aspire Sports and Cultural Trust (ASCT) and Gloucester City Homes (GCH) in which the council has 100% shareholding in each, Barton and Tredworth Developments Ltd (25%), Gloucester Law Centre (36%), Marketing Gloucester (50%) and Gloucester Heritage Urban Regeneration Ltd in which the Council has only 13% shareholding but GCC Council leader is a member of the board.

Accounting Policies

The financial statements in the Group Accounts are prepared in accordance with the policies set out above, with the following additions and exceptions:-

The financial statements for Joint Ventures, Associates and Subsidiaries have been prepared under the historical cost convention in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

For the purposes of the Group Accounts, the airport's PPE have been revalued at fair value in order to bring them in line with the council's accounting policies. A formal valuation with a valuation date of 1st April 2007 was undertaken by an external valuer in 2007/08.

Depreciation on assets held by Gloucestershire Airport Ltd, GCH and ASCT have been calculated so as to write off the cost of Property, Plant and Equipment over their expected useful lives using the following rates, which are different to those used by the council.

	Gloucester Airport	GCH	ASCT
(a) Freehold Property	2% per annum of cost		
(b) Plant & Machinery	10% per annum of cost		Straight line over 5years
(c) Office Equipment	10% per annum of cost		
(d) Motor Vehicles	10% per annum of cost	Straight line over 5years	
(e) Computer Equipment	20% per annum of cost	Straight line over 5years	20% per annum of cost
(f) Taxiway / Runway	4% per annum of cost		
(g) Leasehold improvements		Over the life of the lease	

Leasing – Assets acquired under finance leases or hire purchase contracts by Gloucestershire Airport are capitalised and depreciated in the same manner as other Property, Plant and Equipment.

Equity dividends proposed by the Board of Directors of the Airport are not recorded in the council's individual financial statements until approved by the Shareholders at the annual general meeting. Equity dividends paid are dealt with as a movement on retained profits.

24 HERITAGE ASSETS

The Code of Practice on Local Authority Accounting 2011/12 (the Code) has introduced a change in accounting policy in relation to heritage assets, which will need to be fully adopted by the authority in 2011/12. However, the authority is required to make disclosure of the estimated effect of the new standard in the 2010/11 statements.

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the reporting entity in pursuit of its overall objectives in relation to the maintenance of the heritage. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art. Community assets (including parks (excluding archaeological sites); cemeteries and crematoria (land only); and allotments where there are restrictions on alternative uses) are not heritage assets, but are accounted for as property, plant and equipment. The Code requires authorities to recognise intangible heritage assets where the authority has information on the cost or value of an intangible heritage asset.

CORE FINANCIAL STATEMENTS

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL MOVEMENT IN RESERVES STATEMENT

For the years ended 31 March 2010 & 2011

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2009	1,670	4,411	3,275	206	-	2,315	11,877	204,778	216,655
Movement in Reserves during 2009/10									
Surplus or (deficit) on the provision of services	(14,045)	-	(10,762)	-	-	-	(24,807)	-	(24,807)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(23,841)	(23,841)
Total Comprehensive Income and Expenditure	(14,045)	-	(10,762)	-	-	-	(24,807)	(23,841)	(48,648)
Adjustments between accounting basis & funding basis under regulations (Note 6)	11,807	-	10,670	339	-	(215)	22,601	(22,601)	-
Net Increase/(Decrease) before transfers to/from Earmarked Reserves	(2,238)	-	(92)	339	-	(215)	(2,206)	(46,442)	(48,648)
Transfers (to)/from Reserves Note 7	2,238	(2,238)	-	-	-	-	-	-	-
Increase/(Decrease) in 2009/10	-	(2,238)	(92)	339	-	(215)	(2,206)	(46,442)	(48,648)
Balance at 31st March 2010	1,670	2,173	3,183	545	-	2,100	9,671	158,336	168,007
Movement in Reserves during 2010/11									
Surplus or (deficit) on the provision of services	5,542	-	(5,579)	-	-	-	(37)	-	(37)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	20,866	20,866
Total Comprehensive Income and Expenditure	5,542	-	(5,579)	-	-	-	(37)	20,866	20,829
Net Increase/(Decrease) before Transfers	5,542	-	(5,579)	-	-	-	(37)	20,866	20,829
Adjustments between accounting basis & funding basis under regulations (Note 6)	(6,974)	-	5,653	(130)	492	(481)	(1,440)	1,440	-
Net Increase/(Decrease) before Transfers Earmarked Reserves	(1,432)	-	74	(130)	492	(481)	(1,477)	22,306	20,829
Transfers (to)/from Earmarked Reserves (Note 7)	1,432	(1,432)	-	-	-	-	-	-	-
Increase/(Decrease) in 2010/11	-	(1,432)	74	(130)	492	(481)	(1,477)	22,306	20,829
Balance at 31 March 2011 carried forward	1,670	741	3,257	415	492	1,619	8,194	180,642	188,836

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP MOVEMENT IN RESERVES STATEMENT

For the years ended 31 March 2010 & 2011

This statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Reserve	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Council's Share of Reserves of Subsidiaries and Joint Venture	Total Reserves including Groups	Minority Interest	Total Reserves
	£000	£000	£000	£000		£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2009	1,670	4,411	3,275	206	-	2,315	11,877	204,778	216,655	22,159	238,814		238,814
Movement in Reserves during 2009/10													
Surplus or (deficit) on the provision of services	(14,045)	-	(10,762)	-	-	-	(24,807)	-	(24,807)	(14)	(24,821)	86	(24,735)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(23,841)	(23,841)	(3,287)	(27,128)	-	(27,128)
Total Comprehensive Income and Expenditure	(14,045)	-	(10,762)	-	-	-	(24,807)	(23,841)	(48,648)	(3,301)	(51,949)	86	(51,863)
Adjustments between Group Accounts and GCC Account - Note 49	-	-	-	-	-	-	-	(1,426)	(1,426)	1,484	58	(58)	-
Net Increase/(Decrease) before Transfers	(14,045)	-	(10,762)	-	-	-	(24,807)	(25,268)	(50,075)	(1,816)	(51,891)	28	(51,863)
Adjustments between accounting basis & funding basis under regulations (Note 6)	11,807	-	10,670	339	-	(215)	22,601	(22,601)	-	-	-	-	-
Net Increase/(Decrease) before Transfers Earmarked Reserves	(2,238)	-	(92)	339	-	(215)	(2,206)	(47,869)	(50,075)	(1,816)	(51,891)	28	(51,863)
Transfers (to)/from Earmarked Reserves (Note 7)	2,238	(2,238)	-	-	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in 2009/10	-	(2,238)	(92)	339	-	(215)	(2,206)	(47,869)	(50,075)	(1,816)	(51,891)	28	(51,863)
Balance at 1 April 2010	1,670	2,173	3,183	545	-	2,100	9,671	156,909	166,580	20,343	186,923	28	186,951
Movement in Reserves during 2010/11													
Surplus or (deficit) on the provision of services	5,542	-	(5,579)	-	-	-	(37)	-	(37)	1,928	1,891		1,891
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	20,866	20,866	3,569	24,435	-	24,435
Total Comprehensive Income and Expenditure	5,542	-	(5,579)	-	-	-	(37)	20,866	20,829	5,497	26,326	-	26,326
Adjustments between Group Accounts and GCC Account - Note 49	-	-	-	-	-	-	-	3,104	3,104	(3,028)	76	(76)	-
Net Increase/(Decrease) before Transfers	5,542	-	(5,579)	-	-	-	(37)	23,970	23,933	2,469	26,402	(76)	26,326
Adjustments between accounting basis & funding basis under regulations (Note 6)	(6,974)	-	5,653	(130)	492	(481)	(1,440)	1,440	-	17	17		-
Net Increase/(Decrease) before Transfers Earmarked Reserves	(1,432)	-	74	(130)	492	(481)	(1,477)	25,410	23,933	2,486	26,419	(76)	26,343
Transfers (to)/from Earmarked Reserves (Note 7)	1,432	(1,432)	-	-	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in 2010/11	-	(1,432)	74	(130)	492	(481)	(1,477)	25,410	23,933	2,486	26,419	(76)	26,343
Balance at 31 March 2011 carried forward	1,670	741	3,257	415	492	1,619	8,194	182,319	190,513	22,829	213,342	(48)	213,294

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
For the year ended 31 March 2011

Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Restated 2009/10			Description	2010/11		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
9,740	9,006	734	Central Services to the public			
362	94	268	Local tax collection	10,234	9,659	575
20	-	20	Elections	400	135	265
232	216	16	Emergency planning	24	-	24
166	-	166	Local land charges	218	172	46
888	528	360	General grants and bequests	141	-	141
			Central Support Services	964	622	342
11,408	9,844	1,564		11,981	10,588	1,393
			Cultural, environmental, regulatory and planning services			
			Cultural Services			
2,572	683	1,889	Culture and Heritage	2,535	654	1,881
3,683	809	2,874	Recreation and Sport	2,383	708	1,675
1,426	758	668	Tourism	1,278	685	593
			Environmental Services			
1,013	1,201	(188)	Cemeteries and Crematorium	887	1,248	(361)
2,303	736	1,567	Environmental Health	1,986	357	1,629
52	33	19	Flood defence and land drainage	53	-	53
4,213	898	3,315	Waste collection	4,864	808	4,056
1,190	1	1,189	Street cleansing	1,222	-	1,222
			Planning and Development Services			
540	322	218	Building control	527	221	306
868	307	561	Development control	733	516	217
891	1,419	(528)	Planning policy	775	52	723
3,437	569	2,868	Economic development	893	627	266
1,829	710	1,119	Community development	2,055	734	1,321
5,796	86	5,710		2,303	603	1,700
29,813	8,532	21,281	Service Management and Support Services	22,494	7,213	15,281
			Highways and transport services			
19	-	19	Transport planning, policy and strategy	80	70	10
-	-	-	Structural Roads Maintenance	-	-	-
341	12	329	Routine Roads Maintenance	971	20	951
3,563	3,267	296	Parking Services	2,661	3,585	(924)
727	95	632	Public Transport	344	56	288
4,650	3,374	1,276		4,056	3,731	325
24,511	15,231	9,280	Housing Revenue Account (HRA)	19,664	15,450	4,214
			Other Housing Services			
520	-	520	Housing Strategy	546	2	544
-	-	-	Housing Advice	-	-	-
4	-	4	Housing Advances	3	-	3
1,510	1,350	160	Private Sector Renewal	1,418	3	1,415
919	399	520	Homelessness	972	482	490
38,042	38,672	(630)	Housing Benefit Payments	38,423	38,901	(478)
989	674	315	Housing Benefits Administration	947	820	127
105	85	20	Welfare Services	113	86	27
42,089	41,180	909		42,422	40,294	2,128
			Corporate and Democratic Core			
1,080	3	1,077	Democratic representation and management	1,048	-	1,048
715	597	118	Corporate management	923	742	181
1,795	600	1,195		1,971	742	1,229
504	-	504	Non distributed costs	(11,431)	-	(11,431)
			Exceptional Items			
1,107	86	1,021	Senior Management Restructuring	380	(2)	382
115,877	78,847	37,030	Total Continuing Operations excluding Operations transferred to Gloucestershire County Council	91,537	78,016	13,521
			Service transferred to Gloucestershire County Council			
2,478	521	1,957	Concessionary Fares	2,238	535	1,703
118,355	79,368	38,987	Surplus(-)/Deficit on Operations	93,775	78,551	15,224
			Other Operating Expenditure (Note 8)			
355	355	-	(Gains) / Losses on the disposal of HRA Assets	364	364	-
165	165	-	(Gains) / Losses on disposal of non-current assets	92	92	-
193	-	193	Precepts paid to parish councils	200	-	200
149	-	149	Contribution to Housing Pooled Receipts	258	-	258
862	520	342		914	456	458
			Financing and investment income and expenditure (Note 9)			
2,981	-	2,981	Interest payable and similar charges	4,002	-	4,002
(210)	1,674	(1,884)	Interest and Investment Income	(775)	2,214	(2,989)
-	25	(25)	Dividend Receivable	-	32	(32)
274	-	274	Changes in Investment Properties fair value	198	-	198
3,224	-	3,224	Pensions Interest and Expected Return on pensions assets	2,827	-	2,827
6,269	1,699	4,570		6,252	2,246	4,006
			Taxation and Non-specific Grant Income (Note 10)			
-	6,877	(6,877)	Income from the collection fund	-	7,169	(7,169)
-	2,025	(2,025)	- Revenue Support Grant (RSG)	-	1,376	(1,376)
-	56	(56)	- Local Authority Business rates growth incentive scheme (LABGI)	-	-	-
-	53	(53)	- Area Based Grant	-	172	(172)
-	8,775	(8,775)	- Contribution from NNDR Pool	-	9,478	(9,478)
-	1,306	(1,306)	- Capital Grant	-	1,456	(1,456)
-	19,092	(19,092)		-	19,651	(19,651)
125,486	100,679	24,807	(Surplus) or Deficit on Provision of Services	100,941	100,904	37
	4,588	(4,588)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets		3,920	(3,920)
-	-	-	(Surplus) or deficit on revaluation of available for sale financial assets		-	-
28,429	-	28,429	Actuarial (gains)/losses on pension assets / liabilities		16,946	(16,946)
28,429	4,588	23,841	Other Comprehensive Income and Expenditure		20,866	(20,866)
153,915	105,267	48,648	Total Comprehensive Income and Expenditure	100,941	121,770	(20,829)

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

For the year ended 31 March 2011

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Restated 2009/10			Description	2010/11		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
11,408	9,844	1,564		Central Services to the public	11,981	10,588
-	-	-	Cultural, environmental, regulatory and planning services	-	-	-
11,146	6,091	5,055	Cultural Services	9,845	6,199	3,646
8,771	2,869	5,902	Environmental Services	9,012	2,413	6,599
7,565	3,327	4,238	Planning and Development Services	4,983	2,150	2,833
5,796	86	5,710	Service Management and Support Services	2,303	603	1,700
4,650	3,374	1,276	Highways and transport services	4,056	3,731	325
46,139	36,584	9,555	Housing Revenue Account (HRA)	34,692	31,888	2,804
42,089	41,180	909	Other Housing Services	42,422	40,294	2,128
1,795	600	1,195	Corporate and Democratic Core	1,971	742	1,229
504	-	504	Non distributed costs	(11,431)	-	(11,431)
1,107	86	1,021	Exceptional Items	380	(2)	382
140,970	104,041	36,929	Total Continuing Operations excluding Operations transferred to Gloucestershire County Council	110,214	98,606	11,608
2,478	521	1,957	Service transferred to Gloucestershire County Council Concessionary Fares	2,238	535	1,703
143,448	104,562	38,886	Surplus(-)/Deficit on Operations	112,452	99,141	13,311
355	355	-	Other Operating Expenditure (Note 8) (Gains) / Losses on the disposal of HRA Assets	364	364	-
165	165	-	(Gains) / Losses on non-current assets	92	92	-
193	-	193	Precepts paid to parish councils	200	-	200
149	-	149	Contribution to Housing Pooled Receipts	258	-	258
3,102	-	3,102	Financing and investment income and expenditure (Note 9) Interest payable and similar charges	4,003	-	4,003
(210)	1,682	(1,892)	Interest and Investment Income	(775)	2,232	(3,007)
-	25	(25)	Dividend Receivable	-	32	(32)
274	-	274	Changes in Investment Properties fair value	198	-	198
3,224	-	3,224	Pensions Interest and Expected Return on pensions assets	2,827	-	2,827
-	6,877	(6,877)	Taxation and Non-specific Grant Income (Note 10) Income from the collection fund	-	7,169	(7,169)
-	2,025	(2,025)	Revenue Support Grant (RSG)	-	1,376	(1,376)
-	56	(56)	Local Authority Business rates growth incentive scheme (LABGI)	-	-	-
-	53	(53)	Area Based Grant	-	172	(172)
-	8,775	(8,775)	Contribution from NNDR Pool	-	9,478	(9,478)
-	1,306	(1,306)	Capital Grant	-	1,456	(1,456)
150,700	125,881	24,819	(Surplus) or Deficit on Provision of Services	119,619	121,512	(1,893)
-	-	74	Share of the (Surplus) or Deficit on the provision of Services Joint Ventures	-	-	(363)
-	-	86	Associates	-	-	(1)
-	-	(14)	Share of Tax Expenses Joint Ventures	-	-	18
-	-	2	Associates	-	-	2
-	-	2	Subsidiary	-	-	2
24,969	24,969	24,969	Group (Surplus)/Deficit	24,969	24,969	(2,236)
(4,588)	-	-	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	-	-	(3,920)
-	-	-	(Surplus) or deficit on revaluation of available for sale financial assets	-	-	-
31,716	-	-	Actuarial (gains)/losses on pension assets / liabilities	-	-	(20,515)
-	-	715	Share of Other Comprehensive Income and Expenditure Joint Ventures	-	-	(322)
-	-	-	Associates	-	-	-
27,843	27,843	27,843	Group Other Comprehensive Income and Expenditure	27,843	27,843	(24,757)
52,812	52,812	52,812	Total Comprehensive Income and Expenditure	52,812	52,812	(26,992)

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL BALANCE SHEET

For the year ended 31 March 2011

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

RESTATED				31/03/2011
01/04/2009	31/03/2010		Notes	£000
£000	£000			
269,207	266,173	Property, Plant & Equipment	11	269,262
21,266	20,992	Investment Property	11	20,794
734	824	Intangible Assets	13	863
401	401	Assets held for Sale	11	-
437	841	Long Term Investments	46	841
206	206	Long Term Debtors	17(i)	246
292,251	289,437	Long Term Assets		292,006
3,980	13,354	Short Term Investments	14	24,331
48	104	Assets held for Sale (<1yrs)		
10,259	15,333	Inventories	15	130
	-	Short Term Debtors	17	13,072
		Cash and Cash Equivalents	18	5,013
14,287	28,791	Current Assets		42,546
306,538	318,228	Total Assets		334,552
(2,390)	(3,076)	Bank Overdraft	18	(2,047)
(5,528)	(38,623)	Short Term Borrowing	14	(40,737)
(8,383)	(5,310)	Short Term Creditors	20	(7,218)
(135)	(177)	Provisions (<1yr)	21	(93)
-	-	Liabilities in Disposal Groups		-
(16,436)	(47,186)	Current Liabilities		(50,095)
(586)	(432)	Provisions	21	(288)
(28,989)	(29,099)	Long Term Borrowing	20(ii)	(49,099)
(2,473)	(2,186)	Capital Grants Received in Advance		(2,645)
(41,399)	(71,318)	Other Long Term Liabilities	42	(43,588)
(73,447)	(103,035)	Long Term Liabilities		(95,620)
216,655	168,007	Net Assets		188,836
11,877	9,671	Usable Reserves	22	8,194
204,778	158,336	Unusable Reserves	23	180,642
216,655	168,007	Total Reserves		188,836

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP BALANCE SHEET For the year ended 31 March 2011

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%), Barton and Tredworth Developments Ltd (25%), Gloucester Law Centre (36%), Gloucester Heritage Urban Regeneration Ltd (13%) and Marketing Gloucester (50%) with the net assets of the council.

As Subsidiaries the assets and liabilities of GCH Ltd, GL1 Sports Ltd and Gloucester City Homes 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 Associate company, the council's share of the net assets of Barton and Tredworth Developments Ltd, Gloucester Law Centre, Gloucester Heritage Urban Regeneration Ltd and Marketing Gloucester has been included using the Equity method in accordance with the Code.

As a Joint Venture, the council's share of the net assets and liabilities in Gloucester Airport has been included as long-term investment, eliminating the share capital and also includes the revalued airport land and buildings.

RESTATED 31/03/2010 £000		Note	31/03/2011 £000
266,265	Property, Plant & Equipment	50	269,349
20,992	Investment Property	50	20,794
1,907	Intangible Assets		1,186
401	Assets Held for Sale		-
841	Long Term Investments		841
206	Long Term Debtors	17(i)	246
21,596	Investments in Joint Ventures	49	21,614
156	Investments in Associates		162
312,364	Long Term Assets		314,192
13,354	Short Term Investments		24,331
-	Assets held for Sale (<1yrs)		-
120	Inventories		145
15,727	Short Term Debtors	49	13,729
4,111	Cash and Cash Equivalents	18	6,306
33,312	Current Assets		44,511
345,676	Total Assets		358,703
(3,076)	Bank Overdraft	18	(2,047)
(40,205)	Short Term Borrowing		(38,851)
(4,710)	Short Term Creditors		(8,957)
(3,283)	Provisions (<1yr)		(93)
-	Liabilities in Disposal Groups		-
(51,274)	Current Liabilities		(49,948)
(432)	Provisions		(288)
(29,099)	Long Term Borrowing		(49,099)
(2,186)	Capital Grants Received in Advance		(2,645)
(75,734)	Other Long Term Liabilities		(43,429)
(107,451)	Long Term Liabilities		(95,461)
186,951	Net Assets		213,294
7,570	Usable Reserves		10,106
179,381	Unusable Reserves		203,188
186,951	Total Reserves		213,294

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL CASH FLOW STATEMENT 2010/11

As at 31 March 2011

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2009/10 £000		Notes	2010/11 £000
6,597	Operating Activities	24	(6,874)
28,292	Investing Activities	25	22,858
(34,203)	Financing Activities	26	(22,026)
686	Net (Increase) / decrease in cash and cash equivalent		(6,042)
(2,390)	Cash and cash equivalents at the beginning of the 1st of April 2010		(3,076)
(3,076)	Cash and cash equivalents at the end of 31 March 2011		2,966

2009/10 £000	The Balance of Cash and Cash Equivalents and Bank Overdraft	2010/11 £000
-	Cash and Cash Equivalents	5,013
(3,076)	Bank Overdraft	(2,047)
(3,076)	Balance at 31st March	2,966

CORE FINANCIAL STATEMENTS

GLOUCESTER CITY COUNCIL GROUP CASH FLOW STATEMENT 2010/11

As at 31 March 2011

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

2009/10					2010/11		
GCC £000	Subsidiaries £000	Group £000		Notes	GCC £000	Subsidiaries £000	Group £000
6,597	(2,409)	4,188	Operating Activities	24	(6,874)	2,727	(4,147)
-	104	28,396	Investing Activities	25	22,858	91	22,949
(34,203)	-	(34,203)	Financing Activities	26	(22,026)	-	(22,026)
686	(2,305)	(1,619)	Net (Increase) / decrease in cash and cash equivalent		(6,042)	2,818	(3,224)
(2,390)	1,806	(584)	Cash and cash equivalents at the beginning of the 1st of April		(3,076)	4,111	1,034
(3,076)	4,111	1,034	Cash and cash equivalents at the end of 31 March		2,966	1,293	4,259

GCC £000	Subsidiaries £000	Group £000		GCC £000	Subsidiaries £000	Group £000
			The Balance of Cash and Cash Equivalents and Bank Overdraft			
-	4,111	4,111	Cash and Cash Equivalents	5,013	1,293	6,306
(3,076)	-	(3,076)	Bank Overdraft	(2,047)	0	(2,047)
(3,076)	4,111	1,035	Balance at 31st March	2,966	1,293	4,259

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTES TO THE CORE FINANCIAL STATEMENTS

1 Accounting Standards that have been issued but have not been Adopted

Financial Reporting Standard (FRS 30) on Heritage Assets has been issued, but not yet adopted by the Code. FRS 30 will be adopted as part of the 2011/12 Statement of Accounts. Please see note 47 on page 72.

2 Critical Judgements in Applying Accounting Policies:

In applying the accounting policies set out in the Statement of Accounting Policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- i There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- ii The Council has £2 million deposited with Heritable Bank which is in administration.
Legal advice has been obtained and the Council has estimated that it will receive approximately 85% of the deposit and a reserve was created in 2009/10 in the event that the Council did not receive the whole £2 million deposit. In 2008/09 there was an impairment based on the LAAP Bulletin 82 of £610,570. This impairment was capitalised in line with guidance from LAAP Bulletin 82. This is recognised as a long term investment.

3 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumption:
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £760k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	However, the assumptions interact in complex ways. During 2011/12, the Council's actuaries advised that the net pensions liability had decreased by £27.7 million as a result of estimates being corrected as a result of the change to CPI not RPI.
Arrears	At 31 March 2011, the Council had a balance of sundry debtors of £1.491million. A review of the aged debt profile and recovery percentages suggested that a provision for doubtful debts of approximately 7% as appropriate. However, in the current economic climate it is not certain that such a provision would be sufficient.	If collection rates were to deteriorate, the provision made for doubtful debts would need to increase based on rates of recovery.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

4 Material items of Income and Expenses

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of material items should be set out in a note. For Gloucester these are asset revaluation and pensions gains.

Please see note 11 in regards to the revaluation of assets and note 42 on the pensions gain impact.

5 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Council's Audit Committee on 27 September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

As at 27 September 2011 (Audit Committee approval) no post balance sheet events have been identified.

NOTES TO THE CORE FINANCIAL STATEMENTS

6 Adjustments Between Accounting Basis and Funding

Basis Under Regulation

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2010/11 Information

	Usable Reserves £'000					£'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
Adjustments primarily involving the Capital Adjustment Account:						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:</i>						
Charges for depreciation and impairment of non-current assets	(1,882)	(8,637)				10,519
Revaluation losses on Property Plant and Equipment						0
Movements in the market value of Investment Properties	(198)					198
Amortisation of intangible assets	(244)					244
Capital grants and contributions applied						0
Movement in the Donated Assets Account						0
Revenue expenditure funded from capital under statute	42					(42)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(456)					456
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:</i>						0
Statutory provision for the financing of capital investment	268					(268)
Capital expenditure charged against the General Fund and HRA balances						0
Adjustments primarily involving the Capital Grants Unapplied Account:						0
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,671)					1,671
Application of grants to capital financing transferred to the Capital Adjustment Account					1,671	(1,671)
Adjustments primarily involving the Capital Receipts Reserve:					(1,190)	1,190
Transfer of sale proceeds credited as part of the sale of non-current assets	527		(527)			0
Use of the Capital Receipts Reserve to finance new capital expenditure			396			(396)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals			3			(3)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(258)		258			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						0
Adjustments primarily involving the Deferred Capital Receipts Reserve						0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(49)					49
Adjustment primarily involving the Major Repairs Reserve:						0
Reversal of Major Repairs Allowance credited to the HRA		2,980		(2,980)		0
Use of the Major Repairs Reserve to finance new capital expenditure				2,488		(2,488)
Adjustment primarily involving the Financial Instruments Adjustment Account:						0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	3	4				(7)
Adjustments primarily involving the Pensions Reserve:						0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	6,996					(6,996)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,788					(3,788)
Adjustments primarily involving the Collection Fund Adjustment Account:						0
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(27)					27
Adjustment primarily involving the Accumulated Absences Account:						0
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	135					(135)
Other Adjustment						0
Total Adjustments	6,974	(5,653)	130	(492)	481	(1,440)

6a Adjustments Between Accounting Basis and Funding - Continues

2009/10 Comparative Figures

	Usable Reserves £'000					£'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
Adjustments primarily involving the Capital Adjustment Account:						
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure statement:</i>						
Charges for depreciation and impairment of non-current assets	9,178	14,130				(23,308)
Revaluation losses on Property Plant and Equipment	(176)					176
Movements in the market value of Investment Properties	274					(274)
Amortisation of intangible assets	202					(202)
Capital grants and contributions applied						0
Movement in the Donated Assets Account						0
Revenue expenditure funded from capital under statute	1,741	(398)				(1,343)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	781		261			(1,042)
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure statement:</i>						
Statutory provision for the financing of capital investment	(315)					315
Capital expenditure charged against the General Fund and HRA balances	(280)					280
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,216)				1,216	0
Application of grants to capital financing transferred to the Capital Adjustment Account					(1,431)	1,431
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the sale of non-current assets						0
Use of the Capital Receipts Reserve to finance new capital expenditure			77			(77)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals			1			(1)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.						0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						0
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(6)					6
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA						0
Use of the Major Repairs Reserve to finance new capital expenditure		(2,914)		2,914		0
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(122)	59		(2,914)		63
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 42)	4,973	(207)				(4,766)
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,276)					3,276
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	7					(7)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	42					(42)
Other Adjustment						0
Total Adjustments	11,807	10,670	339	0	(215)	(22,601)

7 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

Reserve No.	Balance at 31/03/2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31/03/2011 £000	Balance at 1 April 2009 £000	Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31/03/2010 £000
General Fund:								
1 Capital Financing Reserves	-	-	-	-	192	442	250	-
2 Insurance Reserve	100	-	-	100	375	275	-	100
3 Historic Buildings Reserve	20	57	41	4	115	95	-	20
4 Portfolio Reserves	-	-	10	10	542	542	-	-
5 Concessionary Fares Reserve	-	-	-	-	300	350	50	-
6 Housing Benefits Reserve	30	30	-	-	66	110	74	30
7 Local Authority Business rates growth incentive scheme Reserve	-	-	-	-	428	428	-	-
8 Planning Delivery Grant Reserve	317	411	115	21	502	1,098	913	317
9 Gloucester Park Bandstand Reserve	-	-	-	-	50	50	-	-
10 Invest To Save	250	100	-	150	-	-	250	250
11 Kings Square Redevelopment Reserve	1000	1,000	-	-	1,500	500	-	1,000
12 Depot Reserves	-	-	-	-	126	126	-	-
13 Pensions Backfunding Reserve	-	-	-	-	215	215	-	-
14 Heritable Bank Reserve	456	-	-	456	-	-	456	456
Total	2173	1,598	166	741	4,411	4,231	1,993	2,173
HRA	-	-	-	-	-	-	-	-
Total	£2,173	1,598	166	741	4,411	4,231	1,993	2,173

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 21, page 51).
- 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. It is noted that the concessionary fares scheme will be transferred to Gloucestershire County Council in 2011/12.
- 6 **Housing Benefits Reserve**
This was set up to cover uncertainties in the subsidy claimed on housing benefit expenditure and has been fully used in 2010/11.
- 7 **LABGI Reserve, formally noted as the Business Growth Incentive Reserve**
This reserve was set up from then Local Council 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.
- 9 **Gloucester Park Bandstand Reserve**
The reserve was set up to support ongoing work on the park bandstand. The reserve was fully used in 2009/10.
- 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 42).
- 14 **Heritable Bank Reserve**
This has been set up to cover potential losses relating to the Council's £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. The level of this reserve will be adjusted to account for future changes expressed in reports from both Ernst and Young and LAAP.

NOTES TO THE CORE FINANCIAL STATEMENTS

8 Other Operating Expenditure

GCC	Group		GCC	Group
2009/10	2009/10		2010/11	2010/11
£000	£000		£000	£000
193	193	Precepts paid to parish councils	200	200
149	149	Contribution to Housing Pooled Receipts	258	258
-	-	(Gains) / Losses on non current assets	-	-
342	342	Total	458	458

9 Financing and Investment Income and Expenditure

GCC	Group		GCC	Group
2009/10	2009/10		2010/11	2010/11
£000	£000		£000	£000
2,981	3,102	Interest payable and similar charges	4,002	4,003
(1,884)	(1,892)	Interest and Investment Income	(2,989)	(3,007)
3,224	3,224	Pensions Interest and Expected Return on pensions assets	2,827	2,827
(25)	(25)	Dividend Receivable	(32)	(32)
274	274	Income and expenditure in relation to investment properties and changes in their fair value	198	198
		Other investment income		
4,570	4,683	Total	4,006	3,989

10 Taxation and Non Specific Grant Income

GCC	GCC		GCC	Group
2009/10	2009/10		2010/11	2010/11
£000	£000		£000	£000
(6,877)	(6,877)	Income from the collection fund	(7,169)	(7,169)
(2,025)	(2,025)	Revenue Support Grant (RSG)	(1,376)	(1,376)
(56)	(56)	Local Authority Business rates growth incentive scheme (LABGI)	-	-
(53)	(53)	Area Based Grant	(172)	(172)
(8,775)	(8,775)	Contribution from NNDR Pool	(9,478)	(9,478)
(1,306)	(1,306)	Capital Grant	(1,456)	(1,456)
(19,092)	(19,092)	Total	(19,651)	(19,651)

NOTES TO THE CORE FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT Movements on Balances

	Operational				Non Operational			2009/10	
	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Investment Properties £'000	Assets Held For Sale £'000	Total Property, Plant and Equipment £'000	Total £'000
Movements in 2010/11:									
Cost or Valuation									
At 1 April 2010	217,472	44,967	5,523	13,152	148	20,992	405	302,659	311,388
Additions	6,636	1,677	742	884	5	47		9,990	17,163
Donations								-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	27	3,895		(2)				3,920	(4,588)
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services						(198)		(198)	(274)
Derecognition – Disposals	(364)							(364)	(520)
Impairments	(5,661)	0						(5,661)	(18,751)
Assets reclassified (to)/from Held for Sale		125				280	(405)	-	-
Other movements in cost or valuation	13		(20)			(327)		(334)	(1,758)
At 31 March 2011	218,123	50,664	6,245	14,034	153	20,794	-	310,013	302,660
Accumulated Depreciation and Impairment									
At 1 April 2010	6,097	2,484	3,336	3,170	2	-	4	15,093	10,322
Depreciation Charge	2,981	1,272	255	376	1			4,885	4,771
Impairment losses/(reversals) recognised in the Revaluation Reserve		(17)						(17)	
Other movements in depreciation and impairment							(4)	(4)	
At 31 March 2011	9,078	3,739	3,591	3,546	3	-	-	19,957	15,093
Net book value as at 31 March 2011	209,045	46,925	2,654	10,488	150	20,794	-	290,055	287,567
Net book value as at 1 April 2010	211,375	42,483	2,187	9,982	146	20,992	401	287,566	

GLOUCESTER CITY COUNCIL

11a PROPERTY, PLANT AND EQUIPMENT
Movements on Balances

Comparative Figures 2009/10

Movements in 2009/10:	Operational				Non Operational					2008/09	2008/09	2008/09
	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Investment Properties £'000	Assets Held for Sale £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	Total Property, Plant and Equipment £'000	Investment Properties £'000	Other Land and Buildings £'000
Cost or Valuation												
At 1 April 2009	216,077	54,325	5,305	12,305	142	21,266	405	1,563	311,388	272,382	33,126	43,364
Additions	11,815	1,995	198	847	6	2,301		1	17,163	21,373	14	2,630
Donations									-			
Revaluation increases/(decreases) recognised in the Revaluation Reserve	76	(4,664)							(4,588)	28,334		2,007
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services						(274)			(274)		(2,884)	
Derecognition – Disposals	(355)					(165)			(520)	(247)	(8)	(35)
Impairments	(10,141)	(5,443)				(3,167)			(18,751)	(16,325)	(2,265)	(306)
Assets reclassified (to)/from Held for Sale									-			
Other movements in cost or valuation		(1,246)	20			1,031		(1,563)	(1,758)	6,388	(6,717)	6,665
At 31 March 2010	217,472	44,967	5,523	13,152	148	20,992	405	1	302,660	311,905	21,266	54,325
Accumulated Depreciation and Impairment									-			
At 1 April 2009	3,183	1,341	3,021	2,773			4		10,322	20,896		966
Depreciation Charge	2,914	1,143	315	397	2				4,771	4,856		1,160
Depreciation written out to the Revaluation Reserve									-	(14,913)		
Depreciation written out to the Surplus/Deficit on the Provision of Services									-			
Impairment losses/(reversals) recognised in the Revaluation Reserve									-			(654)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services									-			(638)
Derecognition – Disposals									-			
Derecognition – Other									-			
Other movements in depreciation and impairment									-			507
At 31 March 2010	6,097	2,484	3,336	3,170	2	-	4	-	15,093	10,839	-	1,341
Net book value as at 31 March 2010	211,375	42,483	2,187	9,982	146	20,992	401	1	287,567	301,066	21,266	52,984
IFRS Net book value as at 1 April 2009	212,894	52,984	2,284	9,532	142	21,266	401	1,563	301,066		33,126	42,398

NOTES TO THE CORE FINANCIAL STATEMENTS

Depreciation

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

- Council Dwellings – 50–70 years
- Other Land and Buildings – 30–50 years
- Vehicles, Plant, Furniture & Equipment – 10% to 35% of carrying amount
- Infrastructure – 25 years

The following is a list of the major fixed assets owned by the City Council at 31 March 2011.

All assets are owned freehold unless otherwise stated.

Operational assets	Non-operational assets
<p>Council dwellings</p> <p>Other Operational land and buildings Gloucester Leisure Centre 2 Cemeteries and 1 Crematorium North Warehouse HKP warehouses (leasehold) Guildhall City and Folk Museums 2 Multi-storey Car Parks (1 leasehold) 14 Surface Car Parks (2 leasehold) Tourist Information Centre (leased) Oxstalls Tennis Centre City Farm, Albany Street Hempsted Market</p> <p>Community assets Various Parks and open spaces Works of art Museum Exhibits Civic regalia</p> <p>Vehicles plant and equipment Vehicles and items of plant Computer equipment Sports and playground facilities in parks</p> <p>Infrastructure assets Street furniture 9 Public Conveniences (2 leasehold)</p>	<p>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) Various on Commercial Road (leasehold) 16 Sports Clubs facilities (mixed tenure) 50% of Gloucestershire Airport (freehold) Spartans Club Depot at Eastern Avenue</p>

Component accounting

Component accounting thresholds have been set as the lower of :

- * Component assets over £500,000 in value; or
- * Component assets value at least 20% of the overall asset value.

The component asset is only recognised at the point of valuation of the overall asset.

In 2010/11, valuation identified no assets meeting the component accounting thresholds. The same position was found for 2009/10.

Capital Commitments

At 31st of March 2011 the Council had £523,000 commitments within the capital programme. These included £287,000 on works at the Crematorium £60,000 on works to Council buildings, £53,000 on works to parks and play areas, £30,000 on enhanced lighting schemes, £63,000 on works on Disabled Facility Grants.

NOTES TO THE CORE FINANCIAL STATEMENTS

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

All investment property was revalued as well as 20% of the remainder of the portfolio.

The basis of the valuation is: Fair Value and that the values will remain static during that period, the property would be freely exposed to the open market, no account has been taken of any higher price or rental offer that might be made by a purchaser or lessee with a special interest. The valuation relates to the freehold/leasehold interest, good freehold or leasehold title can be shown.

The property and its value are unaffected by any matters which would be revealed by a local search.

	Operational				Non Operational				TOTAL £'000	
	Council Dwellings £'000	Other land and buildings £'000	Vehicles plant and equipment £'000	Infrastructure assets £'000	Community Assets £'000	Investment properties £'000	Surplus assets held for disposal £'000	Under Construction £'000		
Carried at historical cost	-			10,488					-	10,488
Valued at fair value as at:										
31 March 2011	209,045	46,925	2,654	-	149	20,794	-	-	-	279,567
31 March 2010	211,375	42,483	2,187	-	142	20,992	401	1	-	277,581
31 March 2009	212,894	44,014	2,284	-	-	21,266	401	-	-	280,859
31 March 2008	171,780	26,583	2,645	-	-	23,361	401	-	-	224,770
31 March 2007	-	2,499	-	-	-	2,960	-	-	-	5,459
Total Cost or Valuation	209,045	46,925	2,654	10,488	291	20,794	-	-	-	290,055

INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2010/11 £000	2009/10 £000
Rental income from investment property	1,598	1,580
Direct operating expenses arising from investment properties	1,115	1,304
Net gain/(loss)	483	276

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. The following table summarises the movement in the fair value of investment properties over the year:

	2010/11 £000	2009/10 £000
Balance at start of the year	20,992	21,266
Additions:		
- Purchases	47	2,301
- Construction		
- Subsequent expenditure		
Disposals	-	(165)
Net gains/losses from fair value adjustments	(198)	(274)
Transfers:		
- to/from Inventories		
- to/from Property, Plant and Equipment	280	1,031
Other Changes	(327)	(3,167)
Balance at end of the year	20,794	20,992

NOTES TO THE CORE FINANCIAL STATEMENTS

13 INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

The intangible assets include both purchased licenses and internally generated software. All assets are written off based on their estimated useful life on a straight line basis over 7 years. Newly acquired intangibles are amortised in the year after they are purchased.

Movements in intangible assets during the year are shown below:

	Computer Software	
	2010/11 £'000	2009/10 £'000
Gross book value - as at 1 April 10	2,086	1,794
Additions	283	292
Disposals		
Revaluation gains		
Impairments		
Transfers		
Gross book value at 31 March 11	2,369	2,086
Amortisation as at 1 April 10	1,262	1,060
Amortised during year	244	202
Revaluation gains		
Impairments		
Transfers		
Depreciation as at 31 March 11	1,506	1,262
Net book value as at 31 March 11	863	824

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

	Internally Generated Assets	Other Assets	2010/11 Total	Internally Generated Assets	Other Assets	2009/10 Total
	£000	£000	£000	£000	£000	£000
Balance at start of year:		824	824		734	734
- Gross carrying amounts		2,086	2,086		1,794	1,794
- Accumulated amortisation		1,262	1,262		1,060	1,060
Net carrying amount at start of year						
Additions:						
- Internal development	-		-			-
- Purchases	102	181	283		292	292
- Acquired through business combinations	-		-			-
Assets reclassified as held for sale						
Other disposals						
Revaluations increases or decreases						
Impairment losses recognised or reversed directly in the Revaluation Reserve						
Impairment losses recognised in the Surplus/Deficit on the Provision of Services						
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services						
Amortisation for the period	-	244	244		202	202
Other Changes						
Net carrying amount at end of year	102	761	863	-	824	824
Comprising:						
- Gross carrying amounts	102	2,267	2,369		2,086	2,086
- Accumulated amortisation		1,506	1,506		1,262	1,262
	102	761	863	0	824	824

NOTES TO THE CORE FINANCIAL STATEMENTS

14 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	GCC				GROUP			
	Long-term		Current		Long-term		Current	
	31/03/2011	31/03/2010	31/03/2011	31/03/2010	31/03/2011	31/03/2010	31/03/2011	31/03/2010
	£000	£000	£000	£000	£000	£000	£000	£000
Investments								
Loans and receivables	841	840	24,331	13,354	841	841	24,331	13,354
Available-for-sale financial assets								
Unquoted equity investment at cost								
Financial assets at fair value through profit and loss	-				-			
Total Investments	841	840	24,331	13,354	841	841	24,331	13,354
Debtors								
Loans and receivables	246	206	13,072	15,333	246	206	13,482	15,650
Financial assets carried at contract amounts								
Total Debtors	246	206	13,072	15,333	246	206	13,482	15,650
Borrowings								
Financial liabilities at amortised cost	(49,099)	(29,099)	(40,737)	(38,623)	(49,099)	(29,099)	(40,205)	(38,851)
Total borrowings	(49,099)	(29,099)	(40,737)	(38,623)	(49,099)	(29,099)	(40,205)	(38,851)
Creditors								
Financial liabilities at amortised cost	-	-	(9,888)	(5,310)	-	-	(8,957)	(4,710)
Financial liabilities carried at contract amount								
Total creditors	-	-	(9,888)	(5,310)	-	-	(8,957)	(4,710)

Income, expense, Gains and Losses

	2010/11					2009/10				
	Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Liabilities at Fair value through Profit and Loss	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair value through Profit and Loss	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	2,311				2,311	1,455				1,455
Losses on derecognition					-					-
Increases/Reductions in fair value				304	304					-
Impairment losses					-					-
Fee expense	4				4	9				9
Total expense in Surplus or Deficit on the Provision of Services	2,315	-	-	304	2,619	1,464	-	-	-	1,464
Interest income		451			451		79			79
Interest income accrued on impaired financial assets					-					-
Increases/Reductions in fair value				(10)	(10)					-
Gains on derecognition					-					-
Fee income					-					-
Total Income in Surplus or Deficit on the Provision of Services	-	451	-	(10)	441	-	79	-	-	79
Gains on revaluation										
Losses on revaluation										
Net gain/(loss) for the year	2,315	(451)	-	314	2,178	1,464	(79)	-	-	1,385

NOTES TO THE CORE FINANCIAL STATEMENTS

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2011 of 4.41% to 5% for loans from the PWLB and 3.89% to 3.99% for other loans receivable and payable, based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	2010/11		2009/10	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities	(49,099)	(51,965)	(29,099)	(31,591)
Long-term creditors	-	-	-	-

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. The 2011 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 rates in force on 31 March 2011(source: Public Works Loans Board).

	2010/11		2009/10	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and Receivables	841		841	
Long-term Debtors	246		206	

The fair values of Long Term Debtors, debtors and loans and receivables are estimated to be approximately equivalent to their amortised cost(cost less provision for bad or doubtful debts).

The fair values of temporary borrowing and creditors (short term payables) approximate to their amortised cost as shown above.

NOTES TO THE CORE FINANCIAL STATEMENTS

15 INVENTORIES

	2010/11		2009/10	
	Consumable Stores	Total	Consumable Stores	Total
	£000	£000	£000	£000
Balance outstanding at start of year	104	104	48	48
Purchases	26	26	56	56
Recognised as an expense in the year	-	-	-	-
Written off balances	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-
Balance outstanding at year-end	130	130	104	104

16 CONSTRUCTION CONTRACTS

At 31/03/11 Gloucester City Council had no construction contracts in progress. Therefore there was no money due from any parties.

17 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.

	31/03/2011	31/03/2010
	£000	£000
Central government bodies	6,679	7,232
Other Local authorities	297	-
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	6,096	8,101
Total debtors	13,072	15,333

17(i) Long Term Debtors

Long term debtors are amounts falling due in more than one year from the balance sheet date. They consist of the following :-

	31 March 2011	31 March 2010
	£'000	£'000
Mortgages to former tenants	40	40
Mortgages to private persons	5	5
Loans to vulnerable people for house renovations	82	81
Staff loans	21	2
Loans to Glos. Airport Ltd.	-	25
Other loans	98	53
Total	246	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. 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').

18 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

	GCC		Group	
	31/03/2011	31/03/2010	31/03/2011	31/03/2010
	£000	£000	£000	£000
Cash held by the Council	17	-	(2,047)	(3,076)
Bank current accounts	(2,047)	(3,076)	-	-
Short-term deposits with building societies	4,996	-	6,306	4,111
Total Cash and Cash Equivalents	2,966	(3,076)	4,259	1,035

NOTES TO THE CORE FINANCIAL STATEMENTS

19 ASSETS HELD FOR SALE

	Current	Non Current	Current	Non Current
	2010/11 £000	2010/11 £000	2009/10 £000	2009/10 £000
Balance outstanding at start of year	-	401	-	401
Assets declassified as held for sale:				
- Property, Plant and Equipment	-	(401)	-	-
- Intangible Assets				
- Other assets/liabilities in disposal groups				
Assets Sold				
Transfers from non-current to current [Other movements]				
Balance outstanding at year-end	-	-	-	401

20 CREDITORS

	31/03/2011 £000	31/03/2010 £000
Central Government Bodies	384	397
Other Local Authorities	753	242
Other entities and individuals-	0	0
Council Taxpayers	833	102
Sundry creditors	5,248	4,569
Total	7,218	5,310

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

Other local authorities creditors include parking and concessionary fares paid to Gloucestershire County Council.

The amounts due to government departments mainly relates to tax collected.

20(i) Short Term Borrowing

This consists of loans repayable by the council on demand or within twelve months of the balance sheet date. This includes £0.206 million (£0.204 million at 31 March 2010) of borrowing from charities deposited with the council, together with £0.043 million (£Nil at 31 March 2010) of interest owing at 31 March 2011. The fair value of the loans approximates to their cost.

20(ii) Long Term Borrowing

This consists of loans repayable in excess of twelve months from the balance sheet date. The council is empowered to borrow from the Public Works Loan Board (PWLB) or from the money markets. Borrowing repayable in less than one year is classified as temporary or current borrowing. An analysis by date of repayment (maturity) is shown below.

Loans	Rates Payable (%)	Years Until Repayment at 31/03/2011					Total £000
		1 - 2 £000	2 - 5 £000	5 - 10 £000	10+ £000		
PWLB	4.41 - 5.00	2,000	7,500	4,500	15,099		29,099
Barclays	3.89 - 3.99	-	-	-	20,000		20,000
Total		2,000	7,500	4,500	35,099		49,099

Loans	Rates Payable (%)	Years Until Repayment at 31 March 2010					Total £000
		1 - 2 £000	2 - 5 £000	5 - 10 £000	10+ £000		
PWLB	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 PWLB loans is £29.099 million at 31 March 2011 (£29.099 million at 31 March 2010), compared to a fair value of £31.591 million. The amortised cost of the Barclays Loan is £20.000 million as at 31st March 2011 compared to a fair value of £20.069 million. The loan was taken out during 2010/11. 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 2011 figure has been calculated by reference to the premature repayment set of rates in force on that day, the 2011 by reference to the set of interest in force on 30 March 2011 (source: Public Works Loan Board).

Barclays details

Loan details	all 5,000,000			LOBO details
	start date	interest rate	end date	
1	07/05/2010	0.389	07/05/2040	LOBO effective 08/05/2012 & 10 yearly thereafter
2	10/05/2010	0.399	10/05/2040	LOBO effective 10/05/2012 & 10 yearly thereafter
3	11/05/2010	0.389	11/05/2040	LOBO effective 11/05/2012 & 10 yearly thereafter
4	12/05/2010	0.399	12/05/2040	LOBO effective 13/05/2012 & 10 yearly thereafter

NOTES TO THE CORE FINANCIAL STATEMENTS

21 PROVISIONS

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

	Outstanding Legal Cases	Injury and Damage Compensation Claims	Other Provisions	Total
	£000	£000	£000	£000
Balance at 1 April 2010	-	391	41	432
Additional provisions made in 2010/11	-	130	-	130
Amounts used in 2010/11	-	274	-	274
Unused amounts reversed in 2010/11	-	-	-	-
Balance at 31 March 2011		247	41	288
Consists of:				
Insurance provision	-	247	-	247
Car Parks provision	-	-	41	41
Balance at 31 March 2011	-	247	41	288

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 was being paid in monthly instalments over a five year period with final instalment payments made within 31/03/2010. The interest paid is still subject to an adjustment based on the prevailing rates during the period and the provision is being held for that revision.

Injury Compensation Claims

All of the injury compensation claims are individually insignificant. They relate to personal injuries sustained where the Council is alleged to be at fault (eg through a failure to repair a road or pavement properly). Provision is made for those claims where it is deemed probable that the Council will have to make a settlement, based on past experience of court decisions about liability outstanding claims are expected to be and the amount of damages payable. Most are anticipated to settle in 2012/13.

The Council may be reimbursed by its insurers, but until claims are actually settled no income is recognised as the insurers will only reimburse amounts above a £25,000 excess.

Provisions less than 1 Year

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

	Other Provisions	Total
	£000	£000
Balance at 1 April 2010	177	177
Additional provisions made in 2010/11	51	51
Amounts used in 2010/11	135	135
Unused amounts reversed in 2010/11	-	-
Balance at 31 March 2011	93	93
Consists of:		
Accumulated Absence provision	42	42
Redundancy provision	51	51
Balance at 31 March 2011	93	93

Accumulated Absences Provision

This is the value of the holiday and flexi outstanding at year ended 31/03/2011. This is a short term provision for less than a year.

Redundancy Provision

Provision for redundancy cost in respect of employees for whom the decision was made pre year-end. This is a short term provision of less than a year

NOTES TO THE CORE FINANCIAL STATEMENTS

22 USABLE RESERVES

Movements in the Council's and The Group's usable reserves are detailed in the Movement in Reserves Statement.

23 UNUSABLE RESERVES

GCC	Group		GCC	Group
31/03/2010	31/03/2010		31/03/2011	31/03/2011
£000	£000		£000	£000
66,039	66,039	Revaluation Reserve	69,277	69,277
(71,318)	(72,026)	Pensions Reserve	(43,588)	(42,821)
164,121	164,121	Capital Adjustment Account	155,393	155,393
191	191	Deferred Capital Receipts Reserve	142	144
(574)	(574)	Financial Instruments Adjustment Account	(567)	(567)
54	54	Collection Fund Adjustment Account	27	27
(177)	(177)	Short-term Accumulating Compensated Absences Account	(42)	(42)
0	21,752	Investment in Joint Venture and associate	0	21,776
158,336	179,381	Total Unusable Reserves	180,642	203,187

(i) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment.

The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

31/03/2010	31/03/2010	31/03/2010		31/03/2011	31/03/2011	31/03/2011
£000	£000	£000		£000	£000	£000
General	HRA	Total		General	HRA	Total
13,316	50,413	63,729	Balance at 1 April	15,353	50,686	66,039
4,239	349	4,588	Upward revaluation of assets	3,915	5	3,920
(1,795)		(1,795)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(58)	(459)	(517)
15,760	50,762	66,522	Surplus on revaluation of assets	19,210	50,232	69,442
(101)	(75)	(176)	Difference between fair value depreciation and historical cost depreciation			
(306)		(306)	Accumulated gains on assets sold or scrapped	(165)		(165)
			Amount written off to the Capital Adjustment Account			
15,353	50,686	66,039	Balance at 31 March	19,045	50,232	69,277

(ii) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Notes 6 & 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

31/03/2010		31/03/2011
£000		£000
182,974	Balance at 1 April	164,121
(23,308)	Reversal of items relating to capital expenditure debited or credited to the CIES	(10,519)
176	Charges for depreciation and impairment of non current assets	
(202)	Revaluation losses on Property, Plant and Equipment	(244)
(1,314)	Amortisation of intangible assets	(2,101)
(520)	Revenue expenditure funded from capital under statute	(456)
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	
157,807		150,802
306	Adjusting amounts written out of the Revaluation Reserve	165
158,113	Net written out amount of the cost of non-current assets consumed in the year	150,967
	Capital financing applied in the year:	
78	Use of the Capital Receipts Reserve to finance new capital expenditure	399
2,914	Use of the Major Repairs Reserve to finance new capital expenditure	2,488
2,695	Capital grants and contributions credited to the CIES that have been applied to capital financing and application of grants to capital financing from the Capital Grants Unapplied Account	1,469
315	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	268
280	Capital expenditure charged against the General Fund and HRA balances	
164,395		155,591
(274)	Movements in the market value of Investment Properties debited or credited to the CIES	(198)
	- Movement in the Donated Assets Account credited to the CIES	-
164,121	Balance at 31 March	155,393

NOTES TO THE CORE FINANCIAL STATEMENTS

(iii) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over the next 6 years.

31/03/2010 £000		31/03/2011 £000
(637)	Balance at 1 April	(574)
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
63	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	7
63	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	7
(574)	Balance at 31 March	(567)

(iv) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31/03/2010 £000		31/03/2011 £000
(41,399)	Balance at 1 April	(71,318)
(28,429)	Actuarial gains or losses on pensions assets and liabilities	16,946
(4,766)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	6,996
3,276	Employer's pensions contributions and direct payments to pensioners payable in the year	3,788
(71,318)	Balance at 31 March	(43,588)

NOTES TO THE CORE FINANCIAL STATEMENTS

(v) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

31/03/2010 £000		31/03/2011 £000
185	Balance at 1 April	191
6	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(49)
	Transfer to the Capital Receipts Reserve upon receipt of cash	
191	Balance at 31 March	142

(vi) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31/03/2010 £000		31/03/2011 £000
61	Balance at 1 April	54
(7)	Amount by which Council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(27)
54	Balance at 31 March	27

(vii) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31/03/2010 £000		31/03/2011 £000
(135)	Balance at 1 April	(177)
135	Settlement or Cancellation of Accrual made at the end of the preceding year	177
(177)	Amounts accrued at the end of the current year	(42)
(42)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	135
(177)	Balance at 31 March	(42)

NOTES TO THE CORE FINANCIAL STATEMENTS

24 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

Council's 31/03/2010 £000	Group 31/03/2010 £000		Council's 31/03/2011 £000	Group 31/03/2011 £000
(101,540)	(101,540)	Taxation	(99,440)	(99,440)
(49,134)	(49,134)	Grants	(52,337)	(52,337)
(7,092)	(7,092)	Rents	(7,124)	(7,124)
(9,693)	(10,433)	Sales of goods and rendering of services	(11,860)	(11,852)
(184)	(184)	Interest Received	(219)	(219)
(299)	(299)	Other Receipts from Operating Activities	(2,842)	(2,842)
(167,942)	(168,682)	Cash inflows generated from Operating activities	(173,822)	(173,814)
16,116	16,116	Cash paid to and on behalf of Employees	15,971	15,971
28,129	28,129	Housing Benefit paid out	28,303	28,303
48,925	48,925	National non-domestic rate payments to National Pool	42,677	42,677
47,888	47,888	Precepts paid	49,665	49,665
161	161	Payments to the Capital Receipts Pool	258	258
12,887	11,213	Cash paid to suppliers of goods and services	8,611	9,439
1,458	1,458	Interest paid	2,267	2,267
18,975	18,980	Other payments for operating activities	19,196	21,087
174,539	172,870	Cash Outflows generated from Operating Activities	166,948	169,667
6,597	4,188	Net Cash flows from Operating Activities	(6,874)	(4,147)

25 CASH FLOW STATEMENT – INVESTING ACTIVITIES

Council's 31/03/2010 £000	Group 31/03/2010 £000		Council's 31/03/2011 £000	Group 31/03/2011 £000
19,639	19,527	Purchase of property, plant and equipment, investment	10,928	11,037
404	404	Purchase of short-term and long-term investments	29,704	29,704
9,897	9,897	Other payments for investing activities	15,693	15,693
(562)	(562)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(503)	(503)
(1,053)	(1,053)	Proceeds from short-term and long-term investments	(32,936)	(32,936)
(33)	(25)	Other receipts from investing activities	(28)	(46)
28,292	28,188	Net cash flows from investing activities	22,858	22,949

26 CASH FLOW STATEMENT – FINANCING ACTIVITIES

Council's 31/03/2010 £000	Group 31/03/2010 £000		Council's 31/03/2011 £000	Group 31/03/2011 £000
(34,607)	(34,607)	Cash receipts of short- and long-term borrowing	(23,426)	(23,426)
		- Other receipts from financing activities		-
		Cash payments for the reduction of the outstanding liabilities relating to finance leases		-
404	404	Repayments of short- and long-term borrowing	1,400	1,400
		Other payments for financing activities		
(34,203)	(34,203)	Net cash flows from financing activities	(22,026)	(22,026)

NOTES TO THE CORE FINANCIAL STATEMENTS

27 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Council's principal directorates recorded in the budget reports for the year is as follows:

(i) Directorate Income and Expenditure 2010/11

	CORPORATE AND DEMOCRATIC CORE	CENTRAL SERVICES	CULTURAL, ENVIRON, PLAN SERVICES	HIGHWAYS, ROADS, TRANS SERVICES	HOUSING REVENUE ACCOUNT	HOUSING SERVICES	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(483)	(934)	(4,585)	(3,251)	(16,590)	(128)	(25,971)
Government grants	(259)	(9,655)	(2,662)	(1,014)	1,136	(40,166)	(52,620)
Total Income	(742)	(10,589)	(7,247)	(4,265)	(15,454)	(40,294)	(78,591)
Employee expenses	929	4,737	6,414	281	315	1,859	14,535
Other service expenses	(193)	3,609	11,893	5,524	18,878	39,540	79,251
Support service recharges	1,236	3,636	4,368	306	471	1,061	11,078
Total Expenditure	1,972	11,982	22,675	6,111	19,664	42,460	104,864
Net Expenditure	1,230	1,393	15,427	1,846	4,211	2,166	26,273

(ii) Directorate Income and Expenditure 2009/10

	CORPORATE AND DEMOCRATIC CORE	CENTRAL SERVICES	CULTURAL, ENVIRON, PLAN SERVICES	HIGHWAYS, ROADS, TRANS SERVICES	HOUSING REVENUE ACCOUNT	HOUSING SERVICES	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(594)	(904)	(4,289)	(3,243)	(16,538)	(103)	(25,671)
Government grants	(5)	(8,941)	(4,243)	(654)	1,307	(41,076)	(53,611)
Total Income	(599)	(9,845)	(8,532)	(3,897)	(15,231)	(41,179)	(79,282)
Employee expenses	848	4,550	6,397	255	48	1,824	13,922
Other Service expenses	-102	3,077	18,588	6,613	24,063	39,062	91,301
Support service recharges	1,049	3,780	4,828	262	400	1,202	11,522
Total Expenditure	1,795	11,407	29,813	7,130	24,511	42,088	116,745
Net Expenditure	1,196	1,563	21,281	3,233	9,280	909	37,462

(iii) Group Income and Expenditure 2010/11

	Directorate Analysis	Subsidiaries Analysis	Group Total
	£000	£000	£000
Fees, charges & other service income	(25,971)	(16,605)	(42,576)
Government grants	(52,620)	(3,985)	(56,605)
Total Income	(78,591)	(20,590)	(99,181)
Employee expenses	14,535	5,457	19,992
Other service expenses	79,251	11,262	90,513
Support service recharges	11,078	1,959	13,037
Total Expenditure	104,864	18,678	123,542
Net Expenditure	26,273	(1,912)	24,361

(iv) Group Income and Expenditure 2009/10

	Directorate Analysis	Subsidiaries Analysis	TOTAL
	£000	£000	£000
Fees, charges & other service income	(25,671)	(21,542)	(47,213)
Government grants	(53,611)	(3,652)	(57,264)
Total Income	(79,282)	(25,194)	(104,476)
Employee expenses	13,922	5,206	19,128
Other Service expenses	91,301	17,547	108,848
Support service recharges	11,522	2,341	13,863
Total Expenditure	116,745	25,094	141,838
Net Expenditure	37,462	(100)	37,362

NOTES TO THE CORE FINANCIAL STATEMENTS

(v) Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement		
This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.		
	31/03/2011 £000	31/03/2010 £000
Net expenditure in the Directorate Analysis	26,273	37,462
Add Services not included in main analysis	(11,049)	1,525
Add amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(15,187)	(14,180)
Less amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement		
Cost of Services in Comprehensive Income and Expenditure Statement	37	24,807

(vi) Reconciliation of Group Income and Expenditure to Group Cost of Services in the Comprehensive Income and Expenditure Statement		
	31/03/2011 £000	31/03/2010 £000
Net expenditure in the Group Analysis	24,359	37,362
Add Services not included in Group Analysis	(11,049)	1,524
Add amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(15,546)	(13,917)
Less amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-	
Cost of Services in Comprehensive Income and Expenditure Statement	(2,236)	24,969

NOTES TO THE CORE FINANCIAL STATEMENTS

28 (i) Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11								
	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(25,971)	-	-	-	-	(25,971)	-	(25,971)
Interest and investment income							(3,021)	(3,021)
Income from council tax, Government grants and contributions	(52,620)					(52,620)	(7,169) (19,651)	(7,169) (72,271)
Total Income	(78,591)	-	-	-	-	(78,591)	(29,841)	(108,432)
Employee expenses	14,535					14,535		14,535
Other service expenses	79,251					79,251	(11,049)	68,202
Support service recharges	11,078					11,078		11,078
Depreciation, amortisation and impairment							198	198
Interest payments							6,829	6,829
Precepts & Levies							200	200
Payment to housing capital receipts pool							258	258
Gain or Loss on disposal of non-current assets							-	-
Total expenditure	104,864	-	-	-	-	104,864	(3,564)	101,300
Surplus or deficit on the provision of services	26,273	-	-	-	-	26,273	(33,405)	(7,132)

2009/10 Comparative Figures

2009/10								
	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(25,671)					(25,671)		(25,671)
Interest and investment income							(1,909)	(1,909)
Income from council tax, Government grants and contributions	(53,611)					(53,611)	(6,877) (19,092)	(6,877) (72,703)
Total Income	(79,282)	-	-	-	-	(79,282)	(27,878)	(107,160)
Employee expenses	13,922					13,922		13,922
Other service expenses	91,301					91,301	1,525	92,826
Support service recharges	11,522					11,522		11,522
Depreciation, amortisation and impairment							274	274
Interest payments							6,205	6,205
Precepts & Levies							193	193
Payment to housing capital receipts pool							149	149
Gain or Loss on disposal of non-current assets							-	-
Total expenditure	116,745	-	-	-	-	116,745	8,346	125,091
Surplus or Deficit on the Provision of Services	37,462	-	-	-	-	37,462	(19,532)	17,930

NOTES TO THE CORE FINANCIAL STATEMENTS

28 (ii) Reconciliation to Subjective Analysis - Group

2010/11			
	Directorate Analysis	Subsidiaries Analysis	Total
	£000	£000	£000
Fees, Charges & Other Service income	(25,971)	(16,605)	(42,576)
Surplus or deficit on Associates and Joint Ventures		(342)	(342)
Interest and Investment income	(3,021)	(17)	(3,038)
Income from council tax	(7,169)	-	(7,169)
Government Grants and Contributions	(72,271)	(3,985)	(76,256)
Total Income	(108,432)	(20,950)	(129,382)
Employee expenses	14,535	5,457	19,992
Other service expenses	68,202	11,262	79,464
Support Service recharges	11,078	1,959	13,037
Depreciation, amortisation and impairment	198	-	198
Interest Payments	6,829		6,829
Precepts & Levies	200		200
Payments to Housing Capital Receipts Pool	258		258
Gain or Loss on Disposal of non-current Assets	-		-
Total expenditure	101,300	18,678	119,978
Surplus or deficit on the provision of services	(7,132)	(2,272)	(9,403)

2009/10 Comparative Figures

2009/10			
	Directorate Analysis	Subsidiaries, Associates and Joint Venture Analysis	Total
	£000	£000	£000
Fees, Charges & Other Service income	(25,671)	(21,542)	(47,213)
Surplus or deficit on Associates and Joint Ventures		150	150
Income from council tax	(6,877)	-	(6,877)
Interest and Investment income	(1,909)	(9)	(1,918)
Government Grants and Contributions	(72,703)	(3,652)	(76,356)
Total Income	(107,160)	(25,053)	(132,213)
Employee expenses	13,922	5,206	19,128
Other service expenses	92,826	17,547	110,373
Support Service recharges	11,522	2,341	13,863
Depreciation, amortisation and impairment	274		274
Interest Payments	6,205	121	6,326
Precepts & Levies	193		193
Payments to Housing Capital Receipts Pool	149		149
Gain or Loss on Disposal of non-current Assets	-		-
Total expenditure	125,091	25,215	150,305
Surplus or Deficit on the Provision of Services	17,930	162	18,092

29 ACQUIRED, DISCONTINUED AND TRANSFERRED OPERATIONS

The concessionary fares function has transferred to the control of Gloucestershire County Council on 1/4/11. All future costs associated with this scheme will be included in the accounts for the County Council from this date. The event after the balance sheet date will not require an adjustment to the 2010/11 accounts but will be reflected in the 2010/11 comparative figures as part of the 2011/12 accounts.

There have been no acquired or discontinued operations during 2010/11 or 2009/10 financial years.

NOTES TO THE CORE FINANCIAL STATEMENTS

30 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.

	2010/11			2009/10		
	£000	£000	£000	£000	£000	£000
	Income	Expenditure	Net	Income	Expenditure	Net
City Estates	1,669	810	(859)	1,634	1,406	(228)
St.Oswald's Park	20	9	(11)	15	599	584
Eastgate Market	328	349	21	334	2,085	1,751
Open market and other markets	104	106	2	106	161	55
Lettings & Catering Services	71	70	(1)	51	52	1
Translation & Interpreting Services	78	103	25	109	108	(1)
Building Design Services	1	1	-	1	1	-
Legal & Office Services	145	202	57	93	151	58
	2,416	1,650	(766)	2,343	4,563	2,220

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the one of the Council's services to the public eg markets, whilst others are support services to the Council's services to the public e.g. legal.

The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. Only a residual amount of the net surplus on trading operations is charged as Financing and Investment Income and Expenditure (see Note 9):

	2010/11 £000	2009/10 £000
Net Surplus on Trading Operations	(766)	2,220
Services to the public included in Expenditure of Continuing Operations	-	-
Support services recharged to Expenditure of Continuing Operations	1,051	1,187
Net Surplus credited to Other Operating Expenditure	285	3,407

31 AGENCY SERVICES

The Council provides creditor and payroll services for the Gloucester City Homes and Aspire Sports and Cultural Trust involving the payment of around £5,050,521 to employees and £1,176,638 to Her Majesty's Revenue and Customs. Charges are made to those bodies based on service level agreements.

	2010/11 £000	2009/10 £000
Expenditure incurred in providing payroll services to Aspire Cultural Trust and Gloucester City Homes	24	24
Management fee payable by Aspire and GCH	(24)	(24)
Net Surplus arising on the agency arrangement	-	-

32 MEMBERS' ALLOWANCES

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

	2010/11 £	2009/10 £
Allowances	292,938	291,974
Expenses	12,808	13,038
Total	305,746	305,012

Details of the allowances paid to each individual councillor are published in the Gloucester Citizen newspaper and on the Council's website - www.gloucester.gov.uk

NOTES TO THE CORE FINANCIAL STATEMENTS

33 OFFICERS' REMUNERATION

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 2011 and in prior year includes officers in receipt of severance pay arising from management restructuring during the two periods. To ensure transparency, these have been shown separately from normal salary.

Remuneration Band	Normal salary		Severance payments		Total	
	Number of Employees		Number of Employees		Number of Employees	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
£50,000 to £54,999	-	7	1	-	1	7
£55,000 to £59,999	-	-	-	-	-	-
£60,000 to £64,999	-	-	1	-	1	-
£65,000 to £69,999	-	-	-	1	-	1
£70,000 to £74,999	-	-	2	1	2	1
£75,000 to £79,999	1	2	-	-	1	2
£80,000 to £84,999	3	2	-	-	3	2
£85,000 to £89,999	-	-	-	-	-	-
£90,000 to £94,999	-	-	-	-	-	-
£95,000 to £99,999	-	-	-	-	-	-
£100,000 to £104,999	-	-	-	-	-	-
£105,000 to £109,999	-	-	1	1	1	1
£110,000 to £114,999	-	1	-	-	-	1
£115,000 to £119,999	1	-	-	-	1	-

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)	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
Salary, fees & allowances	£115,615	£114,923	£81,843	£81,324	£80,242	£79,750
Bonuses	-	-	-	-	-	-
Expenses allowance	£49	-	-	£77	-	-
Compensation for loss of employment	-	-	-	-	-	-
Employers pension contribution	£17,573	£17,468	£13,536	£12,361	£12,197	£12,122
Any other emoluments	-	-	-	-	-	-
Total	£133,237	£132,391	£95,379	£93,762	£92,439	£91,872

Senior Officer	Corporate Director of Services & Neighbourhoods		Corporate Director of Strategy & Development		Monitoring Officer *	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
Salary, fees & allowances	£79,488	£78,840	£81,800	£81,240	£54,789	*
Bonuses	-	-	-	-	-	*
Expenses allowance	-	-	£132	£90	£220	*
Compensation for loss of employment	-	-	-	-	£52,157	*
Employers pension contribution	£12,082	£11,984	£13,519	£12,348	£8,088	*
Any other emoluments	-	-	-	-	-	*
Total	£91,570	£90,824	£95,451	£93,678	£115,254	£0

*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.

In 2010/11 the Monitoring Officer role was delivered by the Corporate Director of Strategy & Development. Rather than duplicate the remuneration within the table, the remuneration for 2010/11 is shown in the Corporate Director of Strategy & Development column only.

34 EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	2010/11 £'000	Restated 2009/10 £'000
Fees payable to the Audit Commission (KPMG LLP) for		
- external audit services	144	176
- statutory inspection	1	8
- the certification of grant claims and returns	28	21
- other services provided by the appointed auditor	-	-
Total audit fees	173	205

The 2009/10 external audit services and grants costs have been revised to include all charges made (including overruns).

NOTES TO THE CORE FINANCIAL STATEMENTS

35 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	2010/11 £'000	2009/10 £'000
Homelessness and other housing	(381)	(340)
Council Tax Benefit Admin	(38,228)	(37,320)
Concessionary Fares	(532)	(518)
Rent Rebates	(10,140)	(10,173)
Sports Grant	(286)	(208)
Community Grant	(333)	(113)
Planning Development Grant	-	(1,405)
Capital Grant	(853)	(1,943)
HRA balance sheet other government grants	1,557	1,795
Other	(1,010)	(930)
Total grants	(50,206)	(51,155)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	31/03/2011 £000
Capital Grants Receipts in Advance	
Coney Hill South	(88)
Cotswold View	(520)
Green Farm	(81)
48 The Wheatridge	(337)
British Energy	(150)
Watermills Play Area	(85)
Hempsted Grange	(143)
Hammersons	(149)
Other contributions	(1,092)
Total	(2,645)

NOTES TO THE CORE FINANCIAL STATEMENTS

36 RELATED PARTIES

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

Transactions with members were restricted to the payment of members' allowances, which are detailed in note 32. There were no transactions with chief officers other than the payment of remuneration which is shown in note 33.

	2010/11			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		1,376	1		2,025
Non Domestic Rates	1		44,444	1		44,491
Specific Grants			1,196			1,351
Other Local and Police Authorities	3	49,423		3	54,500	
Precepts						
Gloucestershire County Council	10			15		
Pension Fund		3,198			3,388	
Gloucestershire Airport	6			6		26
Loan transactions						
Quedgeley Parish Council		200			193	
Others						
Gloucester Law Centre	2	138		2	145	
Friendship Café/Gym Nation	1	6				
GL Communities	1	248				
Citizens Advice Bureau	2	68				
Gloucester City Homes	7	17,804		8	25,036	
Aspire	2	2,024		4	1,980	
Gloucester Cathedral	2	3				
Llanthony Secunda Priory Trust	1	10		1	10	
Glos Playing Fields Assoc	2	1				
Severn Area Rescue Assoc	1	6		1	2	
Zurich	1	342		1	23	
Furniture Recycling Project	-	-		1	5	
Glos College	2	45		1	8	
Rooftop Housing	-	-		1	365	

Amounts due to or from related parties (debtors/creditors) as at 31 March 2011:

	2010/11 £'000	2009/10 £'000
Debtors	524	452
Creditors	1,760	695

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 32. During 2010/11, works and services to the value of £18.658m were commissioned from companies in which 23 members had an interest.

Contracts were entered into in full compliance with the council's standing orders.

The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the North Warehouse during office hours.

Officers

During 2010/11, works and services to the value of £13,000 were commissioned from companies in which 2 officers had an interest. Those entities are Gloucester Cathedral and Llanthony Secunda Priory Trust (detailed in the above table).

Contracts were entered into in full compliance with the council's standing orders. The relevant officers did not take part in any discussion or decision relating to the payments.

NOTES TO THE CORE FINANCIAL STATEMENTS

37 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2010/11	2009/10
	£000	£000
Opening Capital Financing Requirement	58,146	44,902
Capital investment		
- Property, Plant and Equipment	9,950	15,064
- Investment Properties	64	2,101
- Intangible Assets	283	293
- Revenue Expenditure Funded from Capital under Statute	2,101	2,971
	70,544	65,331
Sources of finance		
- Usable capital receipts	(399)	(78)
- Capital grants and contributions	(2,076)	(3,598)
- Major Repairs Reserve	(2,487)	(2,914)
- Revenue contributions	-	(315)
Revenue Provision (including Minimum Revenue Provision)	(268)	(280)
Capital Receipts applied for debt repayment	-	-
Closing Capital Financing Requirement	65,314	58,146
Explanation of movements in year		
Increase in underlying need to borrow for capital investment:		
- supported by government financial assistance	4,098	9,170
- unsupported by government financial assistance	3,313	4,354
Amounts 'set aside' for debt repayment	(268)	(280)
Increase/(decrease) in Capital Financing Requirement	7,143	13,244

38 LEASES

(i) GCC as Lessor

Finance Lease

The Council has no Finance leases

Operating Leases

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

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

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2010/11	2009/10
	£'000	£'000
Not later than 1 year	53	28
Later than 1 year and not later than 5 years	186	267
Later than 5 years	1,308	1,312
Total	1,547	1,607

NOTES TO THE CORE FINANCIAL STATEMENTS

(ii) GCC as Lessee

Operating Leases

The Council has operating leases, the leasing payments relating to buildings and car parks leased before 2010/11. The payments were £323,439 in 2010/11 (2009/10 £382,583).

Finance Leases

The Council's finance leases liabilities are recorded in the balance sheet at the following net amounts: The Council did take up Finance Leases during 2010/11

	2010/11 £000	2009/10 £000
Vehicles, Plant, Furniture and Equipment	137	20
	137	20

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2010/11 £000	2009/10 £000
Finance lease liabilities (net present value of minimum lease payments):		
- current	30	-
- non-current	107	-
Finance costs payable in future years	-	20
Minimum lease payments	137	20

The minimum lease payments will be payable over the following periods:

	Minimum Lease		Finance Lease Liabilities	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Not later than one year	-	-	-	20
Later than one year and not later than five	149	-	149	-
Later than five years	-	-	-	-
	149	-	149	20

For 2010/11, the 2009/10 Lease Liabilities of £19,688 was paid for rental payments for extension of leases.

39 IMPAIRMENT LOSSES

The Code requires disclosure by class of assets of the amounts for impairment losses and reversals charged to impairment the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure.

These disclosures are consolidated in Notes 11 and 13 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

40 CAPITALISATION OF BORROWING COSTS

No borrowing cost were capitalised during the year.

41 TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2010/11, incurring redundancy and compensatory agreement costs of £221,928 (£409,799 in 2009/10).

The amount was payable to 12 officers from a variety of services, whose employment was terminated as part of the Council's rationalisation of Directorates (including Group and Service reviews). The rationalisation is a result of the Council's Three Year Money Plan savings target to be achieved by 2013/14.

NOTES TO THE CORE FINANCIAL STATEMENTS

42 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Council participates in the Gloucestershire County Council Pension Fund which is a defined benefit statutory pension scheme administered by the county council in accordance with the Local Government Pension Scheme (LGPS) Regulations 1997 (as amended). It is contracted out of the State Second Pension. It is also a Funded scheme, meaning that the Council and employees pay contributions into a Fund, set at a level intended to balance pension liabilities with investment assets.

Further information can be found in Gloucestershire County Council LGPS Annual Report which is available (from November each year) from:

Business Management Directorate
Gloucestershire County Council
Shire Hall
Westgate Street
Gloucester
GL1 2TG

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Account	2010/11 £000	2009/10 £000
<i>Net Cost of Services :</i>		
Current service cost (apportioned across services)	1,882	1,039
Past service costs/(credits), curtailments and settlements	(11,440)	28
Settlements and Curtailments (included in Non-Distributed costs)	4	475
Financing and Investment Income and Expenditure		
Interest cost	6,641	5,738
Expected return on assets in the scheme	(4,085)	(2,514)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(6,998)	4,766
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
- Actuarial gains and losses	(16,946)	28,429
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Movement in Reserves Statement		
- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with	6,998	(4,766)
Fund Balance for pensions in the year:		
- employer's contributions payable by the general fund to the scheme	3,198	2,950
- retirement benefits payable to pensioners		
	(13,748)	31,379

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a gain of £24.601 million.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Funded liabilities: Local Government Pension Scheme	
	2010/11 £000	2009/10 £000
Opening balance at 1 April	130,801	84,228
Current service cost	1,881	1,039
Interest cost	6,640	5,738
Contributions by scheme participants	625	571
Actuarial gains and losses	(21,898)	43,011
Benefits paid	(4,867)	(4,289)
Past service costs	(11,440)	28
Entity combinations	-	-
Curtailments	8	475
Settlements	-	-
Closing balance at 31 March	101,750	130,801

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of fair value of the scheme (plan) assets

Local Government Pension Scheme

	2010/11 £000	2009/10 £000
Opening balance at 1 April	59,483	42,829
Expected rate of return	4,085	2,514
Actuarial gains and losses	(4,952)	14,582
Employer contributions	3,788	3,276
Contributions by scheme participants	625	571
Benefits paid	(4,867)	(4,289)
Entity combinations	-	-
Settlements	-	-
Closing balance at 31 March	58,162	59,483

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was 7.9% (2009/10 40.1%).

Scheme History

	31-Mar-07 £'000	31-Mar-08 £'000	31-Mar-09 £'000	31-Mar-10 £'000	31-Mar-11 £'000
Present value of liabilities:					
Local Government Pension Scheme	(102,149)	(88,565)	(84,228)	(130,801)	(101,750)
Fair value of assets in the Local Government Pension Scheme	63,422	58,237	42,829	59,483	58,162
Surplus/(deficit) in the scheme:	(38,727)	(30,328)	(41,399)	(71,318)	(43,588)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment retirement benefits.

The total liability of £43.588 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

Over the remaining working life of employees i.e. before payments fall due, as assessed by the scheme actuary,

finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions made to the Local Government Pension Scheme by the Council in the year to 31 March 2011 is £3.198 million.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees i.e. before payments fall due, as assessed by the scheme actuary.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2011.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2010/11	2009/10
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.50%	7.80%
Bonds	4.90%	5.00%
Other	5.50%	5.80%
Cash	4.60%	4.80%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	21.7 years	22.7 years
- Women	23.6 years	26.1 years
Longevity at 65 for future pensioners:		
- Men	23.5 years	24.8 years
- Women	25.8 years	28.3 years
Rate of inflation	2.80%	3.80%
Rate of increase in salaries	4.60%	5.30%
Rate of increase in pensions	2.80%	3.80%
Rate for discounting scheme liabilities	5.50%	5.50%
Take-up of option to convert annual pension into Retirement lump sum	75%	75%

NOTES TO THE CORE FINANCIAL STATEMENTS

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31-Mar-11 %	31-Mar-10 %
Equity investments	68	67
Debt Instruments	24	24
Other assets	6	6
	2	3

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	31-Mar-07 %	31-Mar-08 %	31-Mar-09 %	31-Mar-10 %	31-Mar-11 %
Experience gains/(losses) on Assets	(76)	(8,941)	(16,940)	14,582	(4,952)
Actuarial gains/(losses) on Assets	(76)	(8,941)	(16,940)	14,582	(4,952)
Fair value of employer's assets	63,422	58,237	42,829	59,483	58,162
Experience gains/(losses) as a percentage of fair value of Assets	(0.1%)	(15.4)	(39.6)	24.5%	(8.5%)
Actuarial gains/(losses) as a percentage of fair value of Assets	(0.1%)	(15.4)	(39.6)	24.5%	(8.5%)

The total contributions expected to be made to the Local Government Pension scheme in 2011/12 is £3,813,000.

43 CONTINGENT LIABILITIES

At 31 March 2011, the Council had three material 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 2011 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.

Land charges personal searches

The statutory fee for Personal Searches was revoked last August, and DEFRA advised that each Council would need to consider potential refunds to Personal Search Companies in respect of fees charged since January 2005. The level of refund to be made can not be quantified at this stage - it will be dependent on the number of potential refund claims and further central government legislation to be issued.

44 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.

45 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

NOTES TO THE CORE FINANCIAL STATEMENTS

Credit Risk

This arises from deposits with banks and building societies and from credit exposure to the Council's customers. Deposits are not made with banks or building societies unless such institutions have independently assessed credit ratings at least equivalent to Fitch F1 short term and A- long term, or in the case of non-rated UK building societies, have total assets 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 Council does not generally allow credit for customers and £1.491 million of the debtors balance of £13.072 million (see note 17) is past its due date for payment as follows:

	£'000
Less than 3 months	1,254
3 - 6 months	63
6 months - 1 year	26
More than 1 year	148
Total	1,491

The Council has set aside provisions for unrecoverable or doubtful debts based on experience of uncollectability, and it is estimated uncollectible amounts will be able to be met from these.

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that not more than 20% of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

Long term loans - period until repayment	Maximum	Actual
	%	31/03/2011 %
Less than 1 year	20	2
1 - 2 years	20	2
2 - 5 years	50	17
5 - 10 years	75	11
Over 10 years	95	68
		100

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk.

During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

NOTES TO THE CORE FINANCIAL STATEMENTS

Price Risk

The Council does not invest in quoted shares and the shares it owns are not carried at fair value, so the Council is not exposed to movements in market prices. For the impact on the pension scheme, see note 42.

Foreign exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

46 Long Term Investments

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

	31-Mar-11 £'000	31-Mar-10 £'000
Share capital - Gloucestershire Airport Ltd	435	435
Government Stock	2	2
Heritable Bank	404	404
Total	841	841

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.

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.

47 Heritage Assets.

The adoption of FRS 30 Heritage Assets by the Code results in a change of accounting policy that requires disclosure.

Heritage assets where known or reasonably estimable should be recognised as a separate class of assets in the 2011/12 financial statements in accordance with FRS 30.

The Heritage assets have been classified by the Council's heritage service who have reached the conclusion that the value of the assets cannot reasonably be determined.

The Council's civic regalia has a value which is determined for insurance purposes:

	£'000
Civic Regalia	783
Total	783

48 Events after the Balance Sheet Date

The concessionary fares function has transferred to the control of Gloucestershire County Council on 1/4/11. All future costs associated with this scheme will be included in the accounts for the County Council from this date. The event after the balance sheet date will not require an adjustment to the 2010/11 accounts but will be reflected in the 2010/11 comparative figures as part of the 2011/12 accounts.

49 Notes to Group Accounts

The council's group accounts combine its share of Gloucester Airport's accounts, Aspire Sports and Cultural Trust, Gloucester City Homes Ltd, Barton and Tredworth Developments Ltd, Marketing Gloucester and Gloucester Law Centre with the council's own ('single-entity') accounts, adjusting for differences in accounting policy (these are detailed in the accounting policies on pages 23 to 30).

Aspire Sports and Cultural Trust (ASCT)

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 have 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.

The company's unaudited accounts showed gross Income of £4.150million at 31 March 2011 (£3.841million at 31 March 2010) Net Operating Profit of £0.503 million for the year ended 31 March 2011 (£0.376 million to 31 March 2010) and net assets of £1.818million at 31 March 2011 (£0.208 million net liabilities at 31 March 2010).

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.

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 2011 of £1 (£1 at 31 March 2010). The company has been dormant since 2009-10 and there was no financial activity. The company's accounts have been consolidated with those of the Council.

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.

Gloucester Heritage Urban Regeneration Company Limited - (GHURCL)

Gloucester Heritage URC (Urban Regeneration Company) is a company limited by guarantee. Its founder partners are the South West RDA (Regional Development Agency), Homes and Communities Agency, Gloucestershire County Council and Gloucester City Council. Gloucester Heritage URC was sanctioned by Central Government in February 2004 in recognition at both regional and national levels of the need to regenerate central Gloucester.

Although the Council only holds 13% of the Share holding, GHURC has been treated as an associated in the Council group account because GCC has a member on the Company's board.

The company's unaudited accounts showed gross income of £0.769million at 31 March 2011 (£0.961million at 31 March 2010) income of Net Operating Profit of £0.012 million for the year ended 31 March 2011 (£0.32 million at 31 March 2010) and net assets of £0.17million at 31 March 2011 (£0.16 million at 31 March 2010).

NOTES TO THE CORE FINANCIAL STATEMENTS

Gloucestershire Airport Ltd (GAL)

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 Borough Council, 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 gross income of £3.985 million at 31 March 2011 (£3.709million at 31 March 2010) net assets of the company at 31 March 2011 of £0.876million (£0.475million at 31 March 2010) and an after tax operating profit of £0.690million in the year to 31 March 2011 (£0.120 loss to 31 March 2010).

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

For the purposes of the accounts the Airport has been classified as a Joint Venture as it is jointly owned by two local authorities, neither of which has overall control.

These show the full value of the council's investment within its financial statements, since the value of the council's shares do not fully reflect the value of the airport land.

The Group Balance Sheet has been prepared by combining the council's 50% share of the Airport's assets and liabilities as a long-term investment, eliminating the share capital. Since the Airport's accounts show fixed assets at historic cost, they have been re-valued and shown in the group balance sheet at fair value, to bring them in line with the council's accounting policies:

- Operational assets added at leasehold existing use value (50% share) total £15.810 million.

- Non-operational assets added at leasehold market value (50% share) total £6.5 million.

The table below shows the Council's share of the Gloucester Airport Asset Valuation included in the Group Balance Sheet as long term Investment.

	2010/11	2009/10
Operational Assets	31,620,000	31,620,000
Non-Operational Assets	13,000,000	13,000,000
Total Existing Use Value	<u>44,620,000</u>	<u>44,620,000</u>
Share of Investment (50%)	22,310,000	22,310,000
Less Depreciated Historical Cost	696,219	713,758
Net Investment	<u><u>21,613,781</u></u>	<u><u>21,596,242</u></u>

There is no requirement to adjust for transactions carried out and balances held between the Council and Gloucestershire Airport Limited.

The cash flows of the Airport are also not required to be included in the Group Cash flow Statement.

The company had long term loans from the City Council of £0 at 31 March 2011 (£25,000 at 31 March 2010).

The accounts of GAL for the year ending 31 March 2011 can be obtained from the Airport Company Secretary at the company's registered office

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

The following table discloses the council's share of the Airport's net assets as follows:

	Gloucestershire Airport Limited	Council's Share
	£	£
	2010/11	2010/11
Turnover	3,984,547	1,992,273
Profit on ordinary activities before taxation	725,597	362,798
Tax on profit on ordinary activities	35,228	17,614
Profit for the financial year after taxation	690,369	345,184
	31-Mar-11	31-Mar-11
Fixed Assets	2,112,913	1,056,456
Current Assets	1,055,827	527,913
Liabilities due within one year	627,402	313,701
Liabilities due after one year	-	-

The net assets of Gloucester Airport Ltd are valued at cost (in accordance with company accounting rules) and may not therefore reflect their market value.

The value of the Airport company could vary to that suggested by the stated net assets of the company or the share capital issued.

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 gross income of £16.43million at 31 March 2011 (£21.35million at the 31 March 2010) a Net Profit of £1.425 million for the year ended 31 March 2011 (£0.390 million loss to 31 March 2010) and net assets of £0.865 million at 31 March 2011 (£2.601 million at 31 March 2010). The company trades mainly with the council's Housing Revenue Account (HRA).

At 31 March 2011 GCH had £1.353 million 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.

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 2011 showed gross income of £0.348million at 31 March 2011 (£0.473million at 31 March 2010) net assets of £0.604 million (£0.636million at 31 March 2010) and an operating profit of £0.297million (loss of £0.030 to 31 March 2010).

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 2011 has been included in the group accounts.

The company is classified as an associate of the council and the council's share (25%) of its accounts have been included in the group accounts.

NOTES TO THE CORE FINANCIAL STATEMENTS

Marketing Gloucester (MG)

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.

The company's unaudited accounts showed gross income of £0.086 million at 31 March 2011 (£0.172million at 31 March 2010) Net Profit of £0.016 million for the year ended 31 March 2011 (£0.165 million loss to 31 March 2010) and net liabilities of £0.152 million at 31 March 2011 (£0.165 million net Liabilities at 31 March 2010). The company is classified as an associate of the council and the council's share (50%) of its accounts have been included in the group accounts.

Gloucester Law Centre (GLC)

The Organisation is a charitable company limited by guarantee, incorporated on 7 August 1985 and registered as a charity on 29 May 1990. The company was established under a Memorandum of Association, which established the objects and powers of the charitable company and is governed under its Article of Association. In the event of the company being wound up members are required to contribute an amount not exceeding £1.

The company's unaudited accounts showed gross income of £0.521million at 31 March 2011 (£0.471million at 31 March 2010) Net Profit of £0.016 million for the year ended 31 March 2011 (£0.00032 million profit to 31 March 2010) and net asset of £0.181 million at 31 March 2011 (£0.165 million net asset at 31 March 2010).

The company is classified as an associate of the council and the council's share (36%) of its accounts have been included in the group accounts.

49 Adjustments between Group Accounts and GCC Account

The total adjustment of £3.104million between GCC account and the Group is made up of Intra-group Debtors of '£0.035million, Intra-group Creditor of £1.182million and intra-group Short term borrowing of £1.886million. These adjustment has been made in accordance with the Code.

50 Group Property, Plant and Equipment

	Operational				Community Assets £'000	Non Operational				2009/10
	Council Dwellings £'000	Other Land and Buildings £'000	Plant, Furniture and Equipment £'000	Infrastructure Assets £'000		Investment Properties £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	Total £'000
Movements in 2010/11:										
Cost or Valuation										
At 1 April 2010	217,472	45,014	5,592	13,152	148	20,992	405	-	302,775	311,448
Additions	6,636	1,677	774	884	5	47	-	-	10,023	17,219
Revaluation increases/(decreases) recognised in the Revaluation Reserve	27	3,895	-	(2)	-	-	-	-	3,920	(4,588)
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	-	-	-	-	-	(198)	-	-	(198)	(274)
Derecognition – Disposals	(364)	-	-	-	-	-	-	-	(364)	(520)
Impairments	(5,661)	0	-	-	-	-	-	-	(5,661)	(18,751)
Assets reclassified (to)/from Held for Sale	-	125	-	-	-	280	(405)	-	-	-
Other movements in cost or valuation	13	-	(20)	-	-	(327)	-	-	(334)	(1,758)
At 31 March 2011	218,123	50,711	6,346	14,034	153	20,794	-	-	310,161	302,776
Accumulated Depreciation and Impairment										
At 1 April 2010	6,097	2,500	3,343	3,170	2	-	4	-	15,116	10,322
Depreciation Charge	2,981	1,288	275	376	1	-	-	-	4,921	4,794
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	(17)	-	-	-	-	-	-	(17)	-
Other movements in depreciation and impairment	-	-	-	-	-	-	(4)	-	(4)	-
At 31 March 2011	9,078	3,771	3,618	3,546	3	-	-	-	20,016	15,116
Net book value as at 31 March 2011	209,045	46,940	2,728	10,488	150	20,794	-	-	290,145	287,659
Net book value as at 1 April 2010	211,375	42,514	2,249	9,982	146	20,992	401	-	287,659	

Comparative figures 2009/10

	Operational				Community Assets £'000	Non Operational				2008/09
	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000		Investment Properties £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	UK GAAP Total £'000
Movements in 2009/10:										
Cost of Valuation										
At 1 April 2009	216,077	54,372	5,318	12,305	142	21,266	405	1,563	311,448	272,382
Additions	11,815	1,995	254	847	6	2,301	-	1	17,219	21,373
Donations	-	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	76	(4,664)	-	-	-	-	-	-	(4,588)	28,334
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services	-	-	-	-	-	(274)	-	-	(274)	-
Derecognition – Disposals	(355)	-	-	-	-	(165)	-	-	(520)	(247)
Impairments	(10,141)	(5,443)	-	-	-	(3,167)	-	-	(18,751)	(16,325)
Other movements in cost or valuation	-	(1,246)	20	-	-	1,031	-	(1,563)	(1,758)	6,448
At 31 March 2010	217,472	45,014	5,592	13,152	148	20,992	405	1	302,776	311,965
Accumulated Depreciation and Impairment										
At 1 April 2009	3,183	1,341	3,021	2,773	-	-	4	-	10,322	20,896
Depreciation Charge	2,914	1,159	322	397	2	-	-	-	4,794	4,856
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-	-	(14,913)
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-	-	-
At 31 March 2010	6,097	2,500	3,343	3,170	2	-	4	-	15,117	10,839
Net book value as at 31 March 2010	211,375	42,514	2,248	9,982	146	20,992	401	1	287,659	301,126
IFRS Net book value as at 1 April 2009	212,894	53,031	2,297	9,532	142	21,266	401	1,563	301,126	

NOTES TO THE CORE FINANCIAL STATEMENTS

51 Key changes arising from the transition from UK GAAP to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

(i) Short-term Accumulating Compensated Absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay. Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required. The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet	2009/10 Statement £'000	Adjustments Made £'000
Accruals	135	(135)
Accumulated Absences Account		135

31 March 2010 Balance Sheet	2009/10 Statement £'000	Adjustments Made £'000
Accruals	177	(42)
Accumulated Absences Account		42

2009/10 Comprehensive Income and Expenditure Statement

Cost of Services (Net)	2009/10 Statement £'000	Adjustments Made £'000
Central Services to the public	64	15
Cultural, Environmental, Regulatory and Planning Services	97	14
Other Housing Services	16	13
Corporate and Democratic Core	-	-
Non Distributed Costs	-	-

(ii) Leases

All leases have been reassessed and reclassified (as required) in accordance with IFRS criteria. Under the code leases of property are accounted for as separate leases of land and buildings. Previously each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated single lease, or as a finance lease where it was previously treated as an operating lease. Similarly under IFRS the criteria for the finance leases classification of operating and has changed and it is possible leases of property, plant and equipment previously treated as operating leases are finance leases under the code.

The government has issued regulations and statutory guidance in relation to accounting for finance leases. Under these arrangements, the annual charge to the general fund (where the authority is the lessee) will be unchanged.

Where the authority is the lessor the regulations allow the authority to continue to treat any income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The authority does not have any leases where the accounting treatment has changed and all leases at 1st April 2009 have been deemed to be operating leases.

(iii) Capital Grants and Contributions

Capital grants and contributions have been credited to the Comprehensive Income and Expenditure Statement where any conditions attached to them have been, or are reasonably certain to be met, or if not to Capital Grants Receipts in Advance. Previously they were credited to Capital Grants Deferred Account.

(iv) Changes on 2009/10 Comprehensive Income and Expenditure Statement

Description	UK GAAP £000	IFRS £000	Difference £000	Reasons for movement
Net Cost Service	38,684	38,987	303	Changed as a result of separation of Investment Property from trading accounts as part of IFRS requirement
Dividend Receivable		(25)	(25)	Item of income moved from Net Cost of Services to Financing and Investment Income as part of IFRS requirement
Changes in Investment Properties fair value		274	274	IFRS requirement to recognise changes in the Market value of investment properties in the CIES as opposed to Revaluation Reserve
Interest payable and similar Charges	1,466	2,981	1,515	IFRS requirement to move HRA Interest payable to Financing and investment Income
Interest and Investment Income	(80)	(1,884)	(1,804)	IFRS requirement to split trading accounts and Investment Property cost centres moved to Financing and Investment income
Income from the collection fund	(6,837)	(6,877)	(40)	IFRS requirement to move income from STRGL to CIES
Capital Grant	-	(1,306)	(1,306)	IFRS requirement to recognise capital grants in the CIES, opposed to recording them within service lines.
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	(2,486)	(4,588)	(2,102)	Property, Plant and Equipment revaluation and reclassification due to IFRS requirement

(v) Changes in fair values of Investment Properties

Previous accounting policy required revaluations of Investment Property to be adjusted through the Revaluation Reserve in the first instance. The code requires changes to fair value to be taken to surplus or deficit on the provision of services (and then reversed out to the Capital Adjustment account). In 2009/10 all downward revaluations were taken to the provision of services in the CIES so no restatement was required in respect of these. Upward revaluation of Investment properties were however originally credited to the Revaluation Reserve in 2009/10. The financing and Investment Income and Expenditure line of the CIES for 2009/10 and Revaluation Reserve balance have therefore been restated.

The table below shows 2008/09 Investment Properties and Property, Plants and Equipment movement from UK GAAP balances and IFRS balances: **Note 11** shows the movement in balances of Property, Plant and Equipmen

	2008/09			
	Investment Properties		Other land and Building	
	UK GAAP £000	IFRS £000	UK GAAP £000	IFRS £000
Gross book value - as at 1 April	33,126	33,126	43,364	43,364
Additions	14	14	2,630	2,630
Disposals	(8)	(8)	(35)	(35)
Revaluation gains	1,082	(2,884)	6	2,007
Impairments	(2,265)	(2,265)	(168)	(306)
Transfers	(127)	(6,717)	75	6,665
Gross book value at 31 March	31,822	21,266	45,872	54,325
Depreciation - as at 1 April	-	-	966	966
Depreciation for year	-	-	1,160	1,160
Revaluation gains	-	-	(269)	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	(654)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	(638)
Other movement in depreciation and impairment	-	-	-	507
Depreciation as at 31 March	-	-	1,857	1,341
Net book value as at 31 March	31,822	21,266	44,015	52,984

(vi) Changes on 2009/10 Balance Sheet Statement

Note 11 shows detail movement in Property, Plant and Equipment from 2008/09 opening balances to 2010/11 closing balance

The table below shows the Balance Sheet movement between 2009/10 UK GAAP Statement to 2009/10 IFRS Statement

	UK GAAP	ADJUSTMENTS					IFRS
	Reported at 31/03/2010	Reclassification and Revaluation of Assets from 2008/09	Cash & Cash Equivalents	Govt Grants Deferred	Finance Leases	Accrued leave	Adjusted 31/03/2010
	£000	£000	£000	£000	£000	£000	£000
Property, Plant & Equipment	266,153				20		266,173
Investment Property	31,930	(10,938)					20,992
Short Term Investments	14,935		(1,581)				13,354
Short Term Borrowing	(40,204)		1,581				(38,623)
Short Term Creditors	(9,215)			3,925	(20)		(5,310)
Provisions	-					(177)	(177)
Capital Grants Deferred	(16,565)			16,565			-
Capital Grants Receipt in Advance				(2,186)			(2,186)
Revaluation Reserve	66,039	69					66,108
Capital Adjustment Account	158,858	(8,791)		14,054			164,121
Deferred Credits	191			(191)			-
Deferred Capital Receipts				191			191
Accumulating Compensated Absences Account						(177)	(177)

SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE ACCOUNT

HOUSING REVENUE ACCOUNT COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

For the year ended 31 March 2011

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 accounts are included in the Comprehensive Income and Expenditure account (page 33) and balance sheet (page 35).

2009/10			Description	2010/11		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			Expenditure			
4,292	-	4,292	Repairs & Maintenance	3,951	-	3,951
5,662	-	5,662	Management & Supervision	6,443	-	6,443
41	-	41	Rents, rates, taxes and other charges	83	-	83
-	-	-	Rent Rebates	-	-	-
1,794	-	1,794	Housing Subsidy payable	1,557	-	1,557
14,118	-	14,118	Depreciation and Impairment of fixed assets	8,637	-	8,637
64	-	64	Debt Management costs	90	-	90
(42)	-	(42)	Increase provision for bad / doubtful debts	21	-	21
			Income			
-	(15,101)	(15,101)	Dwelling Rents	-	(15,140)	(15,140)
-	(234)	(234)	Non-Dwelling Rents	-	(265)	(265)
-	(1,313)	(1,313)	Charges for Services and facilities	-	(1,162)	(1,162)
25,929	(16,648)	9,281	Net Cost of HRA Services	20,782	(16,567)	4,215
			Other Operating Expenditure			
			Financing and Investment Income and expenditure			
-	(36)	(36)	Interest and Investment Income	-	(55)	(55)
1,517	-	1,517	Interest payable and similar charges	1,419	-	1,419
-	-	-	Surplus or deficit of discontinued operations	-	-	-
-	-	-	Taxation and non-specific grant income	-	-	-
27,446	(16,684)	10,762	(Surplus) or Deficit on Provision of services	22,201	(16,622)	5,579
-	-	-	Surplus or deficit on revaluation of Property, Plant and Equipment assets	-	-	-
-	-	-	Surplus or deficit on revaluation of available for sale financial assets	-	-	-
-	-	-	Actuarial gains/losses on pension assets / liabilities	-	-	-
			Other Comprehensive Income and Expenditure			
27,446	(16,684)	10,762	(Surplus) or deficit for the year on HRA services	22,201	(16,622)	5,579

Movement on the HRA Statement

The statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2009/10 £'000		2010/11 £'000
(3,275)	Balance on the HRA at end of the previous year	(3,183)
10,762	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	5,579
(9,595)	Adjustments between accounting basis and funding basis and funding basis under statute	(5,658)
-		-
1,167	Net increase or (decrease) before transfers to or from reserves	(79)
(1,075)	Transfers (to) or from reserves	5
92	Increase or (decrease) in year on the HRA	(74)
(3,183)	Balance on the HRA at the end of the current year	(3,257)

HOUSING REVENUE ACCOUNT

1 Note of reconciling items for the Movement on the HRA Statement		
2009/10 £'000		2010/11 £'000
	Items included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Statement	
(59)	Amortisation of premiums and discounts	
13,043	Impairment losses	8,637
(2,914)	Capital Grants	(2,980)
(280)	Revenue expenditure charged to capital under statute	-
9,790		5,657
	Items not included in the HRA Income and Expenditure Account but included in the Movement on the HRA Statement	
-		-
	Net adjustments between accounting basis and funding basis under regulations	
9,790		5,657

2 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 Comprehensive Income and Expenditure account (page 33) and balance sheet (page 35).

3 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.

4 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 48 on page 70).

5 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.

6 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 £1.557million in 2010/11 (£1.795 million in 2009/10), 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:-

	2009/10 £'000	2010/11 £'000
"Negative subsidy" for year	(1,794)	(1,557)
Net subsidy payable for the year	(1,794)	(1,557)

The negative subsidy for 2010/11 includes a £2.980 million Major Repairs Allowance received from the government to cover the depreciation (or 'wearing out') of the housing stock.

HOUSING REVENUE ACCOUNT

7 Depreciation and Impairment of fixed assets

The depreciation charged to dwellings in 2010/11 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 11 below), which is used to finance HRA capital expenditure.

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

2009/10 £'000	Type of Tangible fixed asset	2010/11 £'000
3,961	Dwellings	2,967
12	Other Land & Buildings	6
8	Vehicles, plant and equipment	8
3,981	Total Depreciation	2,981

A total of £5.662 million was charged to the Income and Expenditure Account as impairment of non current 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 Movement in Reserves Statement

8 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 £0.200 million at 31 March 2011 (£0.239 million at 31 March 2010). The amount of rent arrears in respect of current and former tenants at 31 March 2011 was £0.458 million (£0.545 million at 31 March 2010). This is equivalent to approximately 0.85% of the total due from tenants in 2010/11 (3.61% in 2009/10).

9 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).

10 Interest payable and amortisation of premiums and discounts

Both these charges are calculated in accordance with statutory determinations.

11 Major Repairs Reserve (MRR)

The authority has a duty to keep a Major Repairs Reserve. In 2010/11 a sum of £2.980 million (representing the depreciation on HRA assets) was credited to this account. Subsequently £2.488 million was used to finance capital expenditure.

The balance on this account was nil at the beginning of the financial year and £0.492 million at the end of the year.

HOUSING REVENUE ACCOUNT

12 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
Unallocated balance	3,182	75	-	3,257
Total 2010/11	3,182	75	-	3,257
Total 2009/10	3,275	187	280	3,182

13 Capital Expenditure

Total capital expenditure on HRA assets during the year was £6.636 million, £6.523 million of which was spent on improvements and modernisations to dwellings, and £0.11 million on property acquisitions.

Capital expenditure requiring financing was £6.636 million, which was financed by £4.098 million borrowing (for which the costs are met by government subsidy), £2.488 million from the Major Repairs Reserve, and £0.05 million from usable Capital Receipts.

14 Non Current 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.

15 Council Housing Stock and Value

Analysis by Type	Number of dwellings	
	31-Mar-11	31-Mar-10
Houses	2,330	2,332
Flats	2,178	2,185
Shared ownership (whole equivalents)	26	26
Total Stock	4,534	4,543
Age Analysis		
Pre 1919	49	49
1919 - 1944	695	698
1945 - 1964	2,272	2,274
1964 onwards	1,518	1,522
Total Stock	4,534	4,543

The dwellings were valued at 31 March 2011 at £209.045million (£211.375 million at 31 March 2010) - see note 11 to the balance sheet, page 43.

Other operational assets, comprising garages, were valued at £0.600 million at 31 March 2011 (£0.493 million at 31 March 2010).

The value of non-operational property, comprising mainly estate shops, was £1.600 million at 31 March 2011 (£1.413 million at 31 March 2010).

HOUSING REVENUE ACCOUNT

16 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 £215.98 million at 31 March 2011. With vacant possession the dwellings would have had an estimated value of £490.7million, thereby recognising an economic cost of providing council housing at less than open market rents of £274.8 million.

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

17 HRA Capital Receipts

From April 2004, the requirement is 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.

2009/10 £000's	HRA Capital Receipts Receivable	2010/11 £000's
355	- Dwellings	364
355	Total	364

18 Pensions

From 2009/10 a charge in respect of 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 Movement Statement in the HRA. 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

2010 £'000	<u>Expenditure</u>	Note	£'000	£'000	2011 £'000
54,500	Precepts & Demands	3		56,534	
394	Write Offs - Council Tax			300	
44,314	Business Rates	2	44,265		
177	- payment to national pool		179	44,444	
	- cost of collection				
79	Distribution of previous years' estimated Collection Fund surplus			326	
79	- Council Tax				
99,464					101,604
	<u>Income</u>				
46,950	Council Tax	1		48,664	
8,091	Transfers from General Fund - council tax benefits			8,554	
44,492	Collectable from Business Ratepayers	2		44,444	
(119)	Adjustment of Previous Years' Council Tax			69	
99,414					101,731
(50)	Increase/(decrease) in Fund				127
485	Balance of Fund at beginning of year				435
(50)	Increase/(decrease) in year	4			127
435	Balance of Fund at 31 March	4			562

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	76	5/9	42
Disabled A	12,961	6/9	8,641
B	12,759	7/9	9,924
C	11,307	8/9	10,051
D	4,945	9/9	4,945
E	3,131	11/9	3,827
F	767	13/9	1,108
G	146	15/9	243
H	3	18/9	6
Total	46,095		38,787
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)			(483)
Add contributions in lieu of government properties			4
Council Tax Base for 2010/11			38,308
Council Tax Base for 2009/10			37,818

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 2011 was £123.22 million (£110.98 million at 31 March 2010) and the national non-domestic multiplier for 2010/11 was 41.4p (2009/10 48.5p), resulting in gross income before transitional, small property, empty property and mandatory relief, write offs, provision for bad debts and interest of approximately £44.49 million. The income shown in the collection fund of £45 million is net of these adjustments.

3 Precepts and Demands

	2009/10 £'000	2010/11 £'000
Gloucestershire County Council	40,312	41,774
Gloucestershire Police Authority	7,337	7,649
Gloucester City Council	6,849	7,111
Total	54,498	56,534

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 2010 Code of Practice 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 surplus for 2010/11 is £0.127 million (2009/10 deficit £0.050 million). This is proportioned:

	2009/10 £'000	2010/11 £'000
Gloucestershire County Council	(37)	94
Gloucestershire Police Authority	(7)	17
Gloucester City Council	(6)	16
Total	(50)	127

GLOSSARY OF FINANCIAL TERMS

GLOSSARY OF FINANCIAL TERMS

To help you understand Gloucester City Council's accounts, some of the terms used are briefly explained below :

Accounting Period

The period of time covered by the accounts, normally a period of twelve months, commencing on 1st April for local authority accounts.

Account

A generic term for statements setting out details of income and expenditure or assets and liabilities or both, in a structured manner. Accounts may be categorised by the type of transactions they record, e.g. management accounts, balance sheets.

Accruals

Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

Amortised Cost

The original cost less any depreciation or impairment (if applicable).

Bad or Doubtful Debts

It is common practice for an organisation to create a provision for bad debts representing the estimated amount of debt existing at the 31 March which is deemed to be irrecoverable.

Balances

Also known as 'working balances', these are 'contingency' reserves not set aside for any specific purpose but to cover possible unforeseen and unavoidable expenditure.

Budget

The Council's aims and policies in financial terms. Also referred to as 'Estimate'.

Capital Expenditure

Expenditure on capital assets which have a long term value to the authority e.g. land, buildings and equipment (known as fixed assets) or the payment of grants to other people for the purchase or improvement of capital assets e.g. house renovation grants (known as deferred charges).

Capital Financing

The raising of money to pay for capital expenditure. In the past the cost of capital assets was often met by borrowing, but capital expenditure may also be financed by other means such as contributions from revenue accounts, the proceeds from the sale of capital assets, capital grants, and contributions from developers or others.

Capital Financing Costs

Principal and interest repayments relating to loans.

Capital Grants

Grants from the Government, the National Lottery and developers towards capital expenditure on a specific service or project.

Capital Receipts

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

Collection Fund

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

GLOSSARY OF FINANCIAL TERMS

Community assets

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

Contingent Liability

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

Contingent Asset

As with contingent liability, only an asset.

Creditors

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

Current Assets

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

Current Liabilities

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

Revenue expenditure funded from capital under statute

Expenditure which may be financed from capital resources but which does not result in tangible assets, for example on house renovation grants.

Depreciation

The cost of the "wearing out" of a fixed asset.

Debtors

Amounts owed to the authority but for which payment was not made at the balance sheet date.

Employee Costs

These include salaries, wages and related national insurance and pension costs payable by the City Council, together with training expenses and charges relating to the index - linking of the pensions of former employees.

Fair Value

The value at which a liability (eg a loan) may be settled or extinguished.

Final Accounts

Accounts prepared for an accounting period, usually in a summarised form. These accounts show the net surplus (profit) or deficit (loss) on individual services together with a balance sheet. They are produced as a record of stewardship and are available to interested parties. Local authorities are required to publish each year a Statement of Accounts (final accounts and balance sheet) as specified in the Accounts and Audit Regulations 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.

GLOSSARY OF FINANCIAL TERMS

General Fund

The Council's main account which includes all services except Council Housing. The net expenditure on the account is financed from government revenue support grant, 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

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.

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 REPORT



KPMG LLP

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United Kingdom

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

We have audited the financial statements of Gloucester City Council for the year ended 31 March 2011 on pages 23 to 84. The financial statements have been prepared under applicable law and the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the Authority, 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 the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Responsibilities of the Director of Resources, set out on page 2, the Director of Resources is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Authority's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Director of Resources; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Group and of the Authority as at 31 March 2011 and of the Group's and the Authority's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the governance statement set out on pages 3 to 16 does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007; or
- any matters have been reported in the public interest under section 8 of the Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11(3) of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

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

Authority’s responsibilities

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

Auditor’s responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Basis of conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

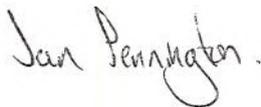
Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, Gloucester City Council

has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

We certify that we have completed the audit of the financial statements of Gloucester City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

A handwritten signature in black ink that reads "Ian Pennington". The signature is written in a cursive style with a large initial 'I' and a long, sweeping underline.

Ian Pennington (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

100 Temple Street
Bristol
BS1 6AG
United Kingdom

27 September 2011