STROUD DISTRICT COUNCIL
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Statement of Accounts 2011-2012

Contents

Explanatory Foreword

The purpose of this foreword and the summary of the financial year are to offer interested parties an easily understood guide to the most significant points reported in the accounts. They provide an explanation in overall terms of the Council's financial position and assist in the interpretation of the accounting statements. They also contain a commentary on the major influences affecting the Council's income and expenditure and cash flow, and information on the financial needs and resources.

The pages that follow are the Council's final accounts for 2011/12, incorporating the changes required by the Code of Practice on Local Council Accounting in the United Kingdom 2011/12 (the 'Code') based on International Financial Reporting Standards (IFRS). It includes:

Statement of responsibilities for the statement of accounts

This explains the responsibility of the Council and the Head of Finance for the production of these Accounts.

The accounting statements

The statements are grouped into **four main financial statements**:

- **Movement in reserves statement** – shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' and 'unusable reserves'. This statement includes the 'Deficit on the Provision of Services', which is detailed in the Comprehensive income and expenditure statement (CI&E), and for 2011-12 is £93.6m.
- **Comprehensive income and expenditure statement** (CI&E) – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practice;
- **Balance sheet** – shows the assets and liabilities of the Council. The total Net Worth at 31 March 2012 is £169.8m.
- **Cash flow statement** – shows the changes in cash and cash equivalents of the Council during the reporting period.

The **four main financial statements** are supported by accounting policies that explain the basis of the figures in the accounts, together with further notes that illustrate the lines in the financial statements to assist readers in understanding the statement of accounts.

These are further supported by **supplementary financial statements** for:

- Housing revenue account (HRA) income and expenditure account - income and expenditure on HRA services included in the whole Council CI&E account;
- Collection fund – reflects the statutory requirement for billing authorities to maintain a separate collection fund, which shows the transactions of the billing Council in relation to non-domestic rates and the council tax, and illustrates the way these have been distributed to preceptors and the general fund.

Pension fund accounts are not included within these accounts because they are not part of the entity accounts of the Council.

A glossary of terms is included at the back of these accounts.

Statement of Responsibilities for the Statement of Accounts

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Head of Finance's responsibilities

The Head of Finance, the Council's Responsible Financial Officer, is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Council Accounting in the United Kingdom* (the 'Code').

In preparing this Statement of Accounts, the Head of Finance has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the local Council Code.

The Head of Finance has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Head of Finance should sign and date the Statement of Accounts, stating that it presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2012. This statement is made on page 8.

Signed: Date:

14 September 2012

S D Cowley CPFA

Head of Finance

Summary of the Financial Year 2011/2012

1. There were two key projects that dominated the financial year and had an impact on the Council's accounts for 2011-12 and beyond. These are as follows:-

(a) The Canal Regeneration project has made significant progress during the year including the opening of the new A46 bridge and enabling the Stroud on Water Festival to be hosted on restored stretches of canal. Significant sums of money are being managed by the Council over the next few years to deliver this major infrastructure scheme, which includes nearly £12m of heritage lottery funding. The land aspects of this project are managed separately by the Stroud Valleys Canal Company in which the Council has representation, but it does not have access to benefits or exposure to the risk of a potential loss so there is no group relationship.

(b) The tendering of the Stratford Park Leisure Management contract saw a new contractor appointed in November 2011 for a period of up to 10 years. This is the Council's major leisure centre within the District.

There were also 2 key transactions that had a significant impact on the Council's accounts:

a) The decision by the Icelandic Supreme Court to uphold the decision of the High Court that local authorities are preferential creditors has seen the return of the majority of the Council's Icelandic deposits. The impact on the Council's accounts was a net credit to the CI&E of £2.007m as set out in Note 44.

b) The council borrowed £91.7m to buy its way out of the Housing Subsidy system. This will mean that the council no longer has to pay £10m in subsidy to the Government but will need to service the debt taken on. This represents a significant change to the financing of the Housing Revenue Account and presents a number of opportunities for the Council in maintaining and developing its housing stock.

2. General Fund

The Council spent a net total of £12.70m on General Fund revenue services in 2011/12. Allowing for the repayment of the Icelandic deposits, interest received, movements to and from reserves and other items, the amount to be funded was £11.25m, resulting in an increase in balances of £2.99m compared with the original forecast of an increase in balances of £239k. ***Table 1*** summarises the differences between forecast expenditure and the actual outturn. Further details can be found on pages 9 to 11 of these accounts.

Table 1 : General Fund expenditure against original budget 2011/12

(figures in £'000)	original	actual	difference
main services			
central services to the public	1,623	1,470	-153
corporate & democratic core	1,584	1,362	-222
cultural & related services	2,711	2,665	-46
environmental & regulatory services	5,292	4,936	-356
general fund housing	1,161	775	-386
highways & transport	-122	-177	-55
non distributed costs & recharged services	242	-80	-322
planning & development services	1,785	1,728	-57
net cost of general fund services	14,276	12,679	-1,597
corporate income & expenditure	-379	-2,196	-1,817
external interest	-220	-263	-43
interest payable & similar charges	80	128	48
appropriations	-79	903	982
total to be funded	13,678	11,251	-2,427
financed by:			
council tax	-8,079	-8,079	-
revenue support grant	-1,295	-1,295	-
other non-service government grants	-232	-552	-320
non domestic rate income	-4,190	-4,190	-
collection fund surplus	-121	-121	-
	-13,917	-14,237	-320
transfer to (-) / from balances	-239	-2,986	-2,747
amounts carried forward	-	296	296
net budget difference	-239	-2,690	-2,451

The Council continues to be pro-active in managing efficiency savings and budget savings in line with cuts in government funding and the economic conditions generally. Income from fees and charges held up better than expected during the year, although there were income pressures in some areas susceptible to the economic downturn notably Industrial Units and Brunel Mall, resulting in corrective action being taken to reduce costs.

The most significant individual change between the original budget and actual net expenditure in the year was the return of the Icelandic Deposits. After repayment of the previously impaired investment and setting aside a sum to mitigate foreign exchange risk and to cover for Icelandic capital controls, £2.01m was credited to the general fund. Other notable changes included a saving in staffing costs of £600k due to the non-filling of a number of posts that became vacant during the year, budgets of £311k brought forward from 2010/11, additional income from refuse and recycling material of £80k, improved council tax and housing benefit overpayment recovery performance which delivered a combined saving of £153k. The net result is a transfer to balances of £2.99m which is a difference of £2.75m compared with the original budget. Items totalling £296k due to be spent in 2011/2012 have been carried forward to be spent in 2012/2013, resulting in a net saving against the original budget of £2.45m.

General Fund balances stood at £7.36m at 31 March 2012 compared with £3.65m expected when the budget was set in February 2011. The £3.71m difference comprises the higher balances carried forward from 2010/2011 as well as the 2011/2012 net position explained above. Further reductions in government funding are expected over the 2 years of the

Comprehensive Spending Review remaining. The increase in balances will help the Council mitigate the effects of a reduction in funding over the medium term.

A precept of £10.60m was levied on the Collection Fund (page 77), including a sum of £2.52m which was collected on behalf of and paid to town and parish councils, leaving £8.08m for use by this Council.

The write off of capital grants and impairment of assets are excluded from the analysis in ***Table 1,*** as they are notional amounts that are not included in the budget and have no overall effect on the cost of services.

3. Housing Revenue Account (HRA)

The Council is the district's major provider of rental accommodation with a stock of 5,204 dwellings at 31 March 2012. Further details of the stock movement are in note 1 on page 73.

Table 2: Housing Revenue Account outturn

(figures in £000)	original budget	revised budget	actual	difference (from revised)
service expenditure	18,819	19,227	110,687	91,460
other operating costs	6,385	6,462	5,455	-1,007
total expenditure	**25,204**	**25,689**	**116,142**	**90,453**
financed by:				
rents & other items	-21,067	-21,061	-112,621	-91,560
government subsidy	-3,561	-3,561	-3,561	-
other transactions	-78	-105	-120	-15
transfer to (-) / from balances	**498**	**962**	**-160**	**-1,122**

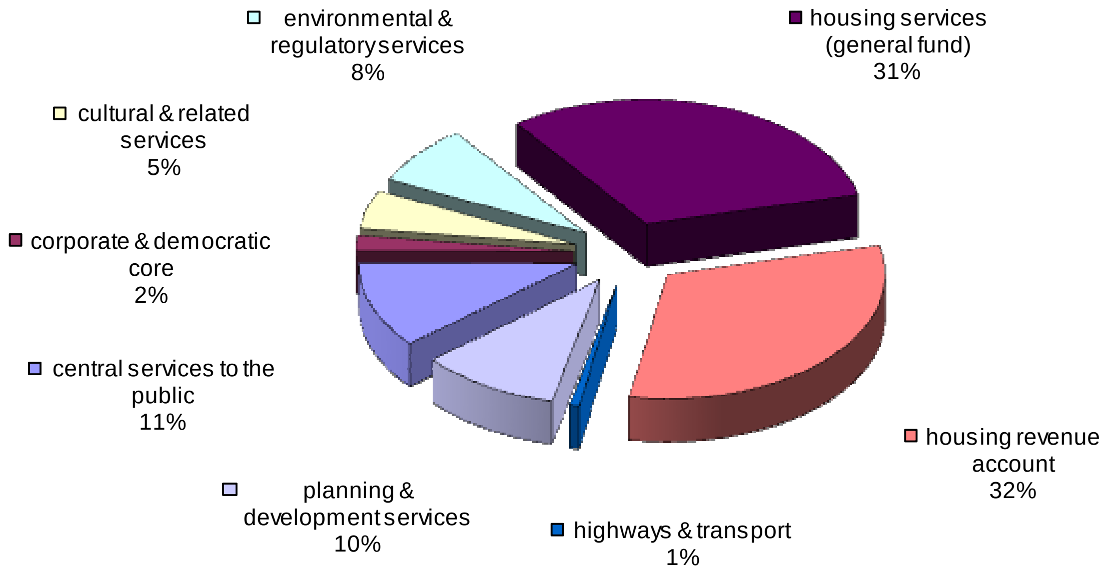
The 2011/2012 HRA outturn compared with budgets is summarised above. The reduction of £1.12m over the revised budget is made up from under spending and slippage. It has been proposed that the balance be carried forward to 2012/2013 to be spent on projects of a revenue and capital nature.

Actual service expenditure of £110.7m includes the £91.7m payment to government which ends the Housing Subsidy system.

What services the revenue expenditure was spent on

The Comprehensive Income and Expenditure Statement on page 11 details the net cost of services, gross expenditure is £176.11m. Excluding the HRA self financing payment of £91.72m, gross expenditure on major services are shown in ***Chart 1***.

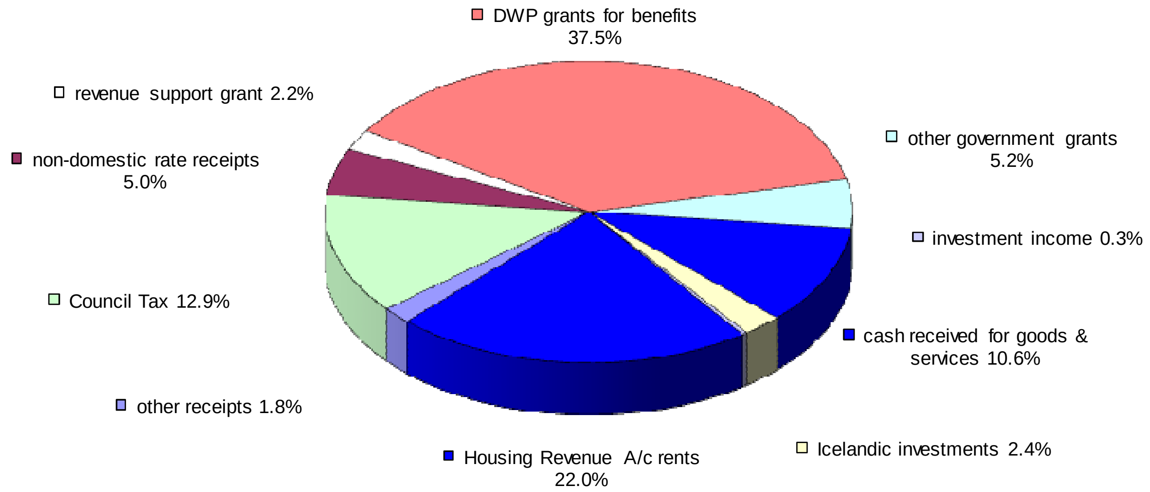
Chart 1: gross expenditure by service 2011/2012



4. Where the money came from

Chart 2 below shows the sources of the Council's revenue income, taken from the Comprehensive Income and Expenditure Statement on page 11, the gross income being adjusted for non-cash items to generate a total of £83.2m. The Council has no control over the income received from central government in the form of revenue support grant, non-domestic rates or many other grants. Income from investments is subject to money market and interest rate movements.

Chart 2: revenue income by source 2011/2012



5. Capital expenditure

The Council spent £103.21m on capital schemes (£10.47m in 2010/2011) compared with a latest approved budget of £106.78m, a net spend of 97%. On 28 June 2012 Executive approved the carry forward of £2.50m to 2012/2013, as detailed below.

Table 3: capital slippage to 2012/13	**£'000**
canal	1,665
Dursley all-weather pitch / joint use sports facility	230
provision of affordable housing	173
social housing grants	154
energy efficiency – invest to save	107
private sector housing strategy	69
fuel poverty	25
cardboard banks	25
flood alleviation	20
Nailsworth bus station – health & safety	11
Stratford Park Leisure Centre - roof and catch-up repairs	7
payment kiosk	6
thin client - replacement of desktop computers	5
financial systems	4
total slippage from 2011/12 to 2012/13	**2,501**

HRA self financing accounted for £91.72m (88.9%) of the expenditure, £5.71m (5.5%) related to housing schemes within the Housing Revenue Account and the General Fund, and £4.93m (4.8%) on the Canal scheme. The remaining £850k (0.8%) was spent on schemes including photovoltaic installations on Stratford Park Leisure Centre and Dursley Pool, backlog building maintenance on the Council's property, and other works at Stratford Park Leisure Centre in readiness for the start of a new management contract including a replacement all-weather pitch, improved ventilation systems and roof repairs. Further details of capital expenditure are given in Note 12 and Note 37.

The Canal Restoration Project (Phase 1a) will restore 7 miles of waterways between Brimscombe and Stonehouse, and is the largest single capital scheme the Council is undertaking. The Council is leading on the £31m project, but the main funders are Heritage Lottery Fund (HLF) (£11.9m) and the South West Regional Development Agency (SWRDA) (£7.5m). The project started in 2009/10 and is due to be completed in 2014.

In 2011/12 £4.93m was spent on the project of which £2.51m was funded by HLF, £1.64m by the Council and £785k funded by other external bodies. The following progress was made during the year:

- Completion of Wallbridge Upper Lock and works to the A46
- Completion of Ryford Double Lock
- Several planning permissions secured including Ironworks and Capels Mill
- Making of Compulsory Purchase Order relating to Capels Mill
- Confirmation of Compulsory Purchase Order relating to Ocean, Stonehouse
- Let several major contracts in excess of £500k including the Capels Mill project with Alun Griffiths Ltd
- Appointment of new Project Manager

6. Capital resources

A mixture of external and internal sources financed this capital expenditure. External funding includes Government grants and external contributions. Internal sums from the Council's own resources included rent from Council dwellings, sales of assets and the use of reserves. Details of capital funding are in Note 37.

During the year 12 council houses were sold in the year for a total of £639k of which £299k was pooled nationally.

7. Borrowing

HRA self financing has allowed the Council to buy itself out of the housing subsidy system. This was financed by taking out £91.717m of long term fixed rate loans from the Public Works Loans Board (PWLB).

8. Council Tax Collection Fund

The Collection Fund accounts are included in these statements, starting on page 77. The Fund is administered for a number of local authorities that issue a precept and these include Gloucestershire County Council, Gloucestershire Police Authority, Stroud District Council and the parish and town councils in the Stroud District area. The District Council administers the fund on a basis similar to a trust.

9. Accounting policies

There has been a change in accounting policy during the year relating to Heritage Assets. Accounting policies required by the International Financial Reporting Standards (IFRS) are set out in these accounts starting on page 14.

10. Pensions liability

These accounts include the full financial impact of pensions accounting requirements ("IAS19"). This includes adjustments made to service costs in the Comprehensive Income and Expenditure Statement on page 11 and the inclusion of the pension liability on the Balance Sheet on page 12. Further explanatory details are now consolidated in Note 41. The total net pension liability has increased to £32.8m at 31 March 2012 compared with £26.8m a year earlier, due to an increase in the present value of liabilities in the fund.

11. Corporate governance

Corporate governance is the system by which local authorities direct and control their functions and relate to their communities. It is important in maintaining credibility and enhancing public confidence in the Council.

A key element in effective corporate governance is the maintenance of a sound system of internal control. Further information is contained within the Annual Governance Statement on pages 83 to 91.

12. Chief Finance Officer Certification

The Statement of Accounts presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2012.

Signed: Date:

14 September 2012

S D Cowley CPFA

Head of Finance

Movement in Reserves Statement

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.

Movement in Reserves Statement 2011-12

	Notes	(a) General Fund Balance £000	(b) Earmarked GF Reserves £000	(c) Housing Revenue Account £000	(d) Capital Receipts Reserve £000	(e) Capital Grants Unapplied £000	(f) **Total Usable Reserves** £000	(g) Unusable Reserves £000	(h) **Total Authority Reserves** £000
Balance at 31 March 2011		4,379	5,790	1,938	1,901	567	14,575	251,953	266,528
Surplus or (deficit) on provision of services (accounting basis)		288	-	(93,931)	-	-	(93,643)	-	(93,643)
Other Comprehensive Income & Expenditure		-	-	-	-	-	-	(3,077)	(3,077)
Total Comprehensive Income & Expenditure		288	-	(93,931)	-	-	(93,643)	(3,077)	(96,720)
Adjustments between accounting basis & funding basis under regulations	*7*	3,140	-	94,091	(1,397)	(118)	95,716	(95,716)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves		3,428	-	160	(1,397)	(118)	2,073	(98,793)	(96,720)
Transfers to / (from) Earmarked Reserves	*8*	(443)	443	-	-	-	-	-	-
Increase / (Decrease) in Year		2,985	443	160	(1,397)	(118)	2,073	(98,793)	(96,720)
Balance at 31 March 2012		7,364	6,233	2,098	504	449	16,649	153,160	169,809

Table contains roundings (see Glossary) which can affect the arithmetic accuracy of the figures.

Movement in Reserves Statement 2010-11

	Notes	(a) General Fund Balance £000	(b) Earmarked GF Reserves £000	(c) Housing Revenue Account £000	(d) Capital Receipts Reserve £000	(e) Capital Grants Unapplied £000	(f) **Total Usable Reserves** £000	(g) Restated Unusable Reserves £000	(h) **Total Authority Reserves** £000
Balance at 31 March 2010		**2,815**	**5,692**	**2,456**	**1,769**	**98**	**12,830**	**216,822**	**229,652**
Surplus or (deficit) on provision of services (accounting basis)		8,438		8,759			**17,197**		**17,197**
Other Comprehensive Income & Expenditure							-	19,679	**19,679**
Total Comprehensive Income & Expenditure		**8,438**	**-**	**8,759**	**-**	**-**	**17,197**	**19,679**	**36,876**
Adjustments between accounting basis & funding basis under regulations	*7*	(6,776)		(9,277)	132	469	**(15,452)**	15,452	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves		**1,662**	**-**	**(518)**	**132**	**469**	**1,745**	**35,131**	**36,876**
Transfers to / (from) Earmarked Reserves	*8*	(98)	98		-		-		-
Increase / (Decrease) in Year		**1,564**	**98**	**(518)**	**132**	**469**	**1,745**	**35,131**	**36,836**
Balance at 31 March 2011		**4,379**	**5,790**	**1,938**	**1,901**	**567**	**14,575**	**251,953**	**266,528**

Comprehensive Income and Expenditure Statement

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.

Comprehensive Income and Expenditure Statement

2010/2011 gross expenditure	2010/2011 gross income	2010/2011 net expenditure	figures in £'000s	note	2011/2012 gross expenditure	2011/2012 gross income	2011/2012 net expenditure
			Continuing Operations				
			Expenditure on Council Services				
9,580	-8,229	1,351	central services to the public		9,485	-8,015	1,470
1,708	-286	1,422	corporate & democratic core		1,613	-251	1,362
4,590	-1,460	3,130	cultural & related services		4,311	-1,563	2,748
6,653	-1,713	4,940	environmental & regulatory services		6,598	-1,662	4,936
912	-1,113	-201	highways & transport		601	-778	-177
13,901	-22,660	-8,759	housing revenue account		26,705	-24,491	2,214
-	-	-	exceptional cost - hra self-financing		91,717	-	91,717
26,930	-24,695	2,235	housing general fund		26,387	-25,249	1,138
6,963	-1,846	5,117	planning & development services		8,794	-1,989	6,805
-8,989	-	-8,989	non distributed costs		-80	-	-80
62,248	-62,002	246	**Total Continuing Operations excluding operations transferred to Gloucestershire County Council**		176,131	-63,998	112,133
			Services transferred to Gloucestershire County Council				
924	-251	673	highways & transport	*30*	-	-	-
63,172	-62,253	919	**Surplus (-) / Deficit on Operations**		176,131	-63,998	112,133
3,342	-2,362	980	**Other Operating Expenditure**	*9*	2,908	-93	2,815
2,637	-818	1,819	**Financing & Investment Income & Expenditure**	*10*	1,502	-2,270	-768
	-20,915	-20,915	**Taxation & Non-Specific Grant Income**	*11*		-20,537	-20,537
		-17,197	**Surplus (-) / Deficit on Provision of Services**				**93,643**
		-536	Surplus(-) / Deficit on revaluation of Property, Plant & Equipment assets	*25*			-2,722
		-19,143	Actuarial gains(-) / losses on pension assets / liabilities	*41*			5,799
		-19,679	**Other Comprehensive Income & Expenditure**				**3,077**
		-36,876	**Total Comprehensive Income & Expenditure**				**96,720**

Balance Sheet

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 is 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 limitation 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'.

Balance Sheet

Restated 01 April 2010 £000	Restated 31 March 2011 £000		Notes	31 March 2012 £000
265,125	274,463	Property, Plant & Equipment	12	273,862
140	140	Heritage Assets	13, 45 - 47	140
5,325	4,618	Investment Property	14	4,253
267	271	Intangible Assets	15	238
2,106	-	Long Tem Investments	16	-
27	396	Long Term Debtors	16	454
272,990	**279,888**	**Long Term Assets**		**278,947**
6,913	782	Short Term Investments	16	570
330	152	Assets Held for Sale	21	43
29	4	Inventories	17	3
3,697	4,935	Short Term Debtors	19	5,236
8,049	16,860	Cash and Cash Equivalents	20	17,191
19,018	**22,733**	**Current Assets**		**23,043**
-266	-1,059	Bank Overdraft	20	-1,388
-	-800	Short Term Borrowing	16	-
-8,628	-7,007	Short Term Creditors	22	-5,526
-8,894	**-8,866**	**Current Liabilities**		**-6,914**
-	-358	Long Term Creditors	22	-422
-	-	Provisions	23	-285
-	-	Long Term Borrowing	16	-91,717
-53,450	-26,869	Other Long Term Liabilities	41	-32,843
-12	-	Capital Grants Receipts in Advance	35	-
-53,462	**-27,227**	**Long Term Liabilities**		**-125,267**
229,652	**266,528**	**Net Assets**		**169,809**
12,830	14,575	Usable Reserves	24	16,649
216,822	251,953	Unusable Reserves	25	153,160
229,652	**266,528**	**Total Reserves**		**169,809**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by ways 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.

Cash Flow Statement			
31 March 2011 £000		**Notes**	**31 March 2012 £000**
-17,197	Net surplus(-) or deficit on the provision of services		93,643
17,656	Adjust net surplus or deficit on the provision of services for non cash movements	26	-3,111
3,152	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		342
3,611	Net cash flows from Operating Activities		90,874
-10,829	Investing Activities	27	41
-800	Financing Activities	28	-90,917
-8,018	**Net increase(-) or decrease in cash and cash equivalents**		**-2**
7,783	Net cash and cash equivalents at the beginning of the reporting period		15,801
15,801	Net cash and cash equivalents at the end of the reporting period	20	15,803

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Council Accounting in the United Kingdom 2011/12* and *the Service Reporting Code of Practice 2011/12,* 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.

The summary of significant accounting policies includes the following items where they have a significant effect on the amounts recognised in the financial statements:-

(b) Accruals of Income and Expenditure

Activity is accounted for in the year 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 but only if the value is material.
- 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 for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument 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.

(c) Acquisition and Discontinued Operations

Acquired operations

Additional policy detail required where a Council has acquired operations (or transferred operations under machinery of government arrangements) during the financial year.

Discontinued operations

Additional policy detail required where a Council has discontinued operations (or transferred operations under machinery of government arrangements) during the financial year.

(d) 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 no more than three months 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.

(e) 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.

(f) Prior Period Adjustments, Changes in Accounting Polices and 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. In 2011-12 an accounting policy in respect of Heritage Assets has been included for the first time, see (n).

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

(g) Charges to Revenue for 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 services 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 equal to 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 - Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

(h) 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 entitlement (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 decisions 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 the pensioner in the year, not the amount calculated according to the relevant accounting standards.

(i) Post Employment Benefits

Most employees of the Council are members of the Local Government Pension Scheme, administered by Gloucestershire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

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

- The liabilities of the Gloucestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit 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 future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.8% (based on 3.5% gilt yield plus 1.3% credit spread) at the IAS19 valuation date. This valuation method replaces the 15 year iBoxx index that was used in previous years. The financial impact of this change is to reduce liabilities by £3.017m.

- The assets of the Gloucestershire County Council pension fund 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.
  - 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 Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement 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 the 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Actuarial gains and losses – changes in the net pension 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 Pensions Reserve.
  - Contributions paid to the Gloucestershire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

(j) Events After the Balance Sheet Date

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of accounts is adjusted to reflect such events.

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

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

(k) Financial Instruments

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.

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 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.

(l) Foreign Currency Translation

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

(m) 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.
- 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 contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using 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 all capital grants) 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 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.

Local Services Support Grant – is a general grant allocated by central government directly to local authorities as additional revenue funding. This is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

(n) Heritage Assets

Heritage assets are a new classification of assets that must be recorded separately on the balance sheet for 2011/12 Statement of Accounts, or disclosed in a note to the accounts if the cost of obtaining a valuation exceeds the benefit to the users of the accounts. Heritage assets are defined as assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Assets owned by the Council that fit the definition of heritage assets are:

Nailsworth Fountain
Park Gardens Memorial
Sims Clock
Stroud from Rodborough Fort, painting c1850 by A N Smith
The Arch, Paganhill
Warwick Vase
Woodchester Mansion

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note (u) in this summary of significant accounting policies. Should a heritage asset be disposed of the proceeds would be accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

(o) 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 when it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resource 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 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.

(p) Interests in Companies and Other Entities

The Council is required to consider all its interests (including those in local authorities and similar bodies) and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The land aspects of the Canal project are managed separately by the Stroud Valleys Canal Company, in which the Council has representation, but it does not have access to benefits or exposure to the risk of a potential loss so there is no group relationship.

(q) Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

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.

(r) 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 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.

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. Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance.

(s) Leases

Leases are classified as finance leases when 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 building 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 lease are 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.

- 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 polices 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 (e.g. 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).

- 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. 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 Balance in the Movement in Reserves Statement.

Operating leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments, (e.g. 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.

(t) 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 CIPFA *Service Reporting Code of Practice 2011/12 (SeRCOP)*. The total absorption costing principle is used – the full cost 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 multi-functional, 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 *SeRCOP* and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Recharges are made on the basis of time allocations with the exceptions of debtors and creditors (transaction numbers), payroll and personnel (employee numbers) and office overheads (floor areas).

(u) 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 (e.g. repairs and maintenance) is charged as an expense when it is incurred.

The Council's capitalisation de minimis is £20,000, except for where the sum of the assets is significant, such as public conveniences and car parks. Additionally, items below the de minimis limit may be capitalised and included on the asset register if, for example, they are deemed portable and attractive. The same limit applies in respect of assets with major components, which are recognised separately when the cost is significant in relation to the total cost of the item.

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 classes of asset – 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 an estimate of fair value.

Where there are 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 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 gain).
- 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 life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight-line allocation of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- Infrastructure – straight-line allocation up to 30 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.

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 losses previously 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 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 the 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.

(v) 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 certainties.

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 (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 control of the Council. 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 control of the Council.

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.

(w) 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, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

(x) Revenue 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 there is no impact on the level of council tax.

(y) Value Added Tax

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.

2. Accounting Standards Issued, not Adopted

For 2011/12, the only accounting policy change that needs to be reported is the adoption of amendments to IFRS 7 *Financial Instruments: Disclosures*.

It is considered that this standard will not have a material impact on the financial statements of local authorities, so no further disclosure is required in these accounts in this year.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, 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:

- Repayment of the previously impaired £3m investments with Glitnir Bank was received in March 2012. The Council accounted for these repayments in accordance with LAAP Bulletin 82 Update 6. After making a provision of £285k in respect of an amount still held in Icelandic Kroner in Iceland due to currency controls, a net amount of £2.007m was credited to the CI&E.

- The canal project means that significant sums of money will be managed by the Council over the next few years to deliver this major infrastructure scheme, which includes nearly £12m of heritage lottery funding. The land aspects of this project are managed separately by the Stroud Valleys Canal Company. The Council has representation in the Company, but does not have access to benefits or exposure to the risk of a potential loss so there is no group relationship.

- 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.

4. 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.

As well as the items described in Note 3, the items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated

	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.	that the annual depreciation charge for buildings would increase 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, Hymans Robertson LLP, is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £7.767m. However, the assumptions interact in complex ways. During 2011/12, the Council's actuaries advised that the net pension liability had increased by £3.029m as a result of estimates being corrected as a result of experience and increased by £2.824m attributable to updating of assumptions.
Arrears	At 31 March 2012 the Council had a short term debtor balance of £5.982m and a bad debt provision of £746k or 12.5% of the debt. In the current economic climate it is not certain that the provision will be sufficient. If collection rates were to deteriorate, an additional bad debt provision would have to be made.	If collection rates were to deteriorate, an additional bad debt provision would have to be made. See notes 16, 19 and 44 for further details of debt outstanding.

5. Material Items of Income and Expense

The nature & amount of material items not separately disclosed on the face of the CI&E Statement are as follows:-

- Changes to pension fund liabilities (see Note 41).
- Over £4.9m was spent on the canal regeneration scheme (see page 7, summary of Financial Year)
- Icelandic investments previously impaired were repaid. An amount of £2m was credited to financing and investment income net of a provision for an amount retained in Icelandic Kroner (see Notes 10, 23 and 44).

6. Events after the Balance Sheet Date

There are no events to report occurring after 31 March 2012.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

Adjustments between Accounting Basis & Funding Basis under Regulations 2011-12

2011-12	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	-937	-5,388				6,325
Revaluation losses on Property, Plant and Equipment	-528	-2,647				3,175
Movements in the market value of Investment Properties						0
Amortisation of intangible assets	-52					52
Capital grants and contributions applied						0
Movement in the Donated Assets Account						0
Revenue expenditure funded from capital under statute	-5,523					5,523
HRA self-financing		-91,717				91,717
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	-249					249
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
HRA Item 8 interest credit	120	-120				0
HRA share of corporate and democratic core	-242	242				0
Statutory provision for the financing of capital investment						0
Capital expenditure charged against the General Fund and HRA balances	480	1,827				-2,307
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions applied credited to the Comprehensive Income and Expenditure Statement	3,832				-3,832	0
Application of grants to capital financing transferred to the Capital Adjustment Account					3,950	-3,950
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	675		-675			0
Use of the Capital Receipts Reserve to finance new capital expenditure			1,674			-1,674
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-7		7			0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-393		393			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			-2			2
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						0
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		3,561		-3,561		0
Use of the Major Repairs Reserve to finance new capital expenditure				3,561		-3,561
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 charged in the year in accordance with statutory requirements						0
Adjustment primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	-2,002	-310				2,312
Employer's pensions contributions and direct payments to pensioners payable in the year	1,685	452				-2,137
Adjustment 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	-5					5
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	6	9				-15
Total Adjustments	**-3,140**	**-94,091**	**1,397**	**0**	**118**	**-95,716**

Table contains roundings (see Glossary) which can affect the arithmetic accuracy of the figures.

Adjustments between Accounting Basis & Funding Basis under Regulations 2010-11

2010-11	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	-262	-4,527				4,789
Revaluation losses on Property, Plant and Equipment	-524	9,420				-8,896
Movements in the market value of Investment Properties	-456					456
Amortisation of intangible assets	-47					47
Movement in the Donated Assets Account						
Revenue expenditure funded from capital under statute	-4,892					4,892
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	-381	-687				1,068
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment						
Capital expenditure charged against the General Fund and HRA balances	263	2,424				-2,687
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions applied credited to the Comprehensive Income and Expenditure Statement	3,312				-3,312	
Application of grants to capital financing transferred to the Capital Adjustment Account					2,843	-2,843
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	3,152		-3,152			
Use of the Capital Receipts Reserve to finance new capital expenditure			2,263			-2,263
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals			25			-25
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-903		734			169
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			-2			2
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						
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		2,654		-2,654		
Use of the Major Repairs Reserve to finance new capital expenditure				2,654		-2,654
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 charged in the year in accordance with statutory requirements		5				-5
Adjustment primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	5,370					-5,370
Employer's pensions contributions and direct payments to pensioners payable in the year	2,068					-2,068
Adjustment 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	67					-67
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	9	-12				3
Total Adjustments	**6,776**	**9,277**	**-132**	**0**	**-469**	**-15,452**

8. 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 2011/12.

Transfers to / from Earmarked Reserves 2011-12

	Balance 1st April 2010	Transfers Out 2010-11	Transfers In 2010-11	**Balance 31st March 2011**	Transfers Out 2011-12	Transfers In 2011-12	**Balance 31st March 2012**
General Fund:	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
capital	1,391	-361	705	1,735	-9	50	1,776
climate change	-	-	264	264	-139	-	125
closed circuit television	61	-	-	61	-13	8	56
concessionary fares	200	-	-	200	-200	-	-
economic development	86	-	100	186	-100	431	517
efficiency savings / invest to save	200	-	-	200	-60	-	140
housing	244	-	-	244	-	-	244
hydro power	14	-14	-	-	-	-	-
information communication technology	494	-258	40	276	-86	65	255
interest equalisation	300	-300	-	-	-	-	-
legal counsel	45	-15	91	121	-20	60	161
littlecombe	-	-	-	-	-	100	100
local plan preparation	88	-88	-	-	-	-	-
miscellaneous General Fund	21	-21	-	-	-	-	-
opportunity land purchase	100	-100	-	-	-	-	-
pension fund	955	-779	515	691	-779	765	677
planning appeal costs	168	-3	25	190	-	225	415
planning delivery grant	226	-72	88	242	-33	-	209
private sector housing loans scheme	-	-	50	50	-	-	50
property maintenance	609	-	-	609	-62	70	617
redundancy	129	-	111	240	-	50	290
risk management / insurance	172	-52	-	120	-15	-	105
S106 maintenance reserve	15	-	-	15	-	194	209
Stratford Park leisure centre "sinking fund"	174	-70	182	286	-309	70	47
unapplied revenue grants	-	-	-	-	-	30	30
warm and well grants	-	-	60	60	-	-	60
waste management reserve	-	-	-	-	-	150	150
total earmarked reserves - General Fund	**5,692**	-2,133	**2,231**	**5,790**	-1,825	**2,268**	**6,233**
HRA:							
major repairs reserve	-	-5,364	5,364	-	-5,388	5,388	-

9. Other Operating Expenditure

Other Operating Expenditure

2010/11		**2011/12**
£000		**£000**
2,351	Parish Council Precepts	2,518
88	Levies	91
903	Payments to the Government Housing Capital Receipts Pool	299
-2,362	Gains (-) / losses on the disposal of non-current assets	-93
980	**Total**	**2,815**

10. Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure		
2010/11 £000		**2011/12 £000**
198	Interest payable and similar charges	128
1,882	Pensions interest cost and expected return on pensions assets	847
-	Repayment of Icelandic investments	-2,007
-717	Interest receivable and similar income	-263
456	Income and expenditure in relation to investment properties and changes in their fair value	527
1,819	**Total**	**-768**

11. Taxation and Non Specific Grant Income

Taxation and Non Specific Grant Income		
2010/11 £000		**2011/12 £000**
-10,379	Council tax income	-10,713
-6,273	Non domestic rates	-4,190
-951	Non-ringfenced government grants	-1,847
-3,312	Capital grants and contributions	-3,787
-20,915	**Total**	**-20,537**

12. Property, Plant and Equipment

Property, Plant and Equipment						
Movements in 2011-12	**council dwellings**	**other land & buildings**	**vehicles, plant furniture & equipment**	**infra-structure assets**	**community assets**	**total property, plant & equipment**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or valuation						
At 1 April 2011	303,728	32,856	2,124	423	62	339,193
Additions	5,388		547	5		5,940
Revaluation increases/decreases (-) recognised in the Revaluation Reserve		2,722				2,722
Revaluation increases/decreases(-) recognised in the Surplus / Deficit on the Provision of Services	-2,647					-2,647
Derecognition - disposals	-249					-249
Derecognition - other						-
Assets reclassified to(-) / from Held for Sale	-43					-43
Other movements in cost or valuation						-
At 31 March 2012	306,177	35,578	2,671	428	62	344,916
Accumulated Depreciation & Impairment						
At 1 April 2011	-58,807	-4,851	-1,024	-40	-8	-64,730
Depreciation charge	-5,369	-760	-158	-19		-6,306
Depreciation written out to the Revaluation Reserve						-
Depreciation written out to the Surplus / Deficit on the Provision of Services	5,369					5,369
Impairment losses / (reversals) recognised in the Revaluation Reserve						-
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-5,388					-5,388
Derecognition - disposals						-
Derecognition - other						-
Other movements in depreciation and impairment						-
At 31 March 2012	**-64,195**	**-5,611**	**-1,182**	**-59**	**-8**	**-71,055**
Net Book Value						
At 31 March 2012	**241,982**	**29,967**	**1,489**	**369**	**54**	**273,862**
at 31 March 2011	244,921	28,005	1,100	383	54	274,463

Table contains roundings (see Glossary) which can affect the arithmetic accuracy of the figures.

Property, Plant and Equipment

Movements in 2010-11	council dwellings	other land & buildings	vehicles, plant furniture & equipment	infra-structure assets	community assets	total property, plant & equipment
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2010	289,923	32,301	1,892	221	63	324,400
Additions	5,072		252	202		5,526
Revaluation increases/decreases (-) recognised in the Revaluation Reserve		555	-20			535
Revaluation increases/decreases(-) recognised in the Surplus / Deficit on the Provision of Services	9,420					9,420
Derecognition - disposals	-687					-687
Derecognition - other						-
Assets reclassified to(-) / from Held for Sale						-
Other movements in cost or valuation					-1	-1
At 31 March 2011	303,728	32,856	2,124	423	62	339,193
Accumulated Depreciation & Impairment						
At 1 April 2010	-53,735	-4,616	-884	-32	-8	-59,275
Depreciation charge	-5,364	-599	-140	-8		-6,111
Depreciation written out to the Revaluation Reserve						-
Depreciation written out to the Surplus / Deficit on the Provision of Services	5,364	545				5,909
Impairment losses / (reversals) recognised in the Revaluation Reserve						-
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-5,072	-476				-5,548
Derecognition - disposals						-
Derecognition - other						-
Other movements in depreciation and impairment		295				295
At 31 March 2011	**-58,807**	**-4,851**	**-1,024**	**-40**	**-8**	**-64,730**
Net Book Value						
At 31 March 2011	**244,921**	**28,005**	**1,100**	**383**	**54**	**274,463**
at 31 March 2010	236,188	27,685	1,008	189	55	265,125

Depreciation

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

- Council Dwellings: 40 years.
- Other Land and Buildings: 20 to 50 years.
- Vehicles, Plant, Furniture and Equipment: 5 to 10 years.
- Infrastructure: 20 to 30 years.

Capital Commitments

At 31 March 2012, the Council has entered into a number of major contracts (in excess of £300k) for the construction or enhancement of Property, Plant and Equipment in 2011-12 and future years. These are part of the canal restoration project which the council is leading on. Commitments are estimated to cost £5.1m. The major commitments are:

- £610,000 procurement of lock gates with Hargreaves (2010 – 2013)
- £890,000 replacement of 3 swing bridges with Galliford Try (2011 - 2013).
- £2.5m construction of canal and associated structures at Capels Mill with Alun Griffiths Ltd. (2012 – 2013).
- £1.1m contract for structures from Ebley Mill to Wallbridge with Galliford Try (2011 – 2013).

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 basis of the valuations of property assets is shown in the Statement of Accounting Policies.

Revaluations	council dwellings	other land & buildings	vehicles, plant furniture & equipment	infra-structure	community assets
	£000	£000	£000	£000	£000
Carried at historical cost			2,124	423	62
Valued at fair value as at:					
31 March 2012	241,982	2,742			
31 March 2011	244,920	5,431			
31 March 2010	236,188	24,483			
31 March 2009	279,147	1,887			
31 March 2008	281,749	-			

13. Heritage Assets

Reconciliation of the carrying value of Heritage Assets held by the Council.

Heritage Assets				
Movements in 2011-12	**Heritage Properties**	**Painting**	**Warwick Vase**	**Total Heritage Assets**
	£000	**£000**	**£000**	**£000**
Cost or valuation				
At 1 April 2010	20	80	40	140
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
Impairment Losses / (reversals) recognised in the impairment reserve	-	-	-	-
Impairment Losses / (reversals) recognised in Surplus or Deficit on the Provision of Services	-	-	-	-
At 31 March 2011	20	80	40	140
Cost or valuation				
At 1 April 2011	20	80	40	140
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
Impairment Losses / (reversals) recognised in the impairment reserve	-	-	-	-
Impairment Losses / (reversals) recognised in Surplus or Deficit on the Provision of Services	-	-	-	-
At 31 March 2012	**20**	**80**	**40**	**140**

The Council's painting 'Stroud from Rodborough Fort' and the Warwick Vase are reported in the balance sheet at insurance valuation which is based on market values. Heritage properties are included at historic cost.

14. Investment Properties

Investment Properties - Fair Value		
	2011/12	**2010/11**
	£000	**£000**
Balance at start of the year	4,618	5,325
Additions:		
Purchases	10	
Construction		
Subsequent expenditure		
Disposals:		
Net gains / losses from fair value adjustments	-527	-456
Transfers:		
to / from Held for Sale	152	
to / from Property, Plant & Equipment		
Other changes:		-251
	4,253	**4,618**

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.

15. 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 purchased licenses only, as the Council has no internally generated software.

All software is given a finite life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are 10 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £52k charged to revenue in 2011-12 was charged directly to the appropriate service, with the amortised cost then forming part of support services recharging across all service heading in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

Intangible Assets	Purchased Software Licences	
	2011-12 £000	2010-11 £000
Balance at start of year:		
- Gross carrying amounts	459	408
- Accumulated amortisation	-188	-141
Net carrying amount at start of year	**271**	**267**
Purchases	19	51
Amortisation for the period	-52	-47
Net carrying amount at end of year	**238**	**271**
Comprising:		
- Gross carrying amounts	478	459
- Accumulated amortisation	-240	-188
	238	**271**

16. Financial Instruments

Categories of Financial Instruments

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

Categories of Financial Instruments	Long Term		Current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Investments				
Loans and receivables	-	-	570	782
Total Investments	**-**	**-**	**570**	**782**
Debtors				
Loans and receivables	454	396	5,236	4,935
Total Debtors	**454**	**396**	**5,236**	**4,935**
Borrowings				
Financial liabilities at amortised cost	-91,717	-	-	-800
Total Borrowings	**-91,717**	**-**	**-**	**-800**
Creditors				
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities carried at contract cost	-422	-358	-5,526	-7,007
Total Creditors	**-422**	**-358**	**-5,526**	**-7,007**

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 terms of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2012 of 1.28% to 4.37% for loans from PWLB and 0.50% to 2.60% 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:

Fair Values - liabilities	31/03/2012		31/03/2011	
	carrying amount £000	fair value £000	carrying amount £000	fair value £000
Financial liabilities	91,717	77,252	800	800
Long-term creditors	422	300	358	254
Short-term creditors	5,526	5,526	7,007	7,007

The fair value of financial liabilities is shown as lower than the carrying amount because the interest rate was higher at Balance Sheet date than when the fixed rate PWLB loans were borrowed. This was due to preferential borrowing rates available for HRA Self Financing. The fair value of long-term creditors is lower than the carrying amount due to the time value of money.

Fair Values - receivables	31/03/2012		31/03/2011	
	carrying amount £000	fair value £000	carrying amount £000	fair value £000
Loans & receivables	5,806	5,806	5,717	5,717
Long-term debtors	454	323	396	281

The fair value of long-term debtors is lower than the carrying amount due to the time value of money. Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

17. Inventories

Inventories	bus & national transport tokens		other consumable stores		total	
	2011-12 £000	2010-11 £000	2011-12 £000	2010-11 £000	2011-12 £000	2010-11 £000
Balance outstanding at start of year:	-	26	4	3	4	29
Purchases	-	111	-	24	-	135
Recognised as an expense in the year	-	-137	-1	-22	-1	-159
Written off balances	-	-	-	-1	-	-1
Balance outstanding at end of year	**-**	**-**	**3**	**4**	**3**	**4**

Responsibility for concessionary fares transferred to Gloucestershire County Council on 1st April 2011.

18. Construction Contracts

At 31 March 2012 the authority had no construction contracts in place on its own assets.

19. Debtors

Debtors	**31 March 2012 £000**	**31 March 2011 £000**
Central government bodies	2,149	1,685
Other local authorities	126	130
NHS bodies		
Public corporations & trading funds		
Other entities & individuals	2,961	3,120
Total	**5,236**	**4,935**

20. Cash and Cash Equivalents

Cash & Cash Equivalents	**31 March 2012 £000**	**31 March 2011 £000**
Cash held by the Authority	4	4
Bank current accounts	175	176
Short-term deposits with banks	17,012	16,680
Total Cash & Cash Equivalents	**17,191**	**16,860**
Less:- overdraft	-1,388	-1,059
Net Cash & Cash Equivalents	**15,803**	**15,801**

21. Assets Held for Sale

Assets Held for Sale	**Current**		**Non Current**	
	31 March 2012 £000	**31 March 2011 £000**	**31 March 2012 £000**	**31 March 2011 £000**
Balance outstanding at start of year	**152**	**330**		
Assets newly classified as held for sale:				
Property, Plant & Equipment	43			
Intangible Assets				
Other assets/liabilities in disposal groups				
Revaluation losses		-48		
Revaluation gains				
Impairment losses				
Assets declassified as held for sale:				
Property, Plant & Equipment	-152			
Intangible Assets				
Other assets/liabilities in disposal groups				
Assets sold		-130		
Transfers from non-current to current				
Other movements				
Balance outstanding at end of year	**43**	**152**	**0**	**0**

22. Creditors

Creditors	**Current**		**Non Current**	
	31 March 2012	**31 March 2011**	**31 March 2012**	**31 March 2011**
	£000	**£000**	**£000**	**£000**
Central government bodies	375	513		
Other local authorities	889	999		
NHS bodies				
Public corporations & trading funds			422	358
Other entities & individuals	4,262	5,495		
Total	**5,526**	**7,007**	**422**	**358**

23. Provisions

Provisions	**Outstanding Legal Cases**	**Injury & Damage Compensation Claims**	**Glitnir Escrow Account**	**Total**
	£000	**£000**	**£000**	**£000**
Balance at 1 April 2011	-	-	-	**-**
Additional provisions made in 2011-12	-	-	285	**285**
Amounts used in 2011-12	-	-	-	**-**
Unused amounts reversed in 2011-12	-	-	-	**-**
Unwinding of discounting on 2011-12	-	-	-	**-**
Balance at 31 March 2012	**-**	**-**	**285**	**285**

Due to Icelandic currency controls an Icelandic Kroner element of Glitnir investments is retained in Iceland earning an interest rate of 3.4%. At 31 March 2012 an amount equivalent to £570,500 is held in Icelandic Kroner in an Escrow account. Whilst the council expects to receive repayment of the remaining balance in full, as prudent financial management an amount of £285,250 (50%) is set aside to cover against risks associated with foreign exchange fluctuations and Icelandic capital controls.

24. Usable Reserves

Movement in the Council's usable reserves are detailed in the Movement in Reserves Statement.

25. Unusable Reserves

31 March 2011	Unusable Reserves	31 March 2012
£000		£000
6,634	Revaluation Reserve	9,356
272,203	Capital Adjustment Account	176,654
-	Financial Instruments Adjustment Account	-
17	Deferred Capital Receipts Reserve	15
-26,869	Pensions Reserve	-32,843
127	Collection Fund Adjustment Account	122
-159	Accumulating Absences Adjustment Account	-144
251,953	**Total Unusable Reserves**	**153,160**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are either:

- Revalued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation.
- 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 March 2011	Revaluation Reserve	31 March 2012	
£000		£000	£000
6,098	**Balance at 1 April**		**6,634**
556	Upward revaluation of assets	2,722	
-20	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services		
536	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**2,722**
	Difference between fair value depreciation & historical cost depreciation		
	Accumulated gains on assets sold or scrapped		
-	**Amount written off to the Capital Adjustment Account**		**-**
6,634	**Balance at 31 March**		**9,356**

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.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

31 March 2011	Capital Adjustment Account	31 March 2012	
£000		£000	£000
264,256	**Balance at 1 April**		**272,203**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
-4,921	Charges for depreciation & impairment of non-current assets	-6,324	
8,896	Revaluation losses on Property, Plant & Equipment	-2,647	
-47	Amortisation of intangible assets	-52	
-4,892	Revenue expenditure funded from capital under statute	-5,523	
-	HRA self-financing expenditure	-91,717	
-1,068	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	-249	
-2,032		-106,512	
-	Adjusting amounts written out of the Revaluation Reserve	-	
-2,032	**Net written out amount of the cost of non-current assets consumed in the year**		**-106,512**
	Capital financing applied in the year:		
2,264	Use of the Capital Receipts Reserve to finance new capital expenditure	1,674	
2,654	Use of the Major Repairs Reserve to finance new capital expenditure	3,561	
975	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	433	
1,855	Application of grants to capital financing from the Capital Grants Unapplied Account	3,515	
-	Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	-	
2,687	Capital expenditure charged against the General Fund & HRA balances	2,307	
10,435		11,490	
-456	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	-527	
9,979			**10,963**
272,203	**Balance at 31 March**		**176,654**

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 & 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. 2010-11 is the final year in respect of this charge.

31 March 2011	Financial Instruments Adjustment Account	31 March 2012	
£000		£000	£000
-5	**Balance at 1 April**		-
-	Premiums incurred in the year & charged to the Comprehensive Income & Expenditure Statement	-	
5	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	-	
5	Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		-
-	**Balance at 31 March**		-

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 fund 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 March 2011 £000	Pensions Reserve	31 March 2012 £000
-53,450	**Balance at 1 April**	-26,869
19,143	Actuarial gains or losses on pensions assets & liabilities	-5,799
5,370	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	-2,312
2,068	Employer's pensions contributions & direct payments to pensioners payable in the year	2,137
-26,869	**Balance at 31 March**	-32,843

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 March 2011 £000	Deferred Capital Receipts Reserve	31 March 2012 £000
19	**Balance at 1 April**	17
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	-
-2	Transfer to the Capital Receipts Reserve upon receipt of cash	-2
17	**Balance at 31 March**	15

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 March 2011 £000	Collection Fund Adjustment Account	31 March 2012 £000
60	**Balance at 1 April**	127
67	Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-5
127	**Balance at 31 March**	122

Accumulating Absences Adjustment Account

The Accumulating Absences Adjustment 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 March 2011	Accumulating Absences Adjustment Account	31 March 2012	
£000		£000	£000
-156	**Balance at 1 April**		**-159**
156	Settlement or cancellation of accrual made at the end of the preceding year	**159**	
-159	Amounts accrued at the end of the current year	-144	
-3	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**15**
-159	**Balance at 31 March**		**-144**

26. Cash Flow Statement – Operating Activities

31 March 2011	Cash Flow Statement - Non Cash Items Included in (Surplus) / Deficit on Provision of Services	31 March 2012
£000		£000
-747	Depreciation charges	-937
-47	Amortisation charges	-52
9,715	Impairment	-2,690
1,621	Increase (-) / decrease in creditors	1,417
1,239	Increase / decrease (-) in debtors	301
	Increase / decrease (-) in long term debtors	59
	Increase (-) / decrease in provisions	-285
-25	Increase / decrease (-) in inventories	1
7,438	Non cash charges for retirement benefits	-175
-1,068	Carry amount of non current assets sold	-249
-456	Investment properties' revaluation	-527
-14	Other non cash items	26
17,656	**Non cash items in Net (Surplus) / Deficit**	**-3,111**

27. Cash Flow Statement – Investing Activities

31 March 2011	Cash Flow Statement - Investing Activities	31 March 2012
£000		£000
454	Purchase of property, plant & equipment, investment property & intangible assets	552
14,769	Purchase of short-term & long-term investments	10,000
-3,152	Proceeds from the sale of property, plant & equipment, investment property & intangible assets	-342
-22,900	Proceeds from short-term & long-term investments	-10,739
-10,829	**Net cash flows from investing activites**	**-529**

28. Cash Flow Statement – Financing Activities

31 March 2011 £000	Cash Flow Statement - Financing Activities	31 March 2012 £000
-800	Cash receipts of short-term borrowing	-91,717
-	Other receipts from financing activities	800
-	Other payments for financing activities	-
-800	**Net cash flows from financing activites**	**-90,917**

29. 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 SeRCOP. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across service areas. 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 pension contributions) rather than current service cost of benefits accrued in the year.
- Expenditure on some support service is budgeted for centrally and not charged to services.

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

Amounts Reported for Resource Allocation Decisions

Service Income and Expenditure 2011/12	Corporate and Democratic Core £000	Cultural and Related Services £000	Central Services to the Public £000	Environmental and Regulatory Services £000	Housing General Fund £000	Highways and Transport £000	Non Distributed Costs £000	Planning Services £000	Recharged Services £000	Housing Revenue Account £000	Housing Self Financing £000	Total £000
Fees & Charges	-251	-1,451	-595	-1,341	-974	-778	-	-1,587	-42	-21,024	-	-28,043
Govt Grants	-	-	-7,269	-39	-24,275	-	-	-17	-	-3,561	-	-35,161
Total Income	**-251**	**-1,451**	**-7,864**	**-1,380**	**-25,249**	**-778**	-	**-1,604**	**-42**	**-24,585**	-	**-63,204**
Employee	177	1,324	1,214	1,342	732	127	-91	1,620	3,195	2,861	-	12,501
Non-Pay	602	2,270	7,673	4,357	25,033	314	-19	1,054	1,321	21,175	91,717	155,497
Support Services	835	633	597	899	259	161	2	1,153	1,183	388	-	6,110
Less: Recharge Income	-	-111	-151	-282	-	-	-	-495	-5,628	-	-	-6,667
Total Expenditure	**1,614**	**4,116**	**9,333**	**6,316**	**26,024**	**602**	**-108**	**3,332**	**71**	**24,424**	**91,717**	**167,441**
Net Cost of Service	**1,363**	**2,665**	**1,469**	**4,936**	**775**	**-176**	**-108**	**1,728**	**29**	**-161**	**91,717**	**104,237**

Service Income and Expenditure 2010/11	Corporate and Democratic £000	Cultural and Related £000	Central Services to the Public £000	Environmental and Regulatory £000	Housing General Fund £000	Highways and Transport £000	Non Distributed Costs £000	Planning Services £000	Recharged Services £000	Housing Revenue Account £000	Housing Self Financing £000	Total £000
Fees & Charges	-285	-1,342	-501	-1,400	-844	-639	-	-1,399	-23	-19,975	-	-26,408
Govt Grants	-2	-	-7,572	-27	-23,851	-250	-	-	-	-2,654	-	-34,356
Total Income	**-287**	**-1,342**	**-8,073**	**-1,427**	**-24,695**	**-889**	-	**-1,399**	**-23**	**-22,629**	-	**-60,764**
Employee	174	1,468	1,216	1,501	793	165	49	1,655	3,580	3,275	-	13,876
Non-Pay	607	2,166	7,778	4,336	24,429	1,209	41	1,030	1,104	11,416	-	54,116
Support Services	929	734	617	920	339	165	1	1,014	1,267	1,099	-	7,085
Less: Recharge Income	-	-118	-182	-286	-	-	-	-313	-5,891	-	-	-6,790
Total Expenditure	**1,710**	**4,250**	**9,429**	**6,471**	**25,561**	**1,539**	**91**	**3,386**	**60**	**15,790**	-	**68,287**
Net Cost of Service	**1,423**	**2,908**	**1,356**	**5,044**	**866**	**650**	**91**	**1,987**	**37**	**-6,839**	-	**7,523**

Reconciliation to Subjective Analysis

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

Reconciliation to Subjective Analysis 2011/12	Service Analysis £'000	Services and support services not included in the Analysis £'000	Amounts not reported to management in the Analysis £'000	Amounts not included in CI&E £'000	Allocation of recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other Service Income	-28,043					-28,043		-28,043
Interest & Investment Income						-	-2,270	-2,270
Income from council tax						-	-10,713	-10,713
Government Grants and contributions	-35,161					-35,161	-9,824	-44,985
Total Income	**-63,204**	-	-	-	-	**-63,204**	**-22,807**	**-86,011**
Employee Costs	12,501		157			12,658		12,658
Other Service expenses	155,497		988			156,485		156,485
Support Service recharges	-557					-557		-557
Depreciation, Amortisation and Impairment						-		-
Interest Payable and Similar Charges						-	128	128
Precepts & Levies						-	2,609	2,609
Payments to Housing Capital Receipts Pool						-	299	299
Gain or Loss on Disposal of Non-Current Assets						-	-93	-93
Pension Adjustment (IAS 19)			847			847	847	1,694
Net expenditure in relation to investment properties and changes in their fair value						-	527	527
Revenue expenditure classified as Capital			5,523			5,523		5,523
Capital Expenditure Funded by the HRA & GF			-2,307			-2,307		-2,307
Surplus or Deficit on Revaluation			2,690			2,690		2,690
Total Expenditure	**167,441**	-	**7,898**	-	-	**175,339**	**4,317**	**179,656**
Surplus or deficit on the provision of services	**104,237**	-	**7,898**	-	-	**112,135**	**-18,490**	**93,645**

Reconciliation to Subjective Analysis 2010/11	Service Analysis £'000	Services and support services not included in the Analysis £'000	Amountsn ot reported to managem ent in the Analysis £'000	Amountsn ot included in CI&E £'000	Allocation of recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other Service Income	-26,408					-26,408		-26,408
Interest & Investment Income						-	-717	-717
Income from council tax						-	-10,379	-10,379
Government Grants and contributions	-34,356					-34,356	-10,536	-44,892
Total Income	**-60,764**	-	-	-	-	**-60,764**	**-21,632**	**-82,396**
Employee Costs	13,876		76			13,952		13,952
Other Service expenses	54,116		6,244			60,360		60,360
Support Service recharges	295					295		295
Depreciation, Amortisation and Impairment			308			308		308
Interest Payable and Similar Charges						-	198	198
Precepts & Levies						-	2,439	2,439
Payments to Housing Capital Receipts Pool						-	903	903
Gain or Loss on Disposal of Non-Current Assets						-	-2,362	-2,362
Pension Adjustment (IAS 19)			-9,393			-9,393	1,882	-7,511
Transfer from Major Repairs Reserve			2,710			2,710		2,710
Net expenditure in relation to investment properties and changes in their fair value						-	456	456
Revenue expenditure classified as Capital			4,874			4,874		4,874
Capital Expenditure Funded by the HRA			-2,501			-2,501		-2,501
Surplus or Deficit on Revaluation			-8,924			-8,924		-8,924
Total Expenditure	**68,287**	-	**-6,606**	-	-	**61,681**	**3,516**	**65,197**
Surplus or deficit on the provision of services	**7,523**	-	**-6,606**	-	-	**917**	**-18,116**	**-17,199**

Tables contains roundings (see Glossary) which can affect the arithmetic accuracy of the figures.

30. Acquired or Discontinued Operations and Transferred Services

There are no discontinued or acquired operations during 2011-12, whereas under machinery of government arrangements responsibility for concessionary travel ceased at the end of 2010-11. Concessionary travel is now administered by Gloucestershire County Council.

31. Trading Operations

The Council has no formal trading operations.

32. Members' Allowances

The Council paid the following amounts to members of the council during the year:

Members' Allowances	2010-11 £000	2011-12 £000
Allowances	358	367
Expenses	18	12
Total	376	379

33. Officers' Remuneration

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

Officers Remuneration		Salary, Fees & Allowances	Bonuses	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total
		£	£	£	£	£	£
Chief Executive	2011-12	110,568.96	-	-	-	19,223.78	129,792.74
	2010-11	110,568.96	-	-	-	21,830.37	132,399.33
Strategic Head (Customer Services)	2011-12	66,783.00	-	-	-	11,820.60	78,603.60
	2010-11	67,522.00	-	-	-	13,423.42	80,945.42
Strategic Head (Development Services)	2011-12	66,783.00	-	-	-	11,820.60	78,603.60
	2010-11	67,385.10	-	-	-	13,423.42	80,808.52
Strategic Head (Community Services)	2011-12	55,594.56	-	-	-	8,865.45	64,460.01
	2010-11	66,978.75	-	-	-	13,249.37	80,228.12
Head of Finance	2011-12	60,723.96	-	-	-	10,748.11	71,472.07
	2010-11	60,770.11	-	-	-	12,205.51	72,975.62
Canal Project Manager	2011-12	16,336.70	-	-	-	2,891.60	19,228.30
	2010-11	58,567.36	-	-	-	11,754.95	70,322.31
Head of Corporate Resources	2011-12	55,724.04	-	-	-	9,863.19	65,587.23
	2010-11	58,135.59	-	-	-	11,200.54	69,336.13
Head of Communications	2011-12	55,724.04	-	-	-	9,863.19	65,587.23
	2010-11	57,558.36	-	-	-	11,200.54	68,758.90

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	2011/2012 Number of employees	2010/2011 Number of employees
£50,000 - 54,999	4	4
£55,000 - 59,999	-	-
£60,000 - 64,999	-	-
£65,000 - 69,999	-	-
£70,000 - 74,999	-	-
£75,000 - 79,999	-	-
£80,000 - 84,999	-	-
£85,000 - 89,999	-	-
£90,000 - 94,999	-	-
£95,000 - 99,999	-	-
£100,000 - 104,999	-	-
£105,000 - 109,999	-	-
£110,000 - 114,999	-	-

The number of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below:

Exit Package cost band (including special payments)	Number of Compulsory redundancies		Number of other agreed departures		Number of exit packages by cost band		Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0 - £20,000	4	-	-	-	4	-	£31,170	-
£20,001 - £40,000	-	1	-	-	-	1	-	£27,265
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,000 - £150,000	-	-	-	-	-	-	-	-

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:

External Audit Costs	2011-12 £000	2010-11 £000
with regard to external audit services carried out by the appointed auditor for the year	114	115
in respect of statutory inspections by the Audit Commission	-	5
for the certification of grant claims and returns for the year by the appointed auditor	28	24
other services provided during the year by the appointed auditor	-	8
gross fees paid	142	152
less Audit Commission rebate for IFRS transition audit cost	-9	-9
Total	**133**	**143**

35. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011-12:

Grant Income, contributions & donations	2011-12 £000	2010-11 £000
Credited to Taxation & Non Specific Grant Income		
DCLG Non Domestic Rates	4,190	6,273
DCLG Revenue Support Grant	1,295	911
DCLG Area Based Grant / LABGI	-	40
DCLG Council Tax Freeze	202	-
DCLG - New Homes Bonus Scheme	409	-
Capital Grants & Contributions:-		
Heritage Lottery Fund - Canal Scheme	2,507	1,178
DCLG Regional Housing Pot	-	459
DCLG Disabled Facilities Grants	294	281
Energy Savings Trust	44	388
Defra - Contaminated Land	-	67
Other Capital Grants & Contributions	1,007	939
Total	**9,948**	**10,536**
Credited to Services		
DWP Housing Benefit Grant	23,774	23,301
DWP Council Tax Benefit Grant	6,771	6,925
DWP Discretionary Housing Payments / In & Out of Work	37	37
DWP Housing Benefit Administration Grant	673	837
DCLG Housing Subsidies and Grant (HRA)	3,561	2,654
DCLG Business Rate Collection	161	168
DCLG Homelessness Grant and Mortgage Rescue Scheme	71	41
DCLG Revocation of Personal Search Fees	-	34
DFT Concessionary Fares Special Grant	-	249
HCA Home Improvement	5	52
HO Building Safer Communities Grant	27	9
LAA Related Schemes	5	19
GCC Recycling Credits	377	384
STW Flood Prevention Projects	72	47
Other Contributions and Donations	-	168
Other grants	36	29
Total	**35,570**	**34,954**

The Council has received no 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 during 2011-12 or 2010-11.

36. Related Parties

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

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants, and prescribes the terms of many transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 29 on reporting for resource allocation decisions. Grant receipts outstanding at 31 March 2012 and 31 March 2011 are shown in Note 35.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2011/12 and 2010/11 is shown in Note 32. Members have not disclosed any material transactions with related parties in either year. The Register of Members' Interest is open to public inspection at Ebley Mill during office hours, on application.

Officers/Other Public Bodies

Senior Officers have not disclosed any material transactions with related parties and the Council has no material pooled budget arrangements with other public bodies.

Entities Controlled or Significantly Influenced by the Council

The Council is represented on the Board of Directors for the Stroud Valleys Canal Company (SVCC) and as such, has the power to participate in the financial and operating policy decisions of the company. The company was formed in 2009 to hold land associated with the Canal Restoration Project lead by the Council. All transactions associated with the canal restoration project are within the Council's accounts. There were no transactions between SVCC and the Council in 2011/12.

Also there are five councillors with senior roles in the Citizens Advice Bureau which receives an annual grant of £125k.

37. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, 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.

Capital Expenditure & Financing	**2011-12**	**2010-11**
	£000	**£000**
Opening Capital Financing Requirement	**832**	**832**
Capital Investment		
Property, Plant & Equipment	5,940	5,526
Intangible Assets	19	51
Revenue Expenditure Funded from Capital under Statute	5,523	4,892
HRA Self-Financing	91,717	-
Sources of Finance		
Capital receipts	-1,674	-2,263
Government grants & other contributions	-7,511	-5,485
Sums set aside from revenue	-450	-269
Direct revenue contributions	-1,847	-2,452
Closing Capital Financing Requirement	**92,549**	**832**
Explanation of movement in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	91,717	-
Increase / (decrease) in Capital Financing Requirement	**91,717**	**-**

38. Leases

Council as Lessee

- **Finance Leases**
  The Council has no assets acquired by finance lease on its Balance Sheet.

- **Operating Leases**
  The Council leases in property under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses – see also the note under 'Council as Lessor'.

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

future minimum lease payments	**31 March 2012 £000**	**31 March 2011 £000**
Not later than one year	329	329
Later than one year & not later than five years	1,182	1,316
Later than five years	398	593
Total	**1,909**	**2,238**

The expenditure charged to the Planning and Development Services line in the Comprehensive Income and Expenditure Statement in relation to these leases was:

CI&E expenditure in year	**2011-12**	**2010-11**
	£000	**£000**
Minimum lease payments	329	329

Council as Lessor

- **Finance Leases**
  The Council has no finance leases as a lessor.

- **Operating Leases**
  The Council leases out property under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses – see also the note under 'Council as Lessee.

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

Authority as Lessor	31 March 2012 £000	31 March 2011 £000
Not later than one year	374	374
Later than one year & not later than five years	1,337	1,495
Later than five years	393	608
Total	**2,104**	**2,477**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011-12 nil contingent rents were receivable by the Council (2010-11 Nil).

39. Impairment Losses

During 2011-12 the Council has recognised impairment losses of £3.217m (£-8.468m 2010-11). This is analysed below:-

2010/11 Impairment charges to Surplus / Deficit (-) £000	2010/11 Impairment charges to Revaluation Reserve £000	2010/11 Total £000	Impairment Losses	2011/12 Impairment charges to Surplus / Deficit (-) £000	2011/12 Impairment charges to Revaluation Reserve £000	2011/12 Total £000
-9,420	-	-9,420	Council Dwellings	2,690	-	2,690
476	-	476	Other Land & Buildings	-	-	-
-	20	20	Vehicles, Plant & Equipment	-	-	-
-	-	-	Infrastructure	-	-	-
-	-	-	Community Assets	-	-	-
-	-	-	Property, Plant & Equipment under Construction	-	-	-
456	-	456	Investment Properties	527	-	527
-	-	-	Intangible Assets	-	-	-
-8,488	20	-8,468		3,217	-	3,217

40. Termination Benefits

The Council terminated the contract of 1 employee in 2011/12, incurring a liability £27,265 (4 employees £31,170 in 2010/11) – see Note 33 for the number of exit packages and total cost per band. Payment was in respect of an employee in Corporate Resources.

41. Defined Benefit Pension Scheme

Participation in Pension Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time the employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered locally by Gloucestershire County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by the 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 to the pension fund 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:

Transactions Relating to Post-employment Benefits

	Local Government Pension Scheme 2011-12 £000	Local Government Pension Scheme 2010-11 £000
Comprehensive Income & Expenditure Statement		
Cost of Services		
current service cost	1,453	1,699
past service costs / (credit)	-	(8,951)
settlements and curtailments	12	-
Financing and Investment Income & Expenditure		
interest cost	4,260	5,172
expected return on scheme assets	(3,413)	(3,290)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**2,312**	**(5,370)**
Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement		
actuarial gains and losses	5,799	(19,143)
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	**8,111**	**(24,513)**
Movement in Reserves Statement		
reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(5,974)	26,581
Actual amount charged against the General Fund Balance for pensions in the year:		
employer contributions payable to the scheme	**2,137**	**2,068**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2012 is a loss of £21.347m.

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	
	2011-12	2010-11
	£000	£000
Opening balance at 1 April	78,157	101,501
Current service cost	1,453	1,699
Interest cost	4,260	5,172
Contributions by scheme participants	563	570
Actuarial gains & losses	4,015	(18,482)
Benefits paid	(3,453)	(3,352)
Past service costs	-	(8,951)
Curtailments	12	-
Closing balance 31 March	**85,007**	**78,157**

The present value of unfunded benefits is £899k (£845k 2010/2011).

Reconciliation of fair value of the scheme (plan) assets:

Scheme Assets	Local Government Pension Scheme	
	2011-12	2010-11
	£000	£000
Opening balance at 1 April	51,288	48,051
Expected rate of return	3,413	3,290
Actuarial gains & losses	(1,837)	610
Employer contributions	2,137	2,068
Contributions in respect of unfunded benefits	53	51
Contributions by scheme participants	563	570
Benefits paid	(3,453)	(3,352)
Closing balance 31 March	**52,164**	**51,288**

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 £1.576m (2010-11: £3.900m).

Scheme History	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
	£000	**£000**	**£000**	**£000**	**£000**
Present value of liabilities:					
Local Government Pension Scheme	(64,535)	(62,874)	(101,501)	(78,157)	(85,007)
Discretionary Benefits	-	-	-	-	-
Fair value of assets in the Local Government Pension Scheme	**44,688**	**34,595**	**48,051**	**51,288**	**52,164**
Surplus / (deficit) in the scheme:					
Local Government Pension Scheme	(19,847)	(28,279)	(53,450)	(26,869)	(32,843)
Discretionary Benefits	-	-	-	-	-
Total	**(19,847)**	**(28,279)**	**(53,450)**	**(26,869)**	**(32,843)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £85.007m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £32.843m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2013 is £2.212m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £nil.

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 Council being based on the latest full valuation of the scheme as at 31 March 2010. The principal assumptions used by the actuary have been:

Assumptions	**2011-12**	**2010-11**
Long-term expected rate of return on assets in the scheme:		
Equity investments	6.2%	7.5%
Bonds	3.9%	4.9%
Property	4.4%	5.5%
Cash	3.5%	4.6%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.7	21.7
Women	23.6	23.6
Longevity at 65 for future pensioners:		
Men	23.5	23.5
Women	25.8	25.8
Rate of inflation	2.5%	2.8%
Rate of increase in salaries	4.3%	4.6%
Rate of increase in pensions	2.5%	2.8%
Rate of discounting scheme liabilities	4.8%	5.5%
Take-up option to convert annual pension into retirement lump sum - pre-2008 service	50.0%	50.0%
Take-up option to convert annual pension into retirement lump sum - post 2008 service	75.0%	75.0%

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:

Categories	31 March 2012 %	31 March 2011 %
Equity investments	71	68
Debt instruments	21	24
Property	6	6
Cash	2	2
	100	**100**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011-12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

History of Experience Gains & Losses	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %
Differences between the expected and actual return on assets	-12.94%	-37.55%	24.51%	0.94%	-3.50%
Experience gains and losses on liabilities	0.27%	-0.04%	-0.01%	9.26%	-1.40%

42. Contingent Liabilities

The Council is currently subject to litigation, which is likely to be determined during the 2012/2013 financial year. The Council believes that the likelihood of any significant liability arising in relation to this claim is remote, and as such no provision has been made in the accounts. However, the council holds sufficient reserves and balances in the event that there is a liability.

Also, the Council is the lead partner in the canal restoration project. Whilst it has always been widely reported that there is a shortfall in funding for the project, with the continuing economic downturn and the associated impact on development, the funding gap is now estimated to be approximately £11m. Officers are working closely with major funders to see if further funding can be identified that will either a) enable completion of the original project or b) allow the project to proceed to Brimscombe Port. If no further funding is forthcoming the project may need to be suspended and the council will have a maximum contingent liability of £1.7m to fund existing financial commitments.

The Council will not enter into any further financial commitments for this project until such time as funding is in place. No specific provision has been made in the accounts for the contingent liability identified, but in the unlikely event that no further funding is available the Council has sufficient resources in its General Fund balances to meet existing financial commitments.

43. Contingent Assets

There are no contingent assets to report as at 31 March 2012.

44. Nature and Extent of Risks Arising from Financial Instruments

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

- **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;

- **Re-financing risk** – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;

- **Market risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within financial regulations / standing orders / constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - maximum and minimum exposures to fixed and variable rates;
  - maximum and minimum exposures to the maturity structure of its debt;
  - maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 24/02/2011 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2011/12 was originally set at £6m, and increased in February 2012 to £110m to allow for HRA self-financing. This is the maximum limit of external borrowings or other long term liabilities.

- The Operational Boundary was originally expected to be £4m, and increased in February 2012 to £104m to allow for HRA self-financing. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 100% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt.

These policies are implemented by a treasury team, within the Finance section. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Sector Treasury Services, the council's treasury management advisers. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution or group.

The credit criteria in respect of financial assets held by the Council are as detailed below:

- A financial institution must be included as a creditworthy counterparty on Sector Treasury Services weekly listing.

- There is a group limit of £8m (£12m from 2012-13) for groups of banks covered by the UK Government Guarantee scheme, subject to a limit of £4m (£6m from 2012-13) per individual bank. Outside of the UK the Council will only make deposits in AAA-rated countries and has set an investment limit of £5m (£6m from 2012-13) per country. Investments can be for a maximum 3 year duration.

- As an overriding control no more than 50% of investments can be with a single institution, subject to a minimum deposit of £1m.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, but formal individual credit limits are not set.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £17.8m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that, whilst rare, it can happen that such entities can fail to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no new evidence at 31 March 2012 that this risk was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

Potential Maximum Exposure to Credit Risk	Amount at 31 March 2012	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2012	Estimated maximum exposure to default & uncollectability at 31 March 2012	Estimated maximum exposure at 31 March 2011
	£000	%	%	£000	£000
	A	B	C	(A*C)	
Bonds	-	-	-	-	-
Customers	5,236	4.5%	5.5%	288	271
				288	271

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for customers, such that £4.432m of the £5.236m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

Age of debts	31 March 2012	31 March 2011
	£000	£000
Less than three months	74	55
Three to six months	56	23
Six months to one year	4,277	4,046
More than one year	25	82
	4,432	4,206

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is readily available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and Public Works Loans Board. There is no significant risk that it will be unable to meet its commitments under financial instruments. The Council has ten PWLB loans that mature in more than five years.

Maturity - liabilities	31 March 2012	31 March 2011
	£000	£000
Less than one year	5,526	6,985
Between one and two years	-	-
Between two and five years	-	-
More than five years	91,717	-
	97,243	6,985

All trade and other payables are due to be paid in less than one year.

Re-financing Risk

This risk relates to both the maturing of longer term financial liabilities and longer term financial assets. The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters use to address this risk. The Council's approved treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or rescheduling of the existing debt; and

- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:-

Maturity Analysis	Aprroved Minimum Limits %	Aprroved Maximum Limits %	31 March 2012 £000	31 March 2011 £000
Less than 1 year	-	100	-	800
Between 1 and 2 years	-	100	-	-
Between 2 and 5 years	-	100	-	-
Between 5 and 10 years	-	100	-	-
More than 10 years	-	100	91,717	-
Total			**91,717**	**800**

Market Risk

Interest Rate Risk

The Council is exposed 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 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. Policy is to aim to keep a maximum of 100% of its borrowings in variable rate loans. 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. Risk of loss may be ameliorated if a proportion of government grant payable on financing costs moves with prevailing interest rates or the Council's cost of borrowing, and provides 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 revise the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

1% Interest Higher	**£000**
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	126
Increase in government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	126
Share of overall impact debited to HRA	55
Decrease in fair value of fixed rate investment assets	6
Impact on Other Comprehensive Income & Expenditure	6
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	12,612

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Council does not invest in equity shares. If it did, these would be classified as ‘available for sale’ and all movements in price would impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

Foreign Exchange Risk in Relation to Icelandic Deposits

The Council has foreign exchange exposure resulting from an element of the settlement received from Glitnir. This is being held in Icelandic Kroner in an escrow account due to the current imposition of currency controls. A provision guarding against currency fluctuations has been set up, see Note 23.

Repayment of Investments with Glitnir Bank, Iceland

An Icelandic Supreme Court decision to grant UK local authorities priority creditor status was instrumental in paving the way for a distribution to creditors in March 2012. The Council has received £2.507m. In addition, due to Icelandic currency controls, an amount in Icelandic Kroner equivalent to £0.570m is retained in Iceland in an Escrow Account earning interest at 3.4%.

As the original £3m investments had previously been impaired in 2009/10 the book value of investments and accrued interest was £0.785m. After deducting a provision for potential currency losses of £0.285m an amount of £2.007m was credited to the Comprehensive Income and Expenditure Account.

Repayment of Glitnir Investments 2011-12

Original Investment Value	Book value of investment and accrued interest @ 31/03/2012	Cash Repaid March 2012	Icelandic Kronor Escrow Account @ 31/03/2012	Provision for Escrow Amount @ 31/03/2012	Net Income credited to 2011-12 CI&E
£'000 (a)	£'000 (b)	£'000 (c)	£'000 (d)	£'000 (e)	£'000 (c) + (d) - (b) - (e)
3,000	785	2,507	570	285	2,007

45. Heritage Assets: Five-Year Summary of Transactions

There were no prior year transactions involving the purchase, donation, disposal or impairment during the five financial years from 2007-08 to 2011-12.

46. Heritage Assets: Further Information

Nailsworth Fountain - a drinking fountain erected in 1862 in memory of a local solicitor William Smith. He worked throughout his life to improve the supply of drinking water in Nailsworth. In 1938 it was moved to a new location in Old Market, and in 1963 moved again a few yards for road widening.

Park Gardens Memorial - a memorial to the war dead of Stroud district.

Sims Clock - a building at the junction of Russell Street, George Street, Kendrick Street and London Road in Stroud. The building comprises a raised dais on which is situated a Clock Tower. It is referred to locally as The Four Clocks.

Stroud from near Rodborough Fort - circa 1848 painted by Alfred Newland Smith (1812 – 1876) depicting an extensive panoramic landscape with two groups of people in the foreground – a genteel group in fashionable clothing, and women carrying wheat sheaves; with the town of Stroud and the wider countryside stretching out beyond, depicting views of a viaduct, Stroud railway station, St. Lawrence's Church, the Great Western Railway, Holy Trinity Church and the Old Workhouse.

The Arch, Paganhill - a memorial to commemorate the abolition of slavery erected in 1834. It was built at as a gateway at the end of the drive to Farmhill Park by staunch abolitionist Henry Wyatt, who owned Farmhill Park. It is inscribed 'Erected to commemorate the abolition of slavery in the British Colonies the first of August AD MDCCCXXXIV'.

Warwick Vase - a Grade II listed structure, which up until 2003 sat in the Orangery in Stratford Park. It was vandalised in 2003 and moved to a secure location. The listing description includes 'Urn in Stratford Park. Late c18th. Sculpted stone, after antique. Very elaborate.' The vase is a copy of the original Warwick Vase unearthed in Italy around 1780 by the then Lord of Warwick. The piece was copied many times.

Woodchester Mansion - is a Grade I listed house in the Victorian Gothic style. It is absolutely unique because it is unfinished. Work started on the mansion in the mid 1850's. The architect was a young local man called Benjamin Bucknall. It is situated at the western end of Woodchester Park, with the village of Woodchester to the eastern end.

47. Heritage Assets: Change in Accounting Policy Required by the Code of Practice for Local Council Accounting in the United Kingdom

The *Code of Practice on Local Council Accounting in the United Kingdom 2011/12* introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in our summary of significant accounting policies, the Council now requires heritage assets to be carried in the balance sheet at valuation.

Heritage Assets

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as heritage assets) that were donated to the Council were held at valuation as a proxy for historical cost. The Council's accounting policies for recognition and measurement of heritage assets are set out in the Council's summary of significant accounting policies.

In applying the new accounting policy, the Council has identified that the assets that were previously held as Community Assets or Vehicle, Plant & Equipment within Property, Plant and Equipment at £0.1m should now be recognised as Heritage Assets and measured at £0.1m. Assets valued at £40,000 previously not recognised on the balance sheet are now included as heritage assets. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

Heritage Assets	**Effect on Opening Balance Sheet 1 April 2010**		
	Opening Balances as at 1 April 2010	**Restatement**	**Restatement required to Opening Balances as at 1 April 2010**
	£000	**£000**	**£000**
Property, Plant and Equipment	265,225	-100	265,125
Heritage Assets	-	140	140
Long Term Assets	**265,225**	**40**	**265,265**
Total Net Assets	**229,612**	**40**	**229,652**
Unusable Reserves	216,782	40	216,822
Total Reserves	**229,612**	**40**	**229,652**

Movement in Reserves Statement – Unusable Reserves 2010-11

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below.

Heritage Assets	**Effect on Movement in Reserves Statement - Unusable Reserves 2010-11**		
	As Previously Stated 31 March 2011	**Restatement**	**As Restated 31 March 2011**
	£000	**£000**	**£000**
Balance as at the end of the previous reporting period - 31 March 2010	216,782	40	216,822
Surplus or Deficit on the Provision of Services	**-**	**-**	**-**
Other Comprehensive Income and Expenditure	19,679	-	19,679
Adjustments between the accounting basis and the funding basis under regulations	15,452	-	15,452
Increase/(decrease) in the year	**35,131**	**-**	**35,131**
Balance at the end of the current reporting period 31 March 2011	**251,913**	**40**	**251,953**

The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Heritage Assets

Effect on Balance Sheet 31 March 2011

	Opening Balances as at 31 March 2011 £000	Restatement £000	As Restated 31 March 2011 £000
Property, Plant and Equipment	274,563	-100	274,463
Heritage Assets	-	140	140
Long Term Assets	**274,563**	**40**	**274,603**
Total Net Assets	**266,488**	**40**	**266,528**
Unusable Reserves	251,913	40	251,953
Total Reserves	**266,488**	**40**	**266,528**

The effect of the change in accounting policy in 2010/11 has been that Heritage Assets are recognised at £140k on the Balance Sheet resulting in an increase in the Capital Adjustment Account by £40k as a result of the Heritage Asset not previously recognised on the Balance Sheet. Also, Property, Plant and Equipment has been restated by £100k to recognise the transfer of Heritage Assets previously categorised as Community Assets (£20k) and Vehicles, Plant and Equipment (£80k).

Supplementary Financial Statements

The HRA Income and Expenditure statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

Housing Revenue Account Income and Expenditure Account

2010/2011 £000		notes	2011/2012 £000	2011/2012 £000
	income			
-17,861	dwelling rents	*6*	-18,819	
-452	non-dwelling rents	*8*	-410	
-1,462	charges for services and facilities		-1,470	
-2,654	HRA subsidy receivable (including MRA)	*9*	-3,561	
-167	Transfers from General Fund		-166	
-33	contribution towards expenditure		-40	
-22,629	**total income**			**-24,466**
	expenditure			
2,868	repairs and maintenance		2,672	
3,375	supervision and management		3,441	
2,124	special services		2,024	
9,417	negative HRA subsidy payable to cental government	*9*	10,350	
0	HRA Self Financing payment		91,717	
-4,056	depreciation & impairment of non-current assets		8,035	
40	debt management costs		67	
102	increased provision for bad or doubtful debt	*11*	91	
13,870	**total expenditure**			**118,397**
-8,759	**net cost of HRA services as included in the whole authority Comprehensive Income & Expenditure**			93,931
272	HRA share of corporate and democratic core			242
-8,487	**net cost of HRA services**			94,173
	HRA share of operating income & expenditure included in the whole authority Comprehensive Income & Expenditure Statement:			
-491	gain (-) or loss on sale of HRA non-current assets	*15*		-29
	interest payable & similar charges			
-195	HRA interest & investment income			-120
	pensions interest cost & expected return on pensions assets			
-9,173	**surplus(-) / deficit for the year on HRA services**			**94,024**

Movement on the Housing Revenue Account Statement

2010/2011 £000		2011/2012 £000
-2,456	**balance on the HRA as at the end of the previous reporting period**	**-1,938**
-9,173	surplus(-) / deficit for the year on the HRA Income & Expenditure Statement	94,024
9,691	adjustments between accounting basis & funding basis under regulations	-94,184
518	net increase (-) or decrease before transfers to or from reserves	-160
-	transfers to or from reserves	-
518	**increase (-) or decrease in year on HRA**	**-160**
-1,938	**balance on the HRA as at the end of the current reporting period**	**-2,098**

This statement reconciles the outturn on the HRA Income and Expenditure Account 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.

Note to the Movement on the Housing Revenue Account Statement

2010/2011 £000		2011/2012 £000
5	difference between interest payable & similar charges including amortisation of premiums & discounts determined in accordance with the Code & those determined in accordance with statute	-
-12	difference between any other item of income & expenditure determined in accordance with the Code & those determined in accordance with statutory HRA requirements (if any)	9
491	gain or loss (-) on sale of HRA non-current assets	29
73	HRA share of contributions to or from the Pensions Reserve	142
2,424	capital expenditure funded by the HRA	1,827
-2,710	transfer to / from (-) Major Repairs Reserve	-1,808
-	HRA self-financing payment to Capital Adjustment Account	-91,717
9,420	transfer to / from (-) the Capital Adjustment Account	-2,666
9,691	**net additional amount required to be credited (-) or debited to the HRA balance for the year**	**-94,184**

Notes to the Housing Revenue Account (HRA)

1. Housing stock

The Council was responsible for managing an average of 5,210 dwellings during the year. 5 dwellings were sold under the right-to buy legislation, compared with 13 sales in the previous year. A further 7 were disposed of by auction during the year. The table below summarises movements in the year.

Movement in housing stock

2010/2011				2011/2012			
1 Apr	right-to-buy sales	31 Mar	(number by type of dwellings)	1 Apr	right-to-buy sales	other disposals	31 Mar
1,295		1,295	bungalows	1,295			1,295
1,526	-1	1,525	flats	1,525	-2	-3	1,520
2,377	-12	2,365	houses	2,365	-3		2,362
29	-	29	maisonettes	29		-4	25
2	-	2	shared ownership (half)	2			2
5,229	**-13**	**5,216**	**total housing stock**	**5,216**	**-5**	**-7**	**5,204**

The total balance sheet value of the land, houses and other property within the HRA, including sheltered dwellings, is shown below:

Movement in HRA fixed assets

(figures in £'000s)	Balance 1 Apr 11	additions in year	disposals	revaluation	depreciation & impairment	accumulated depreciation & impairment	Balance 31 Mar 12
operational assets							
- council dwellings	244,921	5,388	-249	-2,690	-5,369	-19	241,982
- community assets	8						8
- other land and buildings	0			2,722			2,722
non-operational assets							
- investment property	2,865		-303				2,562
total net fixed assets	**247,794**	**5,388**	**-552**	**32**	**-5,369**	**-19**	**247,274**

2. Vacant possession value of dwellings

The open market vacant possession of dwellings including land within the HRA at 31 March 2012, at 1 April 2011 prices is £550m. This is for the 5,202 properties, excluding the 2 shared ownership dwellings. The value of dwellings net of the social element factor (44%) is £242m. The difference of £308m between the vacant possession value and balance sheet value of dwellings within the HRA shows the economic cost of providing council housing at less than open market rents.

3. Major repairs reserve

An analysis of the gross movements on the major repairs reserve is shown below. Note that the Council does not operate a housing repairs account.

Major repairs reserve

2010/2011	(figures in £'000s)	2011/2012
-	balance 1 April	-
-5,364	transferred in	-5,369
2,710	transferred out to Housing Revenue Account	1,808
2,654	financing of Capital expenditure	3,561
-	**balance 31 March**	**-**

4. Capital expenditure

A summary of total capital expenditure on land, houses and other property within the HRA is shown below:

Funding HRA capital expenditure

spend 2010/2011	financing 2010/2011 major repairs allow'ce	financing 2010/2011 revenue funding	capital schemes (figures in £'000s)	spend 2011/2012	financing 2011/2012 major repairs allow'ce	financing 2011/2012 revenue funding
992	992	-	kitchen & bathroom replacement	998	998	-
1,333	653	680	void work	1,649	1,512	137
436	-	436	central heating	239	239	-
334	-	334	disabled adaptations	196	196	-
121	121	-	electrical works	97	97	-
332	332	-	fuel switch heating installations	107	107	-
259	102	157	roofing	11	11	-
244	244	-	door & window renewal	248	248	-
285	-	285	safety works	-	-	-
63	-	63	sustainable energy	153	153	-
678	210	468	other capital works	1,690	-	1,690
5,077	**2,654**	**2,423**	**total capital expenditure**	**5,388**	**3,561**	**1,827**

The major repairs allowance is a sum included withing the HRA subsidy calculation, specifically to finance major repair works (see note 3). Revenue funding is from rent that has been charged to finance capital improvements.

5. Capital receipts

A summary of total capital receipts from the disposals of houses and other property within the HRA is shown below:

HRA in year capital receipts

2010/2011	(figures in £'000s)	**2011/2012**
1,203	council house sales	639
-25	*less* : cost of sales	-7
2	repaid mortgage advances	2
24	discount repaid on former council house sales	17
1,204	total capital receipts	651
-903	*less:* pooled receipts paid to Government	-299
301	**total usable capital receipts**	**352**

6. Rent income

This is the total dwelling rent collectable for the year after allowanced for empty property. At 31 March 2012 there were 121 vacant properties for rent, representing 2.3% of the total stock (on 31 March 2011 the figures were 131 and 2.5%) on a 48 week basis. The average weekly rent in 2011/2012 was £77.16, an average increase of 5.94% over the previous year.

This change is a composite figure that includes stock improvements, inflation and the effect of sales.

7. Rent arrears

During the year the total amount of rent arrears has decreased by £45k (9%). See also note 11.

Analysis of rent arrears

2010/2011	(figures in £'000s)	2011/2012
53	court costs	53
335	current rent arrears	298
134	former tenant arrears	126
522	**gross arrears at 31 March**	**477**

8. Non-dwelling rents

Non-dwelling income is primarily from garage and shop rents.

9. Housing subsidy

The Government pays a subsidy to the HRA. It is based on a notional account representing the Government's assessment of what the Council should be collecting and spending. The subsidy is reduced by the actual dwelling rent collected by the Council, resulting, in the case of Stroud D. C., in a net payment to the Government.

The final subsidy claim form is not completed at the time when these accounts are prepared. The 2011/2012 subsidy is an estimate and will be adjusted in the 2012/2013 accounts when the actual is known.

A breakdown of the amount of HRA subsidy payable by the Council, is set out in accordance with the General Determination of Housing Revenue Account Subsidy, is shown below, together with reconciliation from the gross amount:

HRA Subsidy

2010/2011	(figures in £'000s)	2011/2012
10,521	allowance for management, maintenance & major repairs	11,700
40	charges for capital	41
-	rental constraint allowance	-72
-	interest on receipts	-
-	prior year adjustment	-
-17,324	rent	-18,458
-6,763	net payment to Government	**-6,789**
	reconciliation from gross payment to Government	
-9,417	gross contribution to Government	-10,350
2,654	*less* : Major Repairs Allowance - Government Grant	3,561
-6,763	net payment to Government	**-6,789**

10. Pensions accounting

Under IAS 19 accounting rules, services must bear the full cost of pension liabilities. This also applies to HRA services. However, charges to or from the HRA are subject to a statutory determination and no regulation allows this IAS 19 charge to be made. Therefore it is necessary to credit the HRA with these additional pension costs so that no further charge falls on the rents.

11. Bad debt provision

The cumulative provision for uncollected debts was £316k at 31 March 2012 (£339k at 31 March 2011).

12. Depreciation & Impairment

The HRA incurs capital charges in respect of depreciation in accordance with the *Item 8 Credit and Item 8 Debit (General) Determination* for 2011/2012.

The depreciation charge is based upon a 40 year life of the operational dwellings, less an allowance for residual land value.

The depreciation charge for operational assets is £5.369 million for dwellings, (£5.364 million in 2010/2011). The impairment charge for dwellings is £5.388 million (£5.072 million in 2010/2011).

13. Impairment of fixed assets

Where assets are not revalued in the financial year, the Council is required to carry out an impairment review of the asset values to judge whether they have changed materially in the period. There has been no change in circumstance that requires a reduction in value in any HRA asset.

14. Capital expenditure funded by revenue under statute

There has been no capital expenditure funded by revenue under statute (e.g. grants) attributable to the HRA during the year.

15. Gain (-) / Loss on sale of HRA fixed assets

This includes the costs of the team administering the Right to Buy sales of HRA properties to the tenants (see note 1). The costs are charged against the capital receipt that they generate and are reversed in the Statement of Movement on the HRA Balance.

Collection Fund

2010/2011 £000		*notes*	£000	2011/2012 £000	£000
	income				
-59,382	income from council tax	*18*			-60,385
	transfers from General Fund				
-6,838	- council tax benefits				-6,697
-21,092	- income collectable from business ratepayers	*20*			-22,746
-87,312	**total income**				-89,828
	expenditure				
	precepts and demands				
46,835	- Gloucestershire County Council			47,131	
8,576	- Gloucestershire Police Authority			8,630	
8,028	- Stroud District Council		8,079		
2,351	- parish and town councils		2,518		
				10,597	
65,790					66,358
	business rates				
20,933	- payment to national pool			22,589	
159	- cost of collection			157	
21,092					22,746
	bad and doubtful debts / appeals				
-	- provision for bad debts	*21*			-
	transfers to the General Fund				
5	- transitional relief (council tax)				1
	contributions towards previous year's estimated surplus / deficit (-)				
-	- council tax			768	
-					768
86,887	**total expenditure**				89,873
	movement on fund balance				
-381	balance at beginning of the year				-806
-425	deficit / surplus (-) for the year				45
-806	**balance at end of the year**				-761

Notes to the Collection Fund

16. General

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Council in relation the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

17. Council tax base

The Council's tax base represents the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted by a prescribed ratio to give an equivalent number of "band D" dwellings. The band D equivalent is adjusted by 1.5% to cover appeals, changes in discounts and bad debts that arise. The tax base for 2011/12 was calculated as follows: -

Council tax base

band	estimated number of properties after effect of discounts	ratio	band D equivalent dwellings
DIS A	18.00	5/9	10.00
A	5,777.25	6/9	3,851.50
B	10,277.10	7/9	7,993.30
C	10,228.05	8/9	9,091.60
D	6,894.10	9/9	6,894.10
E	5,610.35	11/9	6,857.09
F	3,420.20	13/9	4,940.29
G	2,294.90	15/9	3,824.83
H	207.40	18/9	414.80
	44,727.35		43,877.52
less:	adjustment for collection rate (1.5%)		-658.16
council tax base			**43,219.35**

18. Council tax income

The council tax base can be reconciled to the income from council tax as follows:

Income from council tax

			£'000	£'000
total council tax base *(see note 20)*		43,219.35		
multiplied by average band D tax rate *(see note 22)*	x	£1,535.37		
total property income				-66,358
less: council tax benefits			6,697	
add: transitional relief			-1	
add: other adjustments			-723	
				5,973
income from council tax				**-60,385**

19. Council tax rates

Council tax rates by precepting body and band									
	band								
	disr A	A	B	C	D	E	F	G	H
precepting body	£	£	£	£	£	£	£	£	£
district council	103.85	124.62	145.39	166.16	186.93	228.47	270.01	311.55	373.86
county council	605.83	727.00	848.17	969.33	1,090.50	1,332.83	1,575.17	1,817.50	2,181.00
police authority	110.94	133.13	155.31	177.50	199.69	244.07	288.44	332.82	399.38
average parish	32.36	38.83	45.31	51.78	58.25	71.19	84.14	97.08	116.50
total	852.98	1,023.58	1,194.18	1,364.77	**1,535.37**	1,876.56	2,217.76	2,558.95	3,070.74

(Note: band 'disr A' is for band A properties that receive relief)

20. Income from business ratepayers

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area that are based on local rateable values multiplied by a nationally determined uniform rate. The total amount, less certain relief and other deductions, 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 of resident population.

The total overall sum due from business rate payers was £27.7m, based on the total non-domestic rateable value of £65.94m at 31 March 2011 multiplied by the national non-domestic multiplier for the year of 43.3p. The actual amount collected was £22.7m and the difference between this and the overall sum was accounted for by loss allowances, void charges, mandatory and discretionary rate relief, write-offs and bad debt provisions.

21. Council tax provision for bad debts and appeals

A provision was made during 2011/12 amounting to £nil (2010/2011 £nil). This was calculated using CIPFA Guidelines. The total amount of the provision at 31 March 2012 is £319k and represents 23% of the £1.389m debt outstanding - (this compares with £347k, 29% and £1.33m at 31 March 2011).

Independent auditor's report to the members of Stroud District Council

We have audited the financial statements of Stroud District Council for the year ended 31 March 2012 on pages 9 to 79. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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 Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance Responsibilities, set out on page 2, the Head of Finance is responsible for the preparation of financial statements and for being satisfied that they 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 Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword and Summary of the Financial Year 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 Authority as at 31 March 2012 and of 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 2011/12.

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 annual governance statement set out on pages 83 to 91 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 Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 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 Stroud District 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 2011, 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 2012.

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 2011, we are satisfied that, in all significant respects, Stroud District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

Certificate

We certify that we have completed the audit of the financial statements of Stroud District 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.

Ian Pennington

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

27 September 2012

ANNUAL GOVERNANCE STATEMENT 2011/12

1.0 Scope of responsibility

1.1 Stroud District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Stroud District 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, Stroud District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3 Stroud District Council has approved and adopted a code of governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This statement explains how Stroud District Council has complied with the code and also meets the requirements of regulation 4(3) 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 its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Stroud District 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 Stroud District Council for the year ended 31st March 2012, and up to the date of approval of this Statement.

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 Governance that is based around a number of key principles. These principles are identified below, together with a commentary on the current level of organisational compliance.

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

4.1 In establishing the competing priorities of local people, the Council has highlighted that it has a strong leadership role, hence, the Council's vision, is to be seen as:-

'Leading a community that is making Stroud district a better place to live, work and visit for everyone'

The Council's Corporate Delivery Plan seeks to demonstrate how this vision will be achieved around the Council's key priorities, which are:-

1. Economy – Help local people and business recover from the recession and grow the local economy
2. Affordable Housing – Provide affordable and decent housing
3. Climate Change – Help the community minimize its carbon footprint, adapt to climate change, recycle more and send as little waste to landfill as possible
4. Resources - Provide value for money to our taxpayers and high quality services to our customers.

4.2 The Council's Corporate Delivery Plan is based on the outcomes that the residents of Stroud have stated are important. The Plan is published on the Council's website www.stroud.gov.uk

4.3 Each year the Council reviews progress in delivering the Plan and a new version is published. The Council's Corporate Delivery Plan 2011-2015, was adopted in March 2011, and the Corporate Delivery Plan 2012-2016, was adopted in April 2012. A review of performance of the 2011/12 Corporate Delivery Plan was reported to Cabinet in April 2012.

4.4 The Executive and Corporate Team monitor progress of the Corporate Delivery Plan (CDP). Each priority has a lead officer responsible for delivery. The Council uses interactive software to update the CDP quarterly. Scrutiny members review the CDP quarterly and report to Performance Overview and Scrutiny Committee. A half year and 'end of term' report is made by the Leader and Chief Executive to this committee.

4.5 The Council publishes an Annual Report, the latest version being the 2010/11 Report. The report details the work undertaken, and achievement against performance targets, in relation to the agreed Council priorities.

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

5.1 Members are responsible to the electorate and serve as long as their term of office lasts. Officers are responsible to the authority and carry out the Council's work under the direction of the Council, Executive and Committees.

5.2 The relationship between Councillors and officers is essential to the successful working of the Council. This relationship within the authority is characterised by mutual respect and trust. The Council has adopted a 'Member/Officer 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 Executive, Committees, and, officers. There is also a mechanism for delegating decisions to Executive Members within their respective portfolios.

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 District 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 Scheme was reviewed by the Council's Standards Committee in May 2010. A review of the allowances scheme was also carried out by the independent remuneration panel in July 2010. However, due to the detailed review by the Standards Committee, this review was limited to changes in Basic Allowances and changes in the Special Responsibility Allowances for opposition Group Leaders.

5.5 Under Section 38 of the Localism Act 2011, the Council must approve and publish a senior pay policy statement before the start of the financial year to which it applies. The Council is expected to keep the statement under review and publish a new version each year. The Senior Pay Policy Statement for 2012/13 was approved by Council in February 2012. The Council has also decided how this statement should be reviewed and agreed in future, using a Fair Pay Policy and Senior Appointments Committee.

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. 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.

7.0 Take informed and transparent decisions, which are subject to effective scrutiny and managing risk.

7.1 The agendas and minutes of meetings of the Council are published, and meetings are open to the public. Meetings are broadcast and recorded by a webcam so that they can be viewed by a wide audience.

7.2 In accordance with the statutory requirement the Council has established an overview and scrutiny function. The Council has appointed two Overview and scrutiny committees, namely:-

- Strategic Overview and Scrutiny Committee, and
- Performance Overview and Scrutiny Committee

The general role of these Committees is detailed in the Council's Constitution.

7.3 The Monitoring Officer maintains the up to date registration of Members Interests and also ensures that Members are regularly reminded to update their record. Declarations of Interest are a standard agenda item for each main committee meeting.
The requirement for staff to declare interests is included in the Officers Code of Conduct – Council Constitution Part 5, Standards of Conduct and Ethics.

7.4 Risk Management is essentially about good management practice and effective decision making. It can be defined as:

'A logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process in a way that will enable organisations to minimise losses and maximise opportunities'.

7.5 The Authority recognises that all aspects of business risk must be managed. The Council has a Risk Management Strategy, the purpose of which is to provide a framework for the effective management of risks within the authority. The Strategy was reviewed in March 2012. It 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 Council has appointed a Monitoring Officer who, under the Local Government and Housing Act 1989, is responsible for ensuring the legality of Council decisions. The Council has also appointed its Head of Finance as Section 151 Officer. These statutory officers are required to secure compliance with relevant primary and subordinate legislation for ensuring the lawfulness of both decision making and expenditure respectively. Their functions are recognised in the Constitution and they either report directly to, or have access to, the Chief Executive who as Head of Paid Service is the other statutory officer whom the Council is required to appoint.

7.7 The Council has a complaints procedure that enables dissatisfied members of the public to raise concerns with officers at management level, including the Chief Executive. Corporate Team reviews performance on complaints, including the limited number resulting in investigations by the Local Government Ombudsman.

7.8 The Council's Constitution also contains a whistle-blowing policy (largely based on a model produced by CIPFA) which enables members of staff to raise concerns on a confidential basis pursuant to the Public Interest Disclosure Act 1998, about the way in which the Council conducts its business. Also, the Council has introduced an Anti-Bribery policy which is a requirement of the Bribery Act 2010 as noted in the Review of Anti-Fraud and Corruption Policies Report to Audit Committee 17 January 2012.

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. Investors in People aims to help organisations improve performance through a planned approach to the setting and communication of business goals and developing people to meet these goals so that they are motivated to do the work which the organisation needs them to do. The Council was the first authority in the region to be awarded the IiP Health and Well Being Award.

8.2 Access to Member Development is a key element of the Local Code of Governance. There is an extensive new member induction process in place with a detailed training programme and existing members are also invited to attend the various training events. However, member participation in training events is generally poor and is an area that needs improvement.

8.3 An internal audit review, which was carried out during the year, of the Authority's arrangements for dealing with Member training, concluded with a limited assurance as weaknesses in the design and/or inconsistent application of controls, put the achievement of the authority's objectives within this area at risk. Recommendations were made in relation to the development of Members' personal development needs and addressing the issue of low attendance at Member Training events. Strategic Overview and Scrutiny Committee started a review of member participation during 2010/11.

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

9.1 The agendas and minutes of meetings of the Council are published, and meetings are open to the public. Meetings are broadcast and recorded by a webcam so that they can be viewed by a wide audience. A large amount of information is available on the Council's website.

9.2 The views of the public are sought through surveys, and consultation meetings are held with the business community. There are many other channels of communication with stakeholders and public, examples of which are the Housing Tenants Forum and the Local Strategic Partnership.

9.3 The Policy Team has produced a Partnership Governance Policy and Framework, which sets out clear guidance for officers and Members when undertaking any partnership working. A standard template has been devised to ensure that formal partnership agreements are in place and to assist services in carrying out a review of their partnership arrangements. A partnership register has been compiled.

10.0 Review of effectiveness

10.1 Stroud District 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 annual report by the Internal Audit Manager, 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's governance framework, primarily based on its Constitution, is seen to be dynamic, evolving and regularly reviewable to ensure that it reflects the aspirations both of the Council and the public to whom it is accountable. The basis of the Constitution is reviewed on an annual basis. The roles of various components of the overall governance framework prescribed by statute or set out in the Constitution are interpreted in a pragmatic way to assist in best achieving the Council's principal objectives as contained in its Corporate Delivery Plan.

11.2 The document which encompasses the roles and responsibilities of the Council's Executive, its Overview, Scrutiny and Regulatory functions, coupled with delegation arrangement and various protocols, is the Council's Constitution. The Council's Constitution was adopted in 2001 and has since been reviewed on a regular basis. In particular the Constitution was the subject of substantial review both in 2007 and in April 2011. The process for making substantial changes to the Constitution, following internal consultation by the Monitoring Officer, involves initial consideration by the Standards Committee, which then makes recommendations to the Council. Additionally, the Monitoring Officer is empowered to make minor changes at any time.

11.3 The review of the Constitution in April 2011 gave particular attention to procedures rules affecting the administration of the Council, Cabinet (now Executive), and Committee meetings; Financial Procedure Rules; and, Procedure Rules Relating to Contracts (also known as Contract Standing Orders).

12.0 The Cabinet (renamed Executive from May 2012)

12.1 All 'executive' key decisions taken by Cabinet, individual Cabinet Members and Officers are circulated to all councillors and may be subject to a call-in process for examination by the relevant Scrutiny Committee.

12.2 The Council had in place, during 2011-12, two overview and scrutiny committees which supported the work of the Cabinet i.e. Strategic Overview & Scrutiny Committee, and Performance Overview & Scrutiny Committee.

12.3 From May 2012, the Cabinet has been renamed the Executive under a new co-operative administration. Portfolio holders have been replaced with Policy Leads. The new administration is currently looking towards returning to a form of Committee structure based on the provisions of the Localism Act 2011; this is likely to be from the next civic year, May 2013.

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'.

14.0 The Standards Committee

14.1 The Standards Committee consists of 8 members, including 4 independent Members and 2 representatives of the District's parish and town councils. Both the Chair and Vice Chair of the Committee are independent Members. In addition to its statutory roles under the Local Government Act 2000 (as amended by the Local Government and Public Involvement in Health Act 2007), for training, support and regulation, the terms of reference of the Committee are much wider, including, for example, oversight of complaints handling and of investigations conducted by the Local Government Ombudsman. The Standards Committee also has general oversight over the Constitution. The Chair for the Standards Committee reports annually to the Council on the Committee's work.

14.2 The introduction of the Localism Act 2011 will have a significant impact on the Standards Committee and ethical standards generally. The Act requires 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 Member Code of Conduct will be revoked, although Councils will be free to formulate such a code should they so wish.
- The requirement for certain Member interests to be registered will remain.
- Failure to register/declare a disclosable pecuniary interest will be potentially punishable as a criminal offence.

14.3 In view of the above, the Standards Committee, in February 2011, recommended to Council that the Council should continue to appoint a Standards Committee, and that the Council Members should continue to be subject to a Code of Conduct based on the mandatory Code. The Council has subsequently decided to consider the position further as the Localism Act is implemented.

15.0 Internal Audit

15.1 Internal Audit operates under the Accounts and Audit (England) Regulations 2011, which requires an adequate and effective internal audit of accounting records and of the system of internal control. The Regulations also require the Authority to conduct, at least once a year, a review of the effectiveness of its internal audit, and that the findings of this review should be included in the Annual Governance Statement.

15.2 The review consisted mainly of a self-assessment against the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006, and the results were reviewed by the Council's Head of Finance, and were also reported to the Council's Audit Committee in June 2012. The overall conclusion from the review was that internal audit at SDC is effective. Although the self-assessment identified a number of 'gaps' in compliance with the CIPFA Code of Practice, these do not materially effect the reliance the Council can place on the Internal Audit manager's opinion on the adequacy of the control environment.

15.3 The CIPFA 'Code of Practice for Internal Audit in Local Government in the United Kingdom 2006' (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 2011-12 report by the Internal Audit manager concluded:-
'My overall opinion is that an adequate level of assurance can be given that there is a generally sound system of internal control, designed to meet the Council's objectives, and that controls are generally being applied consistently.'

15.4 Stroud District Council (SDC) and Gloucester City Council (GCC), have formed the Gloucestershire Audit & Assurance Partnership (G A A P) in order to deliver a professional, cost effective, efficient, internal audit function to the partner organisations. The provision of the Internal Audit service is by a team consisting of 6 staff, 3 based at SDC, and 3 based at GCC. In addition, the team is managed by the Head of Partnership, who acts as the Internal Audit Manager for SDC. The main benefits to the two Councils of the proposed shared service are improved capacity by bringing together staff resources from both partners, increased resilience by standardising processes across partner sites and creating a pool of skilled staff who can support both partners and improved quality of service delivery.

16.0 Other review/assurance mechanisms

16.1 External Audit - is part of the process of accountability for public money. It makes an important contribution to the stewardship of public resources and the corporate governance of public services. The scope of External Audit work covers not only the audit of financial statements but also aspects of corporate governance.

16.2 In September 2011, the Council's External Auditor produced their 'report to those charged with governance' relating to the 2010/11 audit of the Council's financial statements. In relation to, 'audit matters of governance interests that arise from the audit of the financial statements,' the report concluded that 'there were no matters which we wish to draw to your attention'.

16.3 Risk Management - is the process by which risks are identified, evaluated and controlled and is a key element of the governance framework. The Risk Management Strategy was reviewed in March 2012.

16.4 The Corporate Risk Management Group (CRMG), which is an important cornerstone of the Strategy, met regularly throughout 2011-12 and has been working actively with Heads of Service to ensure that all risks identified are recorded correctly on the Council's performance management system. All Executive and Scrutiny Committee Members have access to the system and can review the Corporate Risk Register at any time.

16.5 The CRMG report to Cabinet and the Audit Committee on an annual basis. The latest report was presented to the 27 March 2012 meeting of the Audit Committee.

16.6 EMAS - The Council has been registered under the Eco-Management and Audit Scheme (EMAS) since 1999. EMAS, which is only awarded after an external and independent assessment, is designed to recognise and reward organisations that go beyond minimum legal compliance and continually review their environmental performance.

16.7 The Council recognises that it has an impact on the environment through the services it provides and that it has powers and responsibilities to encourage and enforce where necessary. To ensure the Council carries out and keeps up to date with environmental legislation, it subscribes to a web based legal register applicable to local authorities. The Council also has an annual environmental legal compliance audit which is carried out by an external auditor to ensure that the Council's own activities comply with legislation.

16.8 Assurance Statements - A further source of assurance has been obtained from the introduction of Assurance Statements. These Statements have been issued to all Heads of Service, and they have been requested to complete, and to identify any significant internal control issues within their portfolio. There were no significant governance issues identified.

17.0 Compliance with the CIPFA Statement on the Role of the Chief Financial Officer

17.1 To comply with the CIPFA Code of Practice on Local Authority Accounting, a specific statement is required to be reported in the Annual Governance Statement on whether the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The following statement has been prepared by the council's Head of Finance and s.151 Officer:

17.2 'This statement is given in respect of the Statement of Accounts for Stroud District Council. I acknowledge my responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the council. In particular, the system includes:

- Comprehensive budget systems;
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance;
- The preparation of regular financial reports which indicate actual expenditure against the forecasts;
- Clearly defined capital expenditure guidelines; and
- Formal project management disciplines.

The arrangements for internal audit are as set out in the Annual Governance Statement (paragraph 15) and I am satisfied that they operate to a defined standard. A review of the effectiveness of internal audit has been undertaken and reported to the Audit Committee. The Head of Internal Audit has also provided an independent opinion in his annual report stating that he is satisfied the council has an adequate control environment in place.

My review of the effectiveness of the system of internal financial control is informed by:

- The work of managers within the council
- The work of internal auditors as described above, and
- The external auditors in their annual audit letter and other reports

I can confirm that the council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

Signed: **Dated: 14th September 2012**

Sandra Cowley, Head of Finance (s.151 Officer)

18.0 Significant governance issues

18.1 The Council is considering how it will best address the maintenance of high ethical standards by Councillors following the enactment of the Localism Act. It is recognised that the existence of a transparent robust framework to regulate such matters is both essential and in the public interest. The Legal Services Manager and Monitoring Officer presented a report to the 5th July 2012 Council meeting on future arrangements in respect of standards and a new Members Code of Conduct. At this meeting Council approved interim arrangements for investigating and resolving allegations with regard to councillor breaches of the Code of Conduct. Deciding on the future of the Committee was left until September 2012 so that members would have an opportunity to consider the issues. A report by the Legal Services Manager and Monitoring Officer containing options is to be discussed at a special meeting of the Audit Committee on 12th September 2012, by Standards Committee on 18th September 2012, and by Council on 20th September 2012. The above is necessary so that the Council's Constitution complies with the Localism Act 2011.

18.2 Following the decision by Council on 26th April 2012 to give the Chair of Council the constitutional power to conduct an inquiry if deemed appropriate to do so, the Chair of Council announced at the Council meeting on the 17th May, that he intends to complete the inquiry he commenced following the Council meeting in January 2012 into concerns about a matter raised at the Audit Committee in relation to members' expenses. He stated that a full report with recommendations will be presented to Council as soon as possible after which a line would be drawn under the matter. This enquiry has now been concluded and a report is to be presented to the 20th September 2012 meeting of Council.

18.3 As this statement indicates, the coming year will involve changes to our governance arrangements. These will require careful consideration and consultation. We will report on these as part of our next annual review.

Signed

Cllr Geoff Wheeler
Leader of the Council

David Hagg
Chief Executive

Date 14th September 2012

Glossary

The following are expressions and terms used in these accounts that are not explained elsewhere. Words referred to in *italics* are contained in the glossary.

accounting policies	the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements;
actual	the financial transactions that have occurred in the year;
actuary	a person professionally trained in the technical aspects of pensions, insurance and related fields. The actuary estimates how much money must be contributed to an insurance or pension fund in order to provide future benefits;
appropriation	a transfer to or from a revenue or capital reserve;
Audit Commission	an independent body whose objective is to appoint external auditors to local authorities and help achieve improvements in efficiency, either through the auditing process or "value for money" studies undertaken by the Commission. Includes division previously known as District Audit;
balances	the amount remaining at the end of the year after income and expenditure has occurred. May refer to the amount available to meet expenditure in future years;
budget	a statement defining the Council's policy over a specified period in terms of finance;
capital charges	where a service owns a fixed asset to provide those services [operational assets] or holds an asset for future development or investment [non-operational assets] it bears a cost of its use. This represents depreciation (where appropriate). Maintenance of the asset is a *revenue* cost;
capital expenditure	spending on assets that have a long-term use such as purchase or improvement of land, buildings and equipment. Where the asset is not owned by the Council the expenditure is *revenue expenditure funded by capital under statute,* long-term debtor or *intangible asset*;
capital receipts	income from the sale of capital assets such as land and Council houses. Part may be required to be set aside to repay loans; the other part can only be used to finance new *capital expenditure*;
change in accounting estimate	is an adjustment of the carrying amount of an asset or a liability or the amount of the periodic consumption of an asset that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not correction of errors;
Chartered Institute of Public Finance and Accountancy (CIPFA)	CIPFA is the professional body of accountants and auditors working in local government and public services. Membership of the Institute is by way of examination and entitles members to use the letters CPFA (Chartered Public Finance Accountant) after their names. The Institute provides financial and statistical information services and advises central government and other bodies on local government and public finance matters. It also published accounting requirements and accounting standards, including those relating to the production of statement of accounts;

Collection Fund	Stroud District Council collects council tax and business rates on behalf of a number of public bodies – Gloucestershire County Council, Gloucestershire Police Council and town and parish councils. This account is separate to the Council's normal funds, belonging collectively to these bodies;
commuted sum	an amount received by the Council in place of the future stream of annual government contributions towards capital grant loan charges;
corporate and democratic core (CDC)	comprises two divisions of service: democratic representation and management (DRM) and corporate management (CM). If anything does not fall within the definitions given for either DRM or CM, then it cannot be within CDC. DRM concerns corporate policy making and all other member-based activities. CM concerns those activities and costs that relate to the general running of the Council. These provide the infrastructure that allows services to be provided, whether by the Council or not, and the information required for public accountability. Activities relating to the provision of services, even indirectly, are overheads on those services, not CM;
curtailment	a curtailment for a defined benefit pension scheme is an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of the defined benefit for some or all of their future service. Curtailments include: a) termination of employees' services earlier than expected, for example as a result of discontinuing a segment of business. b) termination or amendment of the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will only qualify for reduced benefits.
revenue expenditure funded by capital under statute	expenditure which does not result in, or remain matched with, assets controlled by the Council, such as housing improvement grants. They do not appear on the Council's balance sheet;
depreciation	charges reflecting the decline in the value (not cost) of assets as a result of their usage or ageing;
estimate	often used instead of the word *budget*; and is a forecast of income and expenditure for the year
forecast	an *estimate* of income and expenditure in a financial year;
IAS 19	International Accounting Standard 19 *Employee Benefits* is the accounting requirement as regards pensions that local authorities must fully recognise in the publication of their statement of accounts;
General Fund	the account that records and finances Council *revenue* expenditure, other than *HRA*;
Housing Revenue Account (HRA)	a separate statutory account dealing with the *revenue* income and expenditure arising from the provision of Council-owned and managed dwellings;
housing subsidy	paid by or to the government to reflect the government's assessment of how much the Council should be spending on its housing stock;
intangible asset	expenditure on assets that gives access to a future economic benefit that is controlled by the Council such as software licences;

impairment	values of individual assets and categories of assets that are reviewed for evidence of reductions in value;
investment assets	interest in land and/or buildings which is held for its investment potential, any rental being negotiated at arm's length;
material	omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessment of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or combination of both, could be the determining factor.
major repairs allowance	a cash payment received by the *HRA* as part of housing subsidy for the upkeep of fixed assets such as rented dwellings;
medium term financial plan (MTFP)	the Council's rolling 5-year estimate of all effects on the *General Fund*, including inflation, government grants, service changes, base rate changes and the *tax base*;
net cost	the cost of continuing operations after deducting specific grants and income from fees and charges;
non distributed costs	elements that are excluded from recharge to the total cost of a service but limited to: past service costs, settlement costs, curtailments, unused share of IT facilities and cost of shares of other long-term unused but unrealisable assets
overspend	where *actual* expenditure is more than the *budget*;
precept	a levy made by the police Council, county council, district council or parish/ town councils on the *Collection Fund* to provide the required income from council taxpayers and business ratepayers on their behalf;
prior period errors	are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that: a) was available when financial statements for those periods were authorised for issue, and b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretation of facts, and fraud.
prospective application	of a change in accounting policy and of recognising the effect of a change in an accounting estimate, respectively, are: a) applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed, and b) recognising the effect of change in the accounting estimate in the current and future periods affected by the change
Public Works Loan Board (PWLB)	a government institution that borrows money on behalf of the government and lends it to public bodies that meet its borrowing criteria;

retrospective application	is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.
retrospective restatement	is correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.
revenue	this word is used in two different contexts, 1) sources of income, and 2) expenditure that is not of a *capital* nature such as general running costs including salaries and capital financing costs;
revenue support grant (RSG)	a grant paid by central government to local authorities to support general *revenue* expenditure and not for specific services;
right-to-buy (RTB)	legislation allows tenants of local Council dwellings to buy their property, at a discount, after a qualifying period as local Council tenants. The net income from the sale is a *capital receipt*;
roundings	figures are generally presented in thousands within these accounts and are rounded using the convention 2.5 = 3 and 2.4 = 2. Applied with consistency this can lead to obvious and simple arithmetic errors, for example 2.4 + 2.4 = 4.8 becomes 2 + 2 = 5. Where possible the arithmetic integrity of the figures is maintained by making simple adjustments. Sometimes however, the interrelation of figures within the Statement of Accounts does not permit of simple adjustment. In this Statement of Accounts the following sentence is appended where a table contains figures that do not strictly add up, 'Table contains roundings (see Glossary) which can affect the arithmetic accuracy of the figures';
settlement	an irrevocable action that relieves the employer (or defined benefit scheme) of the primary responsibility for the pension obligation and eliminates risks relating to the obligation and the assets used to effect the settlement. Settlements include: a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits; b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.
surplus assets	property awaiting redeployment or disposal, not used in the delivery of Council services;
tax base	used to measure the taxable value of properties in a council's area based upon numbers of properties in each tax band;
transitional arrangement	where the government is making changes that may adversely affect a local Council it may phase in the changes using transitional arrangements, often on a sliding scale over a few years:
underspend	where *actual* expenditure is less than the *budget*.

Feedback form – your views

We would like to know what you think about this Statement of Accounts in order to make future statements more usable for readers. They are made available on the Council's website at www.stroud.gov.uk/accounts

Please note that the majority of information in the Accounts is prescribed by regulations that the Council is obliged to follow.

Please take a few minutes to answer the questions below, cut along the dotted line, and send the form to:

Financial Services, Stroud District Council, Ebley Mill, Stroud GL5 4UB

Alternatively, comments can be made to:
Sandra Cowley, Head of Finance
Tel: 01453 754136. Fax 01453 754936. Email: statementofacc@stroud.gov.uk

You can give your name and address if you wish.

Do you think the Statement of Accounts is easy to read? **Yes** ☐ **No** ☐

Do you think it is informative? **Yes** ☐ **No** ☐

How could we improve the Statement of Accounts?

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Do you have any further comments on the services provided by Stroud District Council or the information in these Accounts?

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Your name ………………………………………………………………………………..

Your address ....

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Telephone .... Email ....

Thank you