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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 2009/2010, incorporating the changes required by the Statement Of Recommended Practice 2009 (SORP), and include:

Statement of accounting policies

This explains the basis of the figures in the accounts. The accounts can only be appreciated properly if the policies that have been followed in dealing with material items are explained. These have been revised to make the changes required by the SORP clearer.

Statement of responsibilities for the statement of accounts

This explains the responsibility of the Council and the Chief Financial Officer for the production of these Accounts.

The accounting statements

The statements are grouped into:

The '**core**' financial statements, grouped together:

- Income and expenditure (I+E) account – a summary of the resources generated and consumed by the Council in the year;
- Statement of the movement on the general fund balance – a reconciliation showing how the balance of resources generated / consumed in the year links with statutory requirements for raising council tax;
- Statement of total recognised gains and losses (STRGL) – demonstration of how the movement in net worth in the balance sheet is identified to the I+E account surplus / deficit and to other unrealised gains and losses;
- Balance sheet – assets and liabilities of the Council;
- Cash flow statement – inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

The **supplementary financial statements** that are relevant to its function:

- Housing revenue account (HRA) income and expenditure account - income and expenditure on HRA services included in the whole authority I+E account;
- Statement of movement on the HRA balance – shows how the HRA I+E account surplus or deficit for the year reconciles to the movement on the HRA balance for the year;

- Collection fund – reflects the statutory requirement for billing authorities to maintain a separate collection fund, which shows the transactions of the billing authority 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.

Additional notes support the accounts where further explanation is believed to assist readers in understanding the statement of accounts.

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

Summary of the Financial Year 2009/2010

1. There were three issues that arose during the financial year that impacted on the Council's accounts for 2009-10 and beyond. These are as follows:-
 - (a) Investments with Icelandic banks – Council has two deposits totalling £3m with Glitnir bank, which, together with accrued interest is overdue for repayment. This issue is being dealt with nationally by the Local Government Association who consider that prospects for recovery are good, however, Council has had to impair these deposits and has used a capitalisation direction to spread the costs in accordance with accounting practice. See the notes under table 26 on page 43.
 - (b) The Canal project continues in earnest, and 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 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.
 - (c) The Housing Revenue Account (HRA) underspent in 2009-10, largely on responsive maintenance (£253k), planned and cyclical maintenance (£308k) and a reduced contribution to capital due to slippage in the capital program (£621k).

2. General Fund

The Council spent a net total of £14.7m on General Fund revenue services in 2009/2010. Allowing for interest received, movements to and from reserves and other items, the amount to be funded was £14.2m, resulting in an increase in balances of £766k, compared with the original forecast of a reduction in balances of £519k.

Table 1 summarises the differences between forecast expenditure and the actual outturn. Further details of actual expenditure in the year can be found on pages 18 to 20 and 26 of these accounts. A glossary of terms is included on page 69.

Table 1 : General Fund expenditure against original budget 2009/2010

(figures in £'000)	Original	actual	difference
main services			
central services to the public	1,500	1,374	126
corporate & democratic core	1,672	1,476	196
cultural & related services	2,824	2,794	30
environmental & regulatory services	5,290	4,944	346
general fund housing	1,293	944	349
highways & transport	781	544	237
non distributed costs	254	466	-212
planning & development services	2,322	2,148	174
net budgeted underspending	-100	-	-100
net cost of general fund services	15,836	14,690	1,146
corporate income & expenditure	-723	-774	51
external interest	-580	-683	103
interest payable & similar charges	310	242	68
appropriations	630	509	121
Icelandic impairment	-	2,269	-2,269
Icelandic capitalisation	-	-2,011	2,011
total to be funded	15,473	14,242	1,231

financed by:			
council tax	-7,833	-7,833	-
revenue support grant	-1,324	-1,324	-
other non-service government grants	-	-54	54
non domestic rate income	-5,736	-5,736	-
collection fund surplus	-61	-61	-
	-14,954	-15,008	54
transfer to (-) from balances	519	-766	1,285
amounts carried forward	-	409	409
net budget difference	519	-357	876

The recession continued to impact on the Council's major areas of income during the year, notably development control, recycling and also land charges, resulting in corrective action being taken to reduce costs and also the income budgets.

The most significant individual change between the original budget and actual net expenditure in the year was a saving in staffing costs of £231k due to the non-filling of a number of posts that became vacant during the year. Other changes included budgets of £387k brought forward from 2008/2009, savings on elections £82k, refuse and recycling £42k, rent benefit subsidy £36k. The net result is a transfer to balances of £766k, a difference of £1.285m compared with the original budget. Items totalling £409k due to be spent in 2009/2010 have been carried forward to be spent in 2010/2011, resulting in a net saving against the original budget of £876k.

General Fund balances stood at £2.815m at 31 March 2010 compared with £608k expected when the budget was set in February 2009. The £2.207m difference comprises the higher balances carried forward from 2008/2009 as well as the 2009/2010 net position.

A precept of £10.093m was levied on the Collection Fund (page 64), including a sum of £2.260m which was collected on behalf of and paid to town and parish councils, leaving £7.833m for use by this Council.

The write off of capital grants (formerly deferred charges) 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 5,229 dwellings at 31 March 2010. Further details of the stock movement are in note 1 on page 60.

Table 2: Housing Revenue Account outturn

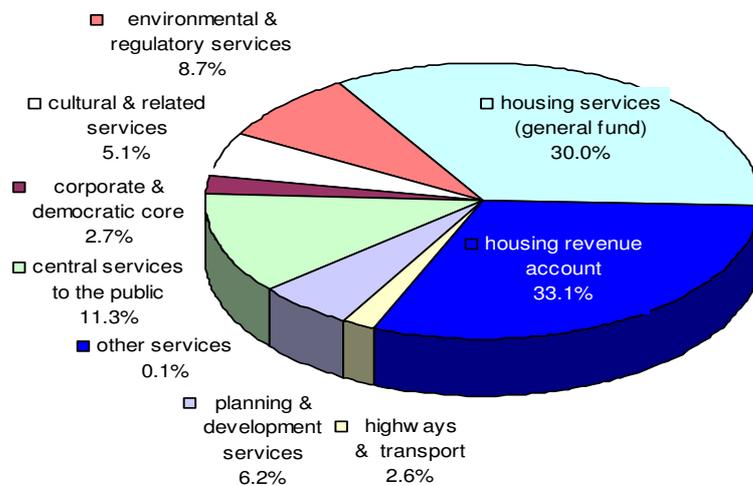
(figures in £000)	original budget	revised budget	actual	difference (from revised)
service expenditure	18,986	18,485	17,670	-815
other operating costs	5,507	4,950	4,328	-622
total expenditure	24,493	23,435	21,998	-1,437
financed by:				
rents & other items	-20,429	-19,775	-19,719	56
government subsidy	-3,334	-4,083	-4,083	-
other transactions	-254	-154	-229	-75
transfer to (-) / from balances	476	-577	-2,033	-1,456

The 2009/2010 HRA outturn compared with budgets is summarised above. The reduction of £1,456k over the revised budget is made up from underspending, efficiency savings and slippage. There was also a lower revenue contribution to capital expenditure, resulting from the lower spend on the capital programme – this is also a result of savings, underspending and slippage. It has been proposed that the majority of the balance be carried forward to 2010/11 to be spent on high priority projects of both a revenue and capital nature.

What services the revenue expenditure was spent on

Chart 1: gross expenditure by service 2009/2010

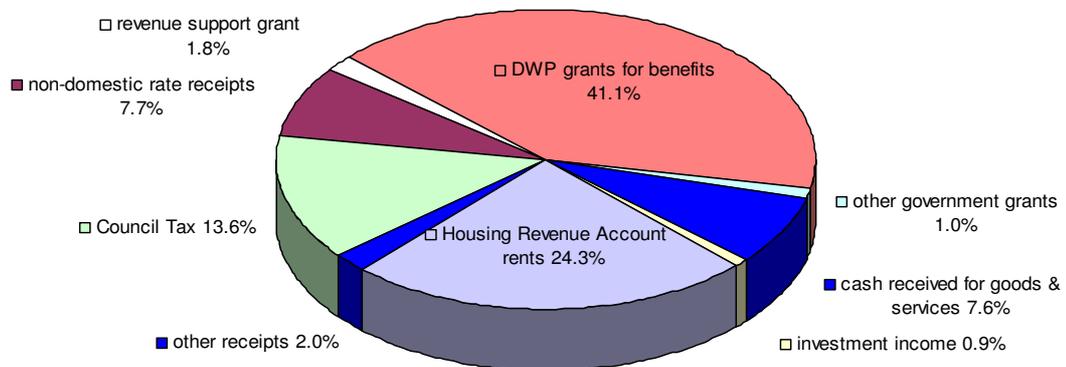
The Income and Expenditure Account on page 18 details the net cost of services, with gross expenditure including depreciation charges being £75.7m. The major services are shown in **Chart 1**.



4. Where the money came from

Chart 2 below shows the sources of the Council's revenue income, taken from the Income and Expenditure Account on page 18, the gross income being adjusted for non-cash items to generate a total of £74.5m. 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 2009/2010



5. Capital expenditure

The Council spent £6.9m on capital schemes (£8.9m in 2008/2009) compared with a latest approved budget of £9.2m, a net spend of 75%. On 22 July 2010 Council approved the carry forward of £1.805m to 2010/2011, as detailed below.

Table 3: capital slippage to 2010/2011

	£'000
canal	665
social housing grants	555
Dursley schemes	290
'citizen first' / access to services	110
ground source heat pumps	47
Brunel goods shed	30
energy efficiency – invest to save	25
cardboard banks	25
Painswick gateway project	20
Nailsworth bus station – health & safety	19
village halls & community facilities	8
contaminated land schemes	7
playbuilder project, Nortonwood	2
visitor signage	2
total slippage from 2009/2010 to 2010/2011	1,805

£5.4m (78%) of the expenditure related to housing schemes within the Housing Revenue Account and the General Fund. The remaining £1.5m (22%) was spent on schemes including the canal, energy efficiency, public conveniences, contaminated land, improving access to Council services, playbuilder schemes and community grants. Further details of capital expenditure are given on pages 37 and 39 to 41.

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 **Table 23** on page 40.

7. Borrowing

The Council did not have any long term loan debt during the year.

8. Council Tax Collection Fund

The Collection Fund accounts are included in these statements, starting on page 64. 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 have been changes in accounting policies during the year, starting on page 8, and in the presentation of these accounts, as required by SORP 2009 (see page 1).

10. Pensions liability

These accounts include the full financial impact of pensions accounting requirements ("FRS 17"). This includes adjustments made to service costs in the Income and Expenditure Account on page 18 and the inclusion of the pensions liability on the Balance Sheet on page 22. Further explanatory details are now consolidated at pages 28 - 32. The total net pension

liability has increased to £53.4m at 31 March 2010 compared with £28.3m a year earlier, due to the liability increasing.

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 73 to 79.

12. Chief Finance Officer Certification

The Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2010.

Signed:

Date:



10th September 2010

S D Cowley CPFA
Head of Finance

Statement of Accounting Policies

1. General principles

The Statement of Accounts summarises the Council's transactions for the 2009/2010 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice* (the SORP). The accounting convention adopted is historic cost, modified by the revaluation of certain categories of tangible fixed assets.

The two main changes brought in by the 2009 SORP impact on council tax and non domestic rates – these are shown in policies 18 and 19 below.

2. 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:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- 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 stocks on the balance sheet but only if the value is material.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.
- Exceptions are certain payments that are based on quarterly meter readings, such as electricity and telephone, and payments made monthly in arrears, such as overtime claims. In both cases a full year's charge is still included but on a receipts and payments basis.

3. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing or amount of the transfer is uncertain. For instance, if the Council were involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the (excess) provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service account if it is virtually certain that reimbursement will be received if the obligation is settled.

4. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

5. Government grants and contributions (revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant / contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred.

Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

Capital grants are credited to a Government Grants Deferred Account. Amounts are released from the Government Grants Deferred Account in relation to housing improvement and other grants to offset the writing down of the deferred charge through the capital adjustment account. Other amounts are released to the appropriate service revenue account as the assets are written out of the Council's accounts through a depreciation charge.

6. Retirement benefits

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 (LGPS) is accounted for as a defined benefits scheme:

- The liabilities of the Gloucestershire County Council pension scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 6.9% (based on the gross redemption yield on the Iboxx Sterling Corporate Index, AA over 15 years, at the FRS17 valuation date. This is a high quality corporate bond of equivalent term and currency to the liability.)

The assets of the Gloucestershire County Council pension scheme 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

Under FRS 17, Retirement Benefits, quoted and unitised securities held as assets in the defined benefit pension scheme are valued at bid value rather than mid-market value.

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

- current service cost – the increase in liabilities as result of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
- gains / losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account 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 Statement of Total Recognised Gains and Losses
- contributions paid to the Gloucestershire County Council pension fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pension Reserve that remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

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 LGPS.

7. VAT

Income and expenditure exclude any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and almost all VAT paid is recoverable from it. VAT is included in the accounts only where it is irrecoverable.

8. 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 *Best Value Accounting Code of Practice 2009 (BVACOP)*. 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 any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of 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).

9. Intangible fixed assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

10. Tangible fixed assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as 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.

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- infrastructure assets and community assets – depreciated historical cost

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value.

Assets included in the balance sheet at current value are revalued where there have been material changes in value 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 Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a revaluation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits (i.e. physical damage or deterioration in the quality of service provided by the asset) – the loss is charged to the relevant service revenue account
- otherwise - written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts 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 Usable 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 Statement of Movement on the General Fund Balance.

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 Statement of Movement on the General Fund Balance.

Depreciation: depreciation is provided for all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

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 and equipment – a percentage of the value of each class of assets in the balance sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 30 years.

Where an asset has major components with different estimated useful lives, these 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.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to balance depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

11. Charges to revenue for fixed assets

Service revenue accounts, support services and trading accounts (if applicable) are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service.

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

Housing Revenue Account capital charges are calculated in accordance with a prescribed statutory determination.

12. Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of tangible fixed assets has been charged as expenditure to the relevant service revenue account in the year. They consist mainly of private sector housing improvement grants and capital grants to other bodies. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

13. Leases

Finance leases

The Council accounts for leases as finance leases when substantially all of the risks and rewards relating to the leased property transfer to the Council. The deferred purchase agreements shown in the accounts meet this test and are treated as finance leases. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
- A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed Assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

The Council is also a lessor, renting out predominately industrial units at market rental value. Income is taken to the relevant service revenue account over the term of the lease.

14. Financial liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the short term borrowing that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable, and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain/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 Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

15. Financial assets

Financial assets are classified into two types:

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

Loans and receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account 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 and interest credited to the Income and Expenditure Account 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 Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Instruments entered into before 1 April 2006

The Council has not entered into any financial guarantees that are not required to be accounted for as financial instruments. These guarantees would be reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in Policy 3.

16. Stocks

Stores are held at various establishments and are valued at cost. Most are not shown on the balance sheet as stock as the value is not material. Postages held are recorded as payments in advance. Other stocks are charged directly to the service revenue accounts. This treatment does not comply with SSAP 9 but the effect on the accounts is not material.

17. Interests in companies and other entities

In accordance with the SORP 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.

18. Council tax

From 1 April 2009, for both billing authorities and major preceptors, the council tax income included in the Income and Expenditure Account for the year shall be the accrued income for the year. For both the billing authority and major preceptors, the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund shall be taken to a new Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement of General Fund Balance.

19. National non-domestic rates

The 2009 SORP confirms that the collection of National Non-Domestic Rates (NNDR), is carried out as an agent activity on behalf of central government and should be accounted for accordingly. NNDR debtor and creditor balances with taxpayers and the impairment allowance for doubtful debts are not assets of the billing authority and shall not be recognised on the billing authority's Balance Sheet. The debtor/creditor position that needs to be recognised in the billing authority's Balance Sheet is the amount of cash collected from NNDR taxpayers (less the amount retained in respect of the billing authority's cost of collection allowance) that has not yet been paid to the government or has been overpaid to the government on the Balance Sheet date.

20. Private finance initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the service passes to the PFI contractor. The Council has no PFI contracts.

Statement of Responsibilities for the Statement of Accounts

The authority's responsibilities

The authority 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 authority, 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 Finance Officer, is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in United Kingdom* ('the Code of Practice').

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 Code of Practice ('local authority SORP').

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 authority at the accounting date and its income and expenditure for the year ended 31 March 2010. This statement is made on page 7.

Signed:

Date:



21st September 2010

S D Cowley CPFA
Head of Finance

Core Financial Statements

Income and Expenditure Account

2008/2009 net expenditure re-stated	figures in £'000s	note	2009/2010 gross expenditure	gross income	net expenditure
net expenditure on council services					
1,542	central services to the public		9,034	-7,756	1,278
1,680	corporate & democratic core		1,737	-277	1,460
2,493	cultural & related services		3,897	-1,322	2,575
5,228	environmental & regulatory services		6,206	-1,426	4,780
1,069	highways & transport services		1,418	-897	521
2,653	housing revenue account		32,161	-23,834	8,327
1,800	housing services (general fund)		25,971	-23,938	2,033
3,054	planning & development services		4,127	-1,792	2,335
519	non distributed costs		-97	-	-97
-295	exceptional items		-	-	-
19,743	net cost of services	1 + 2	84,454	-61,242	23,212
corporate income and expenditure					
-113	gain (-) or loss on disposal of fixed assets				280
2,210	parish council precepts				2,260
76	drainage board levy				79
1,088	interest payable & similar charges				242
100	contribution of housing capital receipts to government pool	4			230
-1,045	interest and investment income				-683
1,351	pensions interest cost and expected return on pensions' assets	6			2,257
23,410	net operating expenditure				27,877
this was financed by...					
-9,771	demands on the collection fund				-10,155
-1,059	general government grants				-1,378
-6,104	non-domestic rates redistribution				-5,736
6,476	deficit for the year				10,608

Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise council tax on a different accounting basis, the main differences being:

- capital investment is accounted for as it is financed, rather than when fixed assets are consumed.
- the payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2008/2009 re-stated	figures in £'000s	2009/2010
6,476	deficit for the year on the income and expenditure account	10,608
	net additional amount required by statute and non-statutory proper practices to be debited or credited to the general fund balance for the year (see note below)	
-5,128		-11,374
1,348	increase (-) / decrease in general fund balance for the year	-766
-3,397	general fund balance brought forward	-2,049
-2,049	general fund balance carried forward	-2,815

A reconciliation of the 'net additional amount required by statute and non-statutory proper practices to be debited or credited to the general fund balance for the year' is included on the next page.

Statement of Movement on the General Fund Balance

Reconciliation of the Statement of Movement on the General Fund Balance

**Note of reconciling items for the
Statement of Movement on the General Fund Balance**

2008/2009 re-stated	figures in £'000s	note	2009/2010
amounts included in the income and expenditure account but required by statute to be excluded when determining the movement on the general fund balance for the year			
-37	amortisation of intangible fixed assets	23	-42
-1,592	depreciation and impairment of fixed assets		-1,050
-239	impairment of interest as allowed by the SORP		-
485	government grants deferred amortisation matching depreciation and impairment	38	963
-1,066	revenue expenditure funded from capital under statute	22	-2,007
113	net gain / loss (-) on sale of fixed assets		-280
71	reverse collection fund re-statement to income & expenditure account		-
-2,982	net charges made for retirement benefits in accordance with FRS 17	6	-3,142
-5,247			-5,558
amounts not included in the income and expenditure account but required to be included by statute when determining the movement on the general fund balance for the year			
-	minimum revenue provision for capital financing	13	-
-	impairment of investments	29/30	2,269
-	impairment of interest reversed	29/30	239
-	capitalisation of impairment	29/30	-2,250
309	capital expenditure charged to the general fund balance		230
-100	transfer from usable capital receipts to meet payments to the housing capital receipts pool		-230
1,798	employer's contributions payable to the Gloucestershire County Council pension fund and retirement benefits payable direct to pensioners	6	1,974
2,007			2,232
transfers to or from the general fund balance that are required to be taken into account when determining the movement on the general fund balance for the year			
-2,653	housing revenue account balance		-8,327
515	net transfer to or from earmarked reserves	46	279
250	notional repayment of principal on deferred liability		-
-1,888			-8,048
-5,128	net additional amount required to be credited to the general fund balance for the year		-11,374

Statement of Total Recognised Gains and Losses

2008/2009 re-stated £'000		2009/2010 £'000
6,476	deficit for the year on the Income and Expenditure Account	10,608
-4,633	surplus (-) / deficit arising on revaluation of fixed assets	27,949
12,710	actuarial gains (-) / losses on pension fund assets and liabilities	24,003
-256	any other losses required to be included in the STRGL	24
14,297	total recognised gains (-) / losses for the year	62,584
total net worth		
304,393	as at 1st April	290,066
290,066	as at 31st March	227,482
14,327	change in net worth	62,584

Note 1 The difference of £30k in 2008-09 re-stated is due to the re-statement for the collection fund adjustment account as required by the SORP 2009.

Note 2 The difference between the £14,297k in 2008-09 re-stated above from the £14,203k shown in last year's statement of accounts is due to a prior period adjustment in 2008-09 for the pension reserve (-£165k) and the 2009 SORP adjustment for the collection fund (£71k)

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

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

Balance Sheet

31 March 2009

31 March 2009 re-stated £'000	<i>notes</i>	31 March 2010 £'000	£'000
			fixed assets
261		267	intangible fixed assets
	<i>23</i>		tangible fixed assets
	<i>18 + 20</i>		operational assets:
279,147		236,188	council dwellings
22,797		27,657	other land and buildings
954		1,088	vehicles, plant and equipment
198		189	infrastructure assets
54		63	community assets
			non-operational assets:
5,454		5,428	investment properties
256		256	surplus assets held for disposal
309,121			total fixed assets
6,253	<i>28 – 31</i>	2,106	long-term investments
34	<i>32</i>	27	long-term debtors
315,408			total long-term assets
			current assets
38	<i>33</i>	29	stock and work in progress
3,531	<i>34</i>	3,676	debtors
11,358	<i>28 - 30</i>	14,962	investments
			18,667
330,335			total assets
			291,936
			current liabilities
-2,000		-	short-term borrowing
-7,381	<i>35</i>	-8,472	creditors
-234	<i>36</i>	-266	bank overdraft
			-8,738
320,720			total assets less current liabilities
			283,198
			long-term liabilities
-3	<i>37</i>	-	provisions
-2,167	<i>38</i>	-2,050	government grants deferred
-205	<i>39</i>	-216	capital contributions unapplied
-28,279	<i>6</i>	-53,450	liability related to defined benefit pension scheme
290,066			total assets less liabilities
			227,482
			financed by:
281,398	<i>40</i>	260,892	capital adjustment account
-286	<i>41</i>	-5	financial instruments adjustment account
26,974	<i>40</i>	7,361	revaluation reserve
41	<i>42</i>	39	collection fund adjustment account
-28,279	<i>40</i>	-53,450	pension reserve
1,352	<i>6</i>	1,125	usable capital receipts reserve
1,024	<i>43</i>	538	transitional relief capital receipts
27	<i>44</i>	19	deferred capital receipts
2,049	<i>45</i>	2,815	general fund balance
423	<i>47</i>	2,456	housing revenue account balance
5,343	<i>p.58/59</i>	5,692	earmarked reserves
290,066	<i>46</i>		total net worth
	<i>49</i>		227,482

Cash Flow Statement

2008/2009 re-stated £'000		<i>note</i>	2009/2010 £'000	£'000
revenue activities				
cash outflows				
14,999	cash paid to and on behalf of employees		14,848	
30,454	other operating cash payments		34,564	
1,669	other revenue cash payments		2,007	
9,420	housing benefit paid out		12,573	
2,210	precepts paid		2,260	
92	payments to the capital receipts pool		288	
58,844				66,540
cash inflows				
-8,428	rents (after rebates)		-7,703	
-8,991	council tax receipts		-9,245	
-6,104	national non-domestic rate payments from national pool		-5,736	
-850	revenue support grant		-1,324	
-25,637	Department for Works & Pensions grants for benefits	55	-30,625	
-3,882	other government grants	55	-4,818	
-6,622	cash received for goods and services		-6,193	
-60,514				-65,644
-1,670	net cash inflow (-) outflow from revenue activities (a)	53		896
returns on investment and servicing of finance				
cash outflows				
902	interest paid		14	
cash inflows				
-1,250	interest received		-1,437	
-348	net cash outflow from servicing of finance (b)			-1,423
capital activities				
cash outflows				
7,347	purchase of fixed assets		4,973	
6,000	purchase of long-term investments		-	
13,347				4,973
cash inflows				
-2,501	sale of fixed assets		-399	
-4,000	sale of long-term investments		-4,000	
-180	capital grants received		-714	
-1,021	other capital cash receipts		-1,001	
-7,702				-6,114
5,645	net cash outflow from capital activities (c)			-1,141
management of liquid resources				
-1,142	net increase / decrease (-) in short term deposits (d)	56-57		-300
2,485	net cash inflow (-) outflow before financing (a+b+c+d)			-1,968
financing				
cash outflows				
-	repayments of amounts borrowed	56	2,000	
cash inflows				
-2,000	new short term loans		-	
-2,000	net cash outflow from capital activities (e)			2,000
485	net increase(-) / decrease in cash (a+b+c+d+e)	54		32

Notes to the Core Financial Statements

Income and Expenditure Account

1. Net cost of services

Service expenditure is shown below under the major service headings as required by the CIPFA *Best Value Accounting Code of Practice* (BVACOP). Negative figures indicate net income from that service area.

Table 4: major services			
major service	service	2008/09 £'000	2009/10 £'000
	elections	270	165
	emergency planning	85	87
central service to the public	general grants, bequests & donations	517	452
	local land charges	-23	-29
	local tax collection	693	603
corporate & democratic core	corporate management	633	570
	democratic representation & management	1,047	890
	culture & heritage	764	745
cultural & related services	open spaces	394	367
	recreation & sport	1,155	1,283
	tourism	180	180
	cemeteries	93	92
environmental & regulatory services	community safety	722	663
	environmental health	1,335	1,204
	flood defence & land drainage	107	13
	street cleansing	635	637
	waste collection	2,336	2,171
	contribution to HRA-shared items	138	135
	homelessness	152	83
general fund housing	housing act advances	9	6
	housing benefit administration	282	235
	housing benefit payments	-101	-138
	housing strategy	548	662
	private sector housing renewal	772	1,050
highways & transport	parking services	195	-105
	public transport	817	582
	transport planning, policy & strategy	57	44
housing revenue account		2,653	8,327
	building control	191	103
	community development	282	142
planning & development services	development control	1,090	618
	economic development	758	671
	environmental Initiatives	352	359
	planning policy	381	442
non distributed costs	retirement benefits	483	-189
	unused assets	36	93
exceptional items		-295	-
net cost of general fund services		19,743	23,212

NB: these totals include revenue expenditure funded by capital under statute

2. Prior year adjustments/re-statements

In the 2009/2010 Statement of Accounts, the Council has adopted the new accounting policies as required by the 2009 SORP (Statement of Recommended Practice). As a result, changes to the treatment of the preceptors share of council tax balances have been made to the 2008-09 comparative figures for the income and expenditure account, statement of movement of general fund balance, statement of recognised gains & losses, balance sheet and cash flow statement. In addition, the balances associated with non domestic rates have been netted down in accordance with treating this as an agency arrangement and the 2008-09 balance sheet has been amended to reflect this.

3. Disclosure of audit costs

Audit fees payable to the Audit Commission and KPMG during the financial year were:

Table 5: audit fees

2008/2009	(figures in £'000s)	2009/2010
111	for external audit services carried out by the appointed auditor under the Code of Audit Practice in accordance with section 5 of the Audit Commission Act 1998	115
32	for certification of grant claims & returns by the appointed auditor under section 28 of the Audit Commission Act 1998	26
6	fees payable to the Audit Commission in respect of Statutory Inspection	6
-	fees payable for HRA investigation work	25
149	total	172

4. Contribution of housing capital receipts to government pool

Authorities are required to pay a proportion of specified housing related capital receipts into a Government pool for redistribution. The amount paid to the pool is shown as expenditure after *net cost of services*, even though the capital receipts have not themselves been recognised as an income item in the Income and Expenditure Account. The deficit is made good by an appropriation from *usable capital receipts* to the Statement of Movement on the General Fund Balance.

5. Publicity account

Section 5(1) of the *Local Government Act 1986* requires the Council to keep a separate account of its expenditure on publicity. In 2009/2010 publicity expenditure totalled £106k (£206k in 2008/2009). An analysis of the expenditure is shown below.

Table 6: publicity expenditure

2008/2009	(figures in £'000s)	2009/2010
35	recruitment advertising	25
119	other advertising	46
25	marketing	21
27	other publicity	14
206	total	106

The largest item within 'other advertising' is for development control statutory planning notices (£10k).

6. Retirement benefits

Participation in pension scheme

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

The authority participates in the Local Government Pension Scheme (LGPS), administered by Gloucestershire County Council. It is a funded scheme, which means that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions relating to retirement benefits

We recognise the real cost of retirement in the *net cost of services* when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and the Statement of Movement in the General Fund Balance during the year:

Table 7: transactions relating to retirement benefits

2008/2009	(figures in £'000)	2009/2010
Income and Expenditure Account		
<i>net cost of services:</i>		
-1,102	current service cost	-885
-529	past service cost	-
-	curtailment costs	-
<i>net operating expenditure:</i>		
-4,438	interest cost	-4,288
3,087	expected return on assets in the scheme	2,031
-2,982	net charge to the Income and Expenditure Account	-3,142
Statement of Movement in the General Fund Balance		
reversal of net charges made for retirement benefits in accordance with FRS 17		
2,982		3,142
actual amount charged against the General Fund Balance for pensions in the year:		
-1,798	employer's contributions payable to scheme	-1,974

(a) Estimated employer's contributions to be paid to the scheme in 2010-11 are £2,179k.

(b) Gains and Losses per table 12 reconciled to the STRGL are as follows:-

2008/2009	(figures in £'000)	2009/2010
-5,659	Movement in Defined Benefit Obligation - Actuarial Losses / (Gains)	35,829
12,954	Movement of Fair Value of Employer Assets Actuarial - (Gains) / Losses	-11,779
-47	Unfunded Benefits	-47
5,462	Re-statement under 2008 SORP	-
<u>12,710</u>	Total actuarial gains (-) / losses per STRGL	<u>24,003</u>

Assets and liabilities in relation to retirement benefits.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March are as follows:

Table 8: pension fund assets and liabilities		
2008/2009	(figures in £'m)	2009/2010
-62.1	funded benefits under the LGPS regulations	-100.5
-0.8	unfunded discretionary benefits awarded by means of additional benefits under the LGPS regulations	-1.0
-62.9	actuarial value of fund liabilities	-101.5
34.6	market value of fund assets	48.1
-28.3	net pension deficit	-53.4

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £53.4m (£28.3m 31 March 2009) has a substantial impact on the net worth of the Council as recorded in the balance sheet, although the overall balance remains positive at £227m (£290m 31 March 2009). Statutory arrangements for funding the pensions 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 the employees, as assessed by the scheme's actuary.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method. An estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2007.

The main assumptions used in their calculations, agreed with the Council, are shown in the table below.

Table 9: main financial assumptions used in the calculations		
2008/2009		2009/2010
20.4	mortality - current male pensioners	22.7
23.4	mortality - current female pensioners	26.1
22.6	mortality - future male pensioners	24.8
25.5	mortality - future male pensioners	28.3
3.10%	rate of inflation	3.80%
4.60%	rate of increase in salaries	5.30%
3.10%	rate of increase in pensions (payment & deferment)	3.80%
6.90%	rate of discounting scheme liabilities (pre & post retirement)	5.50%
5.90%	expected return on assets	6.90%

Commutation

An allowance is included for 50% of future retirements to elect additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service. Stroud District Council's share of assets in the LGPS, valued at fair value, principally at market value for investments, consists of the following categories, by proportion of the total assets held by the fund.

Table 10: value of investments and expected returns

2008/2009			2009/2010			
value		expected long term return		value		expected long term return
£'000	%	%		£'000	%	%
17,297	50	7.0	equities	32,194	67	7.8
8,649	25	5.4	bonds	11,532	24	5.0
2,768	8	4.9	property	2,883	6	5.8
5,881	17	4.0	cash	1,442	3	4.8
34,595	100	5.9	total	48,051	100	6.9

It must be recognised that pension fund investments are made for the long term, and that market values and net fund liabilities at a given point in time are only indicative of the position of the fund at that date.

Actuarial gains and losses

The actuarial gains identified as movements on the pension reserve in 2009/2010 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March, as shown below.

Table 11: history of experience gains and losses

	2005/2006			2006/2007			2007/2008			2008/2009			2009/2010		
	Value £'000	Difference £'000 %		Value £'000	Difference £'000 %		Value £'000	Difference £'000 %		Value £'000	Difference £'000 %		Value £'000	Difference £'000 %	
differences between the expected and actual return on assets	46,213	6,268	13.6%	49,670	-57	-0.1%	44,688	-7,757	-17.4%	34,595	-12,954	-37.4%	48,051	11,779	24.5%
experience gains / losses (-) on liabilities	73,020	75	0.1%	73,255	73	0.1%	64,535	172	0.3%	62,874	-28	0.0%	101,501	-11	0.0%
actuarial gains / losses recognised	73,020	-1,652	-2.3%	73,255	4,146	5.7%	64,535	4,372	6.8%	62,874	-7,295	-11.6%	101,501	-24,050	-23.7%
Surplus / (Deficit)		-26,807			-23,585			-19,847			-28,279			-53,450	

Movement in the net pension deficit

The change in the pension deficit is detailed in table 12:

Table 12: analysis of the movement in the net pension deficit for the year

2008/2009	(figures in £'000)	2009/2010
£'000	Movement in Defined Benefit Obligation	£'000
64,535	Opening Defined Benefit Obligation	62,874
1,102	Current Service Cost	885
4,438	Interest Cost	4,288
620	Contributions by Members	587
-5,659	Actuarial Losses / Gains (-)	35,829
529	Past Service Costs / Gains (-)	-
-47	Estimated Unfunded Benefit Paid	-47
-2,644	Estimated Benefits Paid	-2,915
62,874	Closing Defined Benefit Obligation	101,501
£'000	Movement of Fair Value of Employer Assets	£'000
44,688	Opening Fair Value of Employer Assets	34,595
3,087	Expected Return on Assets	2,031
620	Contributions by Members	587
1,798	Contributions by the Employer	1,974
47	Contributions in respect of Unfunded Benefits	47
-12,954	Actuarial Gains / Losses (-)	11,779
-47	Unfunded Benefits Paid	-47
-2,644	Benefits Paid	-2,915
34,595	Closing Fair Value of Employer Assets	48,051
-28,279	net deficit at end of year	-53,450

Defined benefit scheme

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

The Council participates in the Local Government Pension Scheme (LGPS), which is categorised as a defined benefit scheme and is administered by Gloucestershire County Council. It is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with investment assets. The retirement benefits are determined independently of the investments of the scheme and the Council has an obligation to make extra contributions where assets are insufficient to meet employee benefits.

National changes to the LGPS that were introduced on 1 April 2008 affect the pension liability. The Council and its actuary were required to make a number of assumptions about future changes to the scheme when calculating these figures. The actuary made no allowance for the removal of the "Rule of 85" for new entrants from 1 October 2006. The principal reason for this is that insufficient information is available to allow them to make any such adjustment. For most employers the effect is likely to be immaterial in actuarial terms. The full implication of these changes was included by the actuary in the tri-annual valuation of the scheme at 31 March 2007.

The LGPS funding level is determined by actuarial valuation every three years. At the last valuation, 31 March 2007, the overall Fund was 73% funded. Employers' contribution rates

are calculated at each valuation to achieve full funding of each employer's part of the scheme over the average future working life of that employer's active members.

During 2009/2010 the employer contribution rate was 22.2% of payroll (19.8% in 2008/2009). The results of the 2007 valuation show that this should rise to 24.5%. The actuary provided figures to allow the Council to phase this increase in over a period of 6 years and accordingly the contribution rate for 2010/2011 has been set at 24.5%.

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

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

7. Contribution to Pension Fund

No employees took early retirement on 31 March 2010 so Council is not required to make any additional contributions to the pension fund.

8. Section 137 expenditure

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. In 2009/2010 Council's expenditure was £44k in respect of the garden assistance scheme (£44k in 2008/2009).

9. Finance and operating leases

The Council uses CCTV optical cabling financed under the terms of an operating lease, and the amount paid in 2009/2010 was £400 (2008/2009 £400). The future cash payments required under this lease is £400 per year. The Council had no assets under finance leases in 2009/2010 and made no payments (2008/2009 was nil).

10. Long-term contracts

In 2010/2011 the Council is committed to making a number of payments under long-term contracts. Details are shown in the following table:-

Table 13: long-term contracts

contractor	estimated payments 2010/2011 £000	purpose	contract expiry date
Veolia ES Cleanaway (UK) Ltd	3,921	refuse collection, recycling, grounds maintenance, street cleaning & building cleaning	2016
PH Jones	886	gas, oil & solid fuel heating, servicing, breakdown & replacement for housing stock	2014
Jeakins Weir	1,824	building maintenance of housing stock	2010
Seddons	628	decorating housing stock	2010
EESI	250	electrical periodic testing & re-wiring	2010
CJ Roberts	400	void refurbishment work	2011
NKS Central Ltd	400	void refurbishment work	2011
NKS Central Ltd	1,000	kitchen & bathroom replacement	2011
Securidor	240	replacement doors to dwellings	2010
Pearce Platford	203	electrical maintenance of housing stock	2010

11. Local Authority (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. The Authority provides a number of services for Gloucestershire County Council including extra sheltered housing for frail elderly residents. Income from this service was £7k (£6k in 2008/2009) and was a reimbursement of actual expenditure.

12. Local Area Agreements (LAA)

The Council is a participant in a LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services.

The purpose of the LAA is:

- to form an agreement between the Gloucestershire Local Strategic Partnership (LSP), Government (represented by Government Office South West), and other external agencies, to ensure that together we achieve our Interim 10 Year Vision: Gloucestershire Tomorrow
- to agree specific outcomes and targets that will be achieved each year for the three years of the agreement
- to improve the effectiveness and efficiency of public services in Gloucestershire by pooling and aligning funding streams

The LAA partners are:

- local government bodies – Gloucestershire County Council, Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council, Gloucester City Council, Stroud District Council, Tewkesbury Borough Council
- community protection authorities – Gloucestershire Constabulary
- health bodies – Gloucestershire Primary Care Trust
- learning bodies – Learning and Skills Council, Gloucestershire First
- voluntary organisations – Gloucestershire Assembly for the Voluntary & Community Sector

Gloucestershire County Council acts as the accountable body for the LAA. This means that they are responsible for managing the distribution of grant paid by the Government Office to the partners involved, but they do not determine which bodies are due payments – this is determined either by the Government Office or the partnership. In this context, Stroud District Council as a member of the partnership has not recognised the full amount of LAA Grant in its financial statements, but only that part to be spent by the Council in providing services.

The total amount of LAA Grant received by the LSP in 2009/10 via Area Based Grant and Capital was £18.8m (£26m in 2008/09). The Council received £46k (£77k in 2008/2009) of this total to fund its own services, of which £46k (£57k in 2008/2009) was for revenue schemes and £nil (£20k in 2008/2009) was capital.

13. Provision for repayment of external loans (minimum revenue provision)

The authority is required by statute to calculate and set aside a minimum revenue provision for the redemption of external debt. For 2009/2010 the amount is nil (2008/2009 nil). The Housing Revenue Account made a statutory provision of nil, by virtue of being a net investor (also nil in 2008/2009).

The income and expenditure account includes a depreciation charge of £850k representing the provision for repayment of external loans, which has been credited to the Statement of Movement on the General Fund Balance (see table 14).

Table 14: provision for repayment of external loans

2008/2009	(figures in £'000)	2009/2010
-	non-housing amount - 4% of capital financing requirement	-
-	<i>less: commutation adjustment</i>	
-	minimum revenue provision	
-	<i>less : statutory HRA Item 8 MRP debit</i>	
-	credit to Statement of Movement on the General Fund Balance	
816	amount charged as depreciation	850
-816	credit to Statement of Movement on the General Fund Balance	-850
-	charge to General Fund	-

14. Employees' remuneration

The Council is required to report the numbers of staff with pay and benefits, excluding employer pension contributions, in excess of £50,000 per annum, in bands of £5,000.

Table 15: employee remuneration

2008/2009 number of employees	remuneration band	2009/2010 number of employees
9	£50,000 - £54,999	7
1	£55,000 - £59,999	-
-	£60,000 - £64,999	1
3	£65,000 - £69,999	4
-	£70,000 - £74,999	-
2	£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	-
1	£110,000 - £114,999	1

The number of employees in designated posts with salary between £50,000 and £150,000 per annum are shown below. No-one is named because there is no-one earning more than £150,000 where naming is then required.

Table 16: Senior Officers emoluments - Salary between £50,000 and £150,000 per year

Post holder information (Post title)	Salary (including fees & allowances and excluding pension contributions) 2009/2010 £	Pension Contributions £	Total Remuneration including pension contributions 2009/2010 £
Chief Executive	110,610	24,111	134,721
Canal Project Manager	69,279	15,339	84,618
Strategic Head (Community Services)	67,125	15,487	82,612
Strategic Head (Customer Services)	67,035	14,869	81,904
Strategic Head (Development Services)	66,978	14,869	81,847
Head of Finance	60,971	13,514	74,485
Head of Communications	53,114	11,562	64,676
Head of Corporate Resources	52,138	11,562	63,700
Head of Environmental Health	51,300	11,294	62,594
Head of Community Safety	51,239	11,294	62,533
Head of Cultural Services	51,002	11,294	62,296
Head of Planning	50,922	11,294	62,216
Head of Revenues & Benefits	50,872	11,294	62,166

15. Members' allowances

The total of allowances paid to councillors of this Council in 2009/2010 was £378k (£381k in 2008/2009).

16. Related party transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. Central government has effective control 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 of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in notes to the Cash Flow Statement.

A number of members (councillors) serve on voluntary bodies that are grant aided by the Council. The most significant grant paid was £125k to Citizens Advice Bureau, with 4 councillors acting as trustees during 2009-10. Councillors have declared an interest to a number of bodies, including: Cotswold Conservation Board, Dursley Town Trust, Beresford Group, Home Start and a number of clubs and management committees. A number of members are also members of Gloucestershire County Council (6), Gloucestershire Police Authority (1) and town and parish councils (21). Details are recorded in the Register of Members' Interest, open to public inspection at Ebley Mill.

A levy of £79k (£76k in 2008/09) was paid to the South Gloucestershire Internal Drainage Board.

Statement of Total Recognised Gains and Losses

17. Reconciliation to movement on Balance Sheet

Table 17: reconciliation to movement on the Balance Sheet

(figures in £'000s)	31 Mar 08	change 2008/2009	2008/2009 re-stated	31 Mar 09 re-stated	change 2009/2010	31 Mar 10
capital adjustment account	289,482	-8,084		281,398	-20,506	260,892
financial instruments adjustment account	-90	-196		-286	281	-5
revaluation reserve	21,855	5,119		26,974	-19,613	7,361
collection fund adjustment account	-	-	41	41	-2	39
pension reserve	-19,847	-8,432		-28,279	-25,171	-53,450
usable capital receipts reserve	1,011	341		1,352	-227	1,125
transitional relief capital receipts	1,416	-392		1,024	-486	538
deferred capital receipts	39	-12		27	-8	19
general fund balance	3,397	-1,348		2,049	766	2,815
housing revenue account balance	2,153	-1,730		423	2,033	2,456
earmarked reserves	4,812	531		5,343	349	5,692
total net worth	304,228	-14,203	41	290,066	-62,584	227,482

Balance Sheet

18. Movements of fixed assets

Table 18: movement on operational fixed assets

(figures in £'000s)	council dwellings	other land & buildings	vehicles, plant & equipment	infra-structure	community assets	total
Cost or valuation						
At 1 April 2009	327,501	28,168	1,697	221	55	357,642
additions (gross)	4,287	396	175		8	4,866
disposals	-671					-671
reclassification					8	8
revaluations	-41,194	3,709	100			-37,385
At 31 March 2010	289,923	32,273	1,972	221	71	324,460
Depreciation & Impairment						
At 1 April 2009	-48,354	-5,371	-743	-23	-1	-54,492
Charge for 2009-10	-11,465	-893	-141	-9	-7	-12,515
disposals						
reclassification						
revaluations	6,084	1,648				7,732
At 31 March 2010	-53,735	-4,616	-884	-32	-8	-59,275
Balance sheet amount at 31 March 2010	236,188	27,657	1,088	189	63	265,185
Balance sheet amount at 31 March 2009	279,147	22,797	954	198	54	303,150
Nature of asset holding						
Owned	236,188	27,657	1,088	189	63	265,185

Table 19: movement on non-operational fixed assets

(figures in £'000s)	investment property	surplus assets	total
Cost or valuation			
At 1 April 2009	6,064	256	6,320
additions (gross)			-
disposals			-
reclassification	-8		-8
revaluations			-
At 31 March 2010	6,056	256	6,312
Depreciation & Impairment			
At 1 April 2009	-611		-611
Charge for 2009-10	-17		-17
disposals			
reclassification			
revaluations			
At 31 March 2010	-628	-	-628
Balance sheet amount at 31 March 2010	5,428	256	5,684
Balance sheet amount at 31 March 2009	5,454	256	5,710
Nature of asset holding			
Owned	5,428	256	5,684

19. Depreciation

Depreciation is provided on all fixed assets other than freehold land. The assets have been depreciated on a straight-line basis over the expected life of the asset, after allowing for the residual value. The Council employs a Royal Institution of Chartered Surveyors (RICS) qualified chief valuation officer who has estimated the useful lives and residual values for each class of assets. Buildings such as Ebley Mill, Museum and Subscription Rooms are depreciated over 50 years; leisure centre and multi-storey car park for 30 years; plant and equipment between 5 and 20 years.

Depreciation charges, cumulative and current year, are shown in Table 18 above.

20. Fixed assets

Fixed assets owned by the Council include the following:

Table 20: tangible fixed asset category

31 March 2009			31 March 2010	
N ^o .	Valuation £000		N ^o .	Valuation £000
council dwellings				
5,243	248,652	houses, bungalows & flats	5,229	210,225
32	30,494	sheltered dwelling sites	32	25,963
operational buildings				
5	-	cemeteries	5	-
1	5,563	Council offices	1	5,500
1	465	multi-storey car parks	1	441
1	2,480	museum	1	1,440
11	476	public conveniences	11	375
1	7,737	sports centres	1	13,250
1	1,592	Subscription Rooms	1	1,390
31	2,474	surface car parks	31	2,472
1	1,964	swimming pools	1	2,075
66	245	other operational assets	66	966
non-operational buildings				
investment properties				
1	931	Brunel Mall	1	931
11	2,120	development sites	11	2,120
1	167	Kingshill House	1	167
1	200	Old Town Hall	1	200
12	967	shops	12	967
21	1,379	other non-operational assets	21	1,299
	954	vehicles, plant & equipment		1,088
5,441	308,860	total tangible fixed assets	5,427	270,869

21. Fixed asset valuation

The freehold and leasehold properties that comprise the authority's property portfolio have been valued by the Council's professional estate valuer, Mrs J Fallows MRICS, on the under mentioned basis in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, except that not all properties were inspected. This was neither practical nor considered by the valuer to be necessary for the purpose of the valuation. The following valuations have been carried out:-

Property description	Date as at
HRA land	31 March 2010
Council rented accommodation and sheltered dwellings.....	31 March 2010
Ebley Mill offices	31 March 2010
Stratford Park Leisure Centre / Museum in the Park / Subscription Rooms / Dursley Pool	31 March 2010
Other property	31 March 2007

Plant and machinery is included in the valuation of the buildings. For the purpose of depreciation, in some cases the value of plant within operational buildings has been estimated and depreciated separately.

Property regarded by the authority as operational was valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost.

Properties regarded by the authority as non-operational have been valued on the basis of open market value. All operational assets have been depreciated in accordance with the *Accounting Code of Practice and Financial Reporting Standard 15 (FRS 15)*.

22. Revenue expenditure funded from capital under statute

Table 21: movement in revenue expenditure funded from capital under statute

(figures in £'000s)	expenditure in year	written off to revenue in year
improvement grants	671	-671
housing associations	486	-486
other	850	-850
total	2,007	-2,007

23. Intangible assets

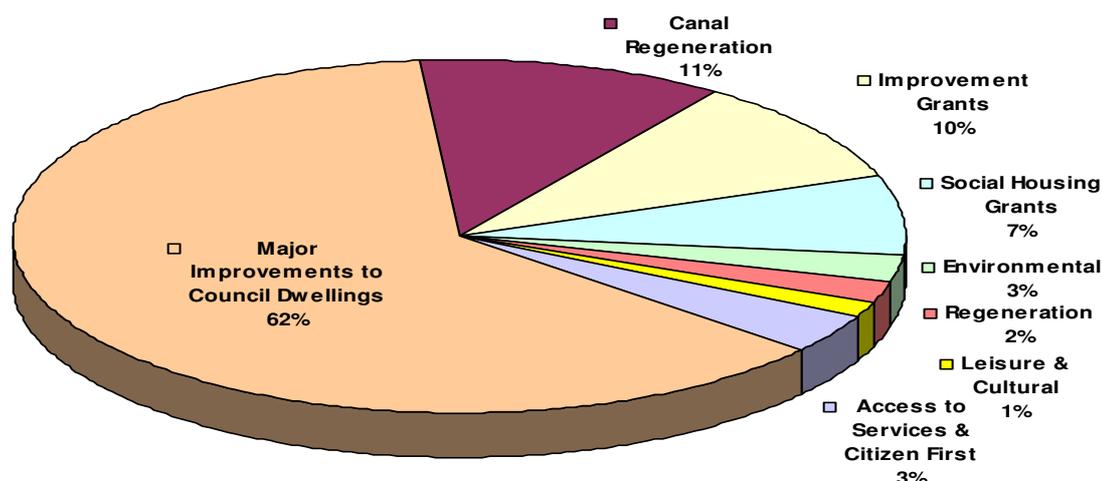
Table 22: movement in intangible assets

(figures in £'000s)	purchased software licences
original cost	360
amortisations to 1 April 2008	-99
balance at 1 April 2008	261
expenditure in year	48
recategorisation	-
written off to revenue in year	-42
balance at 31 March 2009	267

Intangibles are written off to revenue on a straight line basis over 10 years, to reflect the general life of purchased software.

24. Capital expenditure

Chart 3 shows the main areas and percentages of the £6.9 million capital expenditure, as summarised in **Table 23** :

Chart 3: capital expenditure 2009/2010 by type

Major improvements to Council dwellings are significant capital enhancements to Council-owned rented properties, such as re-roofing, new kitchens and bathrooms, window replacement and installation of central heating.

Improvement grants are given to households towards the renovation of their private sector accommodation, to provide an improved level of basic facilities. Social housing grants are payments to social landlords such as housing associations, given in exchange for nomination rights.

Other expenditure includes capital grants for regeneration projects and improvements to the fabric of and access to existing buildings and equipment, such as leisure and cultural facilities, car parking, public conveniences and backlog building maintenance.

25. Capital funding

Details of the capital expenditure and the sources of finance are shown below:

Table 23: capital expenditure and financing

2008/2009	(figures in £'000s)	2009/2010
-843	opening Capital Financing Requirement	-1,418
	capital investment	
52	intangible assets	48
7,196	operational assets	4,867
-	non-operational assets	1,938
1,669	deferred charges	2,250
8,917	total expenditure	9,103
	sources of finance	
-1,745	capital receipts	-887
-3,160	major repairs reserve	-4,083
-881	Government grants and other contributions	-1,448
-3,131	direct financing from revenue and reserves	-435
-8,917	total funding	6,853
-575	movement in deferred liabilities	-
-1,418	closing Capital Financing Requirement	832

explanation of movements in year		
increase in underlying need to borrow:		
-	<i>supported by Government financial assistance</i>	-
-	<i>unsupported by Government financial assistance</i>	2,250
-575	movement in deferred liabilities	-
-575	decrease in Capital Financing Requirement	2,250

26. Capital commitments

The Council had legally binding major commitments (i.e. in excess of £300k) under capital contracts at 31 March 2010 totalling £1m, for kitchen and bathroom replacement schemes on Council dwellings. These contracts and amounts cover the period until 21 October 2010.

27. Lease contracts

Until 1996/1997 it had been Council policy to acquire vehicles, computer equipment and other equipment through leasing arrangements, these being 'operating leases' from April 1990 and 'finance leases' before this. The gross book value of finance leases at 31 March 2010 was nil, all assets being fully depreciated and all agreements into secondary rental periods.

No asset was acquired during 2009/2010 under an operating lease. The total value of operating lease arrangements at 31 March 2009 is nil (nil 31 March 2008). These are excluded from balance sheet valuations, as ownership never passes to the Council.

28. Financial Instruments

Investments, debtors and creditors are recognised as financial instruments, and as disclosed in the balance sheet, are made up of the following categories:

Table 24: financial instruments balances

	Long-Term		Current	
	31 Mar 2009	31 Mar 2010	31 Mar 2009 re-stated	31 Mar 2010
(figures in £'000s)				
Financial Liabilities				
loans and payables	-	-	9,381	8,472
Financial Assets				
loans and receivables	6,287	2,133	14,889	18,638

(Further details on each of these items are shown in notes 31 to 34 below)

29. Financial Instruments – Fair Value

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

- estimated interest rates of 2% for loans receivable
- 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 are calculated as follows:

Table 25: fair value of assets carried at amortised cost

(figures in £'000s)	31 Mar 2009 re-stated		31 Mar 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
loans and receivables	21,176	21,525	20,771	18,396

The fair value at 31 March 2010 is lower than the carrying amount because of the Icelandic impairment that Council is required to account for in 2009-10. This loss is mitigated by the capitalisation direction as shown in the Income & Expenditure Account. As this is still pending the court case later in the year, it is not shown in the Statement of Total Recognised Gains and Losses.

30. Disclosure of nature and extent of risks arising from financial instruments

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

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

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy.

The Council provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they are included on the Council's authorised lending list as supplied on a weekly basis by Sector, the Council's Treasury Management advisers.

There is a group limit of £8m for groups of banks covered by the UK Government Guarantee scheme, subject to a limit of £5m per individual bank. Outside of the UK the Council will only make deposits in AAA-rated countries and has set a limit of £5m 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 are assessed, taking into account their financial position, past experience and other factors, in respect of credit risk but formal individual credit limits are not set.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability, adjusted to reflect current market conditions:

Table 26: credit risk analysis

	Amount at 31/03/2010	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2010	Estimated maximum exposure to default and uncollectability
	£000	%	%	£000
Deposits with banks & financial institutions	17,068	1.3%	1.34%	229
Customers	<u>3,255</u>	4.5%	6.0%	<u>194</u>
				<u>423</u>

No credit limits were exceeded during the reporting period. The authority has estimated an impairment loss from non-performance by Icelandic banks, in accordance with CIPFA guidelines, as detailed in note 29 above. The impairment is in relation to two deposits with Glitnir bank (£1m @ 6% 15/04/08 – 15/04/09, and £2m @ 5.61% 4/01/08 – 2/01/09. UK Local Authorities are being jointly represented through the Local Government Association. Legal advice is that local authority deposits have the status of priority creditors, as such prospects for recovery are good. The authority does not expect any other losses from non-performance by any other counterparties in relation to deposits.

The authority does not generally allow credit for customers, such that £2.976m of the £3.255m is past its due date for payment. The past due amount can be analysed by age as follows:

Age Analysis	2008/2009	2009/2010
	£000	£000
Less than 3 months	44	398
3 to 6 months	537	23
6 months to one year	2,853	2,514
More than one year	147	41
	<u>3,581</u>	<u>2,976</u>

Liquidity risk

The authority has no long term debt, but as it has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The maturity analysis of financial liabilities, due to be paid in less than one year is as follows:

Less than one year	<i>Trade, other payables and temporary loans</i>	<u>£000</u>
		<u>8,472</u>

Market risk

- **Interest rate risk**

The authority has no long term debt, but is exposed to significant risk in terms of interest rate movements on its investments. For instance, a rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall.

Changes in interest receivable on variable rate investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated.

According to this assessment strategy, at 31 March 2010, if interest rates had been 1% higher with all other variables held constant, the financial effect would be as follows:

Effect of interest rate 1% higher	£000
Increase in interest receivable on variable rate investments	133
Impact on Income and Expenditure Account	133
Share of overall impact debited to HRA	89
Decrease in fair value of fixed rate investment assets	44
Impact on STRGL	44

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

- **Price risk**

The authority has no investments in equity shares and is therefore not exposed to losses arising from movements in the prices of shares.

- **Foreign exchange risk**

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

31. Long-term investments

This represents investments that are due to be repaid to the council after a period of at least one-year. All funds are managed internally.

32. Long-term debtors

These are debtors that fall due after a period of at least one-year. The majority are mortgages that were given for the purchase of ex-Council dwellings, to private individuals or to housing associations. No new mortgages have been given since 1994/1995.

33. Stock

Table 27: stocks

31 Mar 09	(figures in £'000s)	31 Mar 10
35	bus & national transport tokens	26
3	other	3
38	total stocks	29

34. Debtors

Table 28: debtor amounts falling due in one year

31 Mar 09 re-stated	(figures in £'000s)	31 Mar 10
14	capital debtors	239
198	council tax arrears	194
426	government departments	775
707	housing benefits & rebate arrears	693
459	housing tenants	450
553	revenue and customs	600
1,756	sundry debtors	1,149
136	other local authorities	119
4,249	total debtors	4,219
	less: provision for doubtful debts	
-57	council tax	-56
-278	housing tenants	-281
-383	other	-206
-718	total provision for doubtful debts	-543
3,531	net debtors falling due within one year	3,676

35. Creditors

Table 29: payments due by creditor type

31 Mar 09 re-stated	(figures in £'000s)	31 Mar 10
874	capital creditors	817
322	government departments	2,255
250	Inland Revenue	-
439	other local & police authorities	412
45	pay arrears	-
1,242	income received in advance	1,274
4,168	sundry creditors	3,693
41	collection fund (district council share)	21
7,381	total creditors	8,472

36. Cash and Bank

This represents the balance held in the Council's bank accounts less creditor payments waiting to be transferred from the Council's bank account by BACS (Bankers Automated Clearing System) and unrepresented cheques issued in March 2010.

37. Provisions

Provisions are required where the Council faces a material liability of uncertain timing or amount, which will be settled by the transfer of economic benefits. This represents a present obligation from a past event.

Table 30: movement in provisions

Provision name (figures in £'000s)	balance 31 Mar 09	receipts	payments/ transfers	balance 31 Mar 10
insurance	-3	-	3	-
total provisions	-3	-	3	-

The insurance provision represents the minimal value of claims against the Council that are expected to result in a payment to the claimant above any sum paid by an insurance policy. Sums are held in the insurance reserve to fund any excesses that the Council would be required to pay, above the sums paid by insurance companies.

38. Government grants deferred

This represents government grants or other contributions towards the acquisition of a fixed asset, which have yet to be written off via the *statement of movement in general fund balances* over the useful life of the asset to match the depreciation charge. It includes Stratford Park Leisure Centre, Public Conveniences, 'access to services' (Citizens First), the Subscription Rooms and Museum in the Park.

Table 31: government grants deferred account

31 Mar 09	(figures in £'000s)	31 Mar 10
2,374	balance at 1 April	2,167
278	external contributions	846
295	disabled facilities grants	209
308	private sector housing renewal capital grant	462
-603	transfer to capital adjustment account	-671
-485	transfer to general fund services	-963
2,167	balance at 31 March	2,050

39. Capital contributions unapplied

These are external contributions for capital schemes, held until financing is required. The amounts are applied through the *government grants deferred* account (see above).

40. Movements on reserves

Table 32: movement on reserves

(figures in £'000s)	balance				balance 31 Mar 10	purpose of reserve	further details of movements
	31 Mar 09 re-stated	income to reserve	expenditure from reserve	transfers between reserves			
capital adjustment account	281,398	9,348	-17,654	-12,200	260,892	store of capital resources set aside to meet past expenditure	table 33, page 48
financial instruments adjustment account	-286	281			-5	balancing account to allow for differences in statutory requirements & proper accounting practices for borrowings & investments	
revaluation reserve	26,974		-37,217	17,604	7,361	store of gains on revaluation of fixed assets not yet realised through sales	table 34, page 48
collection fund adjustment account	41		-2		39	to account for the difference in council tax income under regulation & the SORP via the SMGFB	
pension reserve	-28,279	2,021	-27,192		-53,450	balancing account to allow inclusion of pension liability on the balance sheet	table 12, page 31
usable capital receipts reserve	1,352	488	-314	-401	1,125	proceeds of fixed asset sales available to meet future capital investment	table 35, page 49
transitional relief capital receipts	1,024			-486	538	proceeds of fixed asset sales available to meet future housing capital investment	page 49
deferred capital receipts	27		-8		19	future capital receipts from mortgage principal repayments	page 49
general fund balance	2,049	766			2,815	resources available to meet future running costs for non housing services	Statement of Movement of General Fund Balance, pages 19 & 20
housing revenue account balance	423	6,320		-4,287	2,456	resources available to meet future running costs for council housing	HRA statements, pages 58 & 59
earmarked reserves	5,343	1,325	-746	-230	5,692	earmarked for a range of specified purposes	table 36, pages 50 & 51
totals	290,066	20,549	-83,133	-	227,482		

41. Capital adjustment account

This account was created on 1st April 2007 with an opening balance of £290.841m, as a result of the new accounting requirements adopted from the 2007 SORP. The balance reflects transfers from the former capital financing account and fixed asset restatement account which were replaced by this account. This is not a cash-backed reserve but a way of reflecting all capital transactions on the balance sheet.

It contains amounts that are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that which is charged to revenue to repay the principal element of external loans. The Council's overall minimum revenue provision requirement (MRP) is nil (see note 13, page 33).

Table 33: capital adjustment account

31 Mar 09	(figures in £'000s)	31 Mar 10
289,482	balance at 1 April	281,398
1,088	amortisation of government grants - deferred	1,634
-7,199	excess of depreciation over MRP	-6,942
-1,669	deferred charges written down	-2,007
3,184	direct financing from revenue	435
3,160	major repairs reserve	4,083
1,745	usable capital receipts applied in year	887
-1,630	disposals of fixed assets (book value)	-671
120	asset revaluation write off	-17,773
-	accumulated depreciation write off	-5,616
-7,458	impairment	7,714
-	capitalisation direction	-2,250
575	reduction in deferred liability	-
281,398	balance at 31 March	260,892

42. Revaluation reserve

This reserve was created on 1 April 2007 with an opening balance of £nil, as a result of the new accounting requirements adopted from the 2007 SORP. This reserve is credited with specific asset revaluations as certified by the Council's estates manager. Impairment of fixed assets is only charged to this reserve if the reserve contains a previous revaluation specific to that asset, otherwise it is written off to Income and Expenditure Account.

The major revaluation in the year was in respect of Council houses, with the underlying increase in gross value reduced by the Government's regional factor being applied to the valuation. See also table 18, movement on fixed assets.

Table 34: revaluation reserve

31 Mar 09	(figures in £'000s)	31 Mar 10
21,855	balance at 1 April	26,974
5,119	asset revaluations	-37,217
-	write off excess revaluations to capital adjustment account	17,604
26,974	balance at 31 March	7,361

43. Usable capital receipts reserve

Since 1 April 2004 the Council has been required to pay to the Government 75% of the income from sales of Council houses, subject to transitional arrangements for being 'debt free' (see note 44 below). The remaining 25% from Council house sales, and income from sales of other fixed assets such as surplus land, is known as usable capital receipts. These usable receipts can only be used for the purpose of financing capital expenditure in future years.

Details of income and expenditure are shown below.

Table 35: usable capital receipts

31 March 09	(figures in £'000s)	31 March 10
1,011	balance at 1 April	1,352
128	proceeds on sale of Council houses	398
1,665	proceeds on sale of other fixed assets	-
-	repaid grants and advances	82
-99	<i>less: payments to the housing pool</i>	-306
1,694	net proceeds from sale of fixed assets	174
-1,353	<i>less: applied to finance new capital expenditure</i>	-401
1,352	balance at 31 March	1,125

44. Transitional relief capital receipts

From 2007/08 no further transitional relief is available, and the balance held can only be used for approved housing purposes capital expenditure in future years.

45. Deferred capital receipts

These are amounts derived from sales of assets that will be received in instalments over agreed periods of time. They mainly arise from mortgages on sold Council houses and form a part of mortgages under long-term debtors.

46. Earmarked reserves

The Council has chosen to set resources aside on the balance sheet for a number of earmarked reserves. Expenditure funded from these reserves must be charged as a revenue cost of services. Balances are transferred from the reserve to the Statement of Movement on the General Fund Balance to neutralise any impact on the Council Tax. The movement in earmarked reserves is shown in the following table:

Table 36: earmarked reserves

(figures in £'000s)	balance 31 Mar 09	to	from	balance 31 Mar 10
capital	1,185	390	-184	1,391
closed circuit television	44	17	-	61
concessionary fares	200	-	-	200
economic development	78	8	-	86
efficiency savings/invest to save	200	-	-	200
housing	244	-	-	244
hydro power	14	-	-	14
information communication technology	469	72	-47	494
interest equalisation	300	-	-	300
legal counsel	51	80	-86	45
local plan preparation	88	-	-	88
miscellaneous General Fund	21	-	-	21
opportunity land purchase	100	-	-	100
pension fund	1,040	515	-600	955
planning appeal costs	180	25	-37	168
planning delivery grant	94	132	-	226
property maintenance	609	-	-	609
redundancy	74	56	-1	129
risk management / insurance	186	-	-14	172
S106 maintenance reserve	16	-	-1	15
Stratford Park leisure centre "sinking fund"	150	30	-6	174
total earmarked reserves	5,343	1,325	-976	5,692

The purpose for which each reserve is held is described below:

capital - for the financing of capital schemes. Established to maximise the Council's capital funding position and is built up from General Fund contributions.

closed circuit television - to fund operating expenses and equipment replacement for closed circuit television (CCTV) cameras throughout the district and the police control room in Stroud.

concessionary fares – the requirement to provide free bus passes has increased the potential cost of the scheme to the Council. This reserve is for the uncertainty of the budgetary provision in future years.

economic development - to assist in 'pump-priming' the local economy with the award of grants to small businesses.

efficiency savings/invest to save – to finance initial costs where investment is needed to create future on-going efficiency savings

housing - created from a Secretary of State's direction requiring the HRA to compensate the General Fund for the transfer of rent rebates.

hydro power - to fund a feasibility study into generating electricity from river flows.

information communication technology - for the introduction of new technology throughout the Council, often in partnership with other organisations, to deliver improved and more accessible services to the public under the Citizen First agenda.

interest equalisation – to help smooth the impact of changes in interest rates on the revenue budget.

legal counsel - for obtaining specialist legal opinion that may be required to defend the Council or obtain prosecution on the Council's behalf.

local plan preparation - to fund the costs of producing the Council's next local plan. It is uncertain in which financial year the expenditure will fall.

miscellaneous General Fund - for miscellaneous items that arise for which the annual contingency budget may be insufficient.

opportunity land purchase - to provide a budget for opportune purchases of land that assist with the Council's regeneration or housing objectives.

pension fund - FRS 17 has identified a potential under-funding in the Council's future pension liabilities, assuming that returns on investments do not significantly improve. The Council is building up a reserve that may, should it be prudent, be paid to the pension fund administrators at some future date to offset this liability.

planning appeal costs - to cover costs that may be awarded against the Council by HM Inspectorate in respect of planning appeals.

planning delivery grant – the Council has been given Government funding to improve the planning service. The schemes cross several financial years; this reserve enables unspent balances to be carried forward.

property maintenance - for works to Council-owned buildings, now including the multi-storey car park, such as the removal of asbestos and large one-off repairs and improvements.

redundancy - to cover payments that could arise from the effects of changes in service delivery on staffing.

risk management/insurance - formerly known as the insurance reserve. The Council self-insures a number of risks and is responsible for an 'excess' on most policies. This fund is to cover such payments, as well as being used to pump-prime risk management initiatives.

S106 maintenance reserve – to fund the costs from S106 agreements where there is an ongoing commitment built into the revenue budget

Stratford Park leisure centre "sinking fund" – for the ongoing replacement of worn out equipment.

47. **General fund revenue balance**

This sum includes budgets of £409k carried forward from 2009/2010 into 2010/2011. The balance is committed in the Council's Medium Term Financial Plan, with a minimum balance of £1.5 million being maintained over the Plan as a contingency against unfavourable movements in income or expenditure.

48. **Major repairs reserve**

Under the Housing Revenue Account 'resource accounting' system, the Council receives a major repairs allowance as part of the Government subsidy. Any unspent balance is carried forward in the major repairs reserve to be spent in future years on capital improvements to the Council's rented housing stock. The Council has not carried forward any balances in the last three financial years.

49. Analysis of net assets employed**Table 37: net assets by fund**

31 Mar 09 restated	(figures in £'000s)	31 Mar 10
296,565	Housing Revenue Account	250,369
-6,499	General Fund	-22,887
290,066	total net assets	227,482

Note. The net liability on the general fund is due to the balance on the pension reserve being greater than the value of other general fund net assets.

50. Contingent liabilities and assets

FRS 12 *Provisions, Contingent Liabilities and Contingent Assets* defines contingent liabilities as either: (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control, or (b) a present obligation that arises from past events but is not recognised because: (i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability. A material contingent liability is not recognised within the accounts as an item of expenditure. It is, however, disclosed in a note unless the possibility of a transfer of economic benefits in settlement is remote. The Council is not aware of any material contingent liability. Earmarked reserves exist to cover liabilities such as planning appeals.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control. An example is a claim for compensation that an authority is pursuing through the due legal process, where the outcome will only be decided by a decision of the courts. Contingent assets are not recognised in the revenue account or the balance sheet because prudence cautions that the gain might never be realised. When realisation of the gain is virtually certain, then the item ceases to be a contingent asset and can be accounted for as revenue or capital income as appropriate. The Council is not aware of any material contingent asset.

Other contingent assets are Section 106 planning contributions due to the Council from developers towards the provision of local amenities. The majority of S106 contributions are paid to the County Council (highways and education) or to the appropriate town or parish council (local leisure provision). The amount that would be spent by this Council is not material, and the Council is not aware of any material contingent asset in respect of S106 contributions.

51. Events after the balance sheet date

The only event after the balance sheet date, up to and including tabling the report on the Statement of Accounts at Audit Committee on 21 September 2010 is as follows:-

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of the employer's FRS liabilities in the Gloucestershire County Council Pension Fund by around 6% or £3.2m, and the FRS17 balance sheet by around 1.4%.

Cash Flow Statement

52. General

The cash flow statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. It excludes all internal transactions and accruals.

53. Reconciliation between the net surplus or deficit on the Income and Expenditure Account to the net cash inflow from revenue activities

Table 38: reconciliation from net surplus or deficit on I & E

2008/2009 re-stated	(figures in £'000s)	2009/2010
6,476	income & expenditure account deficit / surplus (-) for the year	10,608
1,669	Other revenue cash payments	2,007
	non-cash transactions	
-100	contribution of housing capital receipts to government pool	-230
113	gain (-) or loss on disposal of fixed assets	-280
791	pension charges	2,257
-8,615	internal capital financing and other non-cash transactions	-13,267
-7,811		1,095
	items on an accrual basis	
-935	increase (-) / decrease in revenue creditors	661
-1,050	increase / decrease (-) in revenue debtors	-851
-19	increase / decrease (-) in stock	-9
-2,004		-199
-1,670	net cash flow from revenue activities	896

54. Movement in cash

Table 39: movement in cash

(figures in £'000s)	balance 1 Apr 2009	balance 31 Mar 2010	movement in the year
cash overdrawn (-) / in hand	-234	-266	-32
increase / decrease (-) in cash	-234	-266	-32

55. Other government grants and DWP grants for benefits

Table 40: analysis of government grants (revenue)

2008/2009 £'000		2009/2010 £'000
3,160	HRA subsidy (including major repairs allowance)	4,083
209	local authority business growth incentive	54
72	planning delivery	132
47	housing defects	49
37	energy efficiency	-
23	climate change	56
40	homelessness	97
-	contaminated land	43
-	business rate collection	15
57	building safer communities	46
237	concessionary fares	243
3,882	Total 'other' government grants	4,818
Department for Works & Pensions grants for benefits		
9,854	rent rebates	10,475
9,091	rent allowances	12,783
5,999	council tax benefit subsidy	6,636
667	housing benefit administration	727
-	housing allowance	4
26	employment & support allowance	-
25,637	DWP grants for benefits	30,625

56. Reconciliation of items under 'financing and management of liquid resources' sections to the opening and closing balance sheets

Table 41: movement in financing and management of liquid resources

management of liquid resources		management of liquid resources	financing 2009/10		
short-term deposits 2008/09	(figures in £'000s)	short-term deposits 2009/10	long-term market loan	short-term temp loan	total financing
10,817	balance at 31 March	11,358			-
movement in year					
-	new loans raised	-			-
-	repayments of amounts borrowed	-		2,000	2,000
145,782	new investments made	121,289			
-145,221	investments repaid	-117,567			
-20	accrued interest	-118			
11,358	balance at 31 March	14,962	-	2,000	2,000
represented by:-					
9,258	temporary investments	6,739			
292	accrued interest	174			
1,808	call accounts	8,049			
11,358	balance at 31 March	14,962			

57. Liquid resources

Liquid resources are current asset investments that are disposable without curtailing or disrupting the Council's activities, and are either readily convertible into known amounts of cash at or close to its carrying amount, or traded in an active market.

It has been Council policy to invest only at fixed interest rates, with building societies, banks and UK government bodies on the current approved lending list. This list specifies the three main criteria the council follows with its investments:-

- the type of investment e.g term deposit, treasury bills, gilts etc;
- the minimum high credit criteria required of the financial institution the Council would lend to, e.g AAA rated;
- the maximum sum invested per institution or group.

The maximum investment period permitted under the Council's investment strategy is 3 years. See also note 30 – Credit risk.

Supplementary Financial Statements

Housing Revenue Account Income and Expenditure Account

2008/2009 £000		<i>notes</i>	2009/2010 £000	£000
income				
-17,161	dwelling rents	6	-17,615	
-403	non-dwelling rents	8	-489	
-1,380	charges for services & facilities		-1,433	
-3,160	HRA subsidy receivable (including MRA)	9	-4,083	
-	Transfer from General Fund		-135	
-215	contribution towards expenditure		-47	
-22,319	total income			-23,802
expenditure				
3,832	repairs and maintenance		2,745	
3,167	supervision and management		3,027	
1,775	special services		2,121	
9,126	negative subsidy payable to central government	9	9,222	
40	increased provision for bad or doubtful debts	11	45	
6,994	depreciation & impairment on fixed assets	12	14,930	
38	debt management costs		39	
24,972	total expenditure			32,129
2,653	net cost of HRA services per authority income and expenditure account			8,327
328	HRA services share of corporate and democratic core			254
15	HRA share of other amounts included in the whole authority net cost of services but not allocated to specific services			-
2,996	net cost of HRA services			8,581
-47	gain (-) or loss on sale of HRA fixed assets			280
-443	interest and investment income			-229
2,506	surplus(-) / deficit for the year on HRA services			8,632

Statement of Movement on the HRA Balance

2008/2009 £000		2009/2010 £000
2,506	surplus(-) / deficit for the year on HRA services	8,632
-776	net additional amount required by statute to be debited or credited (-) to the HRA balance for the year <i>(see note below)</i>	-10,665
1,730	increase (-) / decrease in the Housing Revenue Account balance	-2,033
-2,153	Housing Revenue Account surplus brought forward	-423
-423	Housing Revenue Account surplus carried forward	-2,456

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 Statement of Movement on the HRA Balance

2008/2009 £000		2009/2010 £000	£000
items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA balance for the year			
43	difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	42	
47	gain or loss (-) on sale of HRA fixed assets	-280	
144	net charges made for retirement benefits in accordance with FRS 17	215	
234			-23
items excluded from the HRA Income and Expenditure Account but included in the movement on the HRA balance for the year			
-3,223	transfer to / from (-) Major Repairs Reserve	-2,009	
-611	impairment of assets	-8,838	
2,824	capital expenditure funded by the HRA	205	
-1,010			-10,642
-776	net additional amount required to be credited (-) or debited to the HRA balance for the year		-10,665

Notes to the Housing Revenue Account (HRA)

1. Housing stock

The Council was responsible for managing an average of 5,236 dwellings during the year. 5 dwellings were sold under right-to-buy legislation, compared with 1 sale in the previous 12 months, 8 dwellings were transferred to a housing association, plus 2 houses were merged into 1. The table below summarises movements in the year.

Table 42: movement in housing stock

2008/2009			(number by type of dwellings)	2009/2010		
1 Apr	right-to-buy sales	31 Mar		1 Apr	right-to-buy sales etc	31 Mar
1,295		1,295	bungalows	1,295		1,295
1,527		1,527	flats	1,527	-1	1,526
2,391	-1	2,390	houses	2,390	-13	2,377
29		29	maisonettes	29		29
2		2	shared ownership (half)	2		2
5,244	-1	5,243	total housing stock	5,243	-14	5,229

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

Table 43: movement in HRA fixed assets

(figures in £'000s)	Balance 1 Apr 09	additions in year	disposals	revaluation	depreciation & impairment	accumulated depreciation & impairment	Balance 31 Mar 10
operational assets							
- council dwellings	279,147	4,287	-671	-41,194	-11,465	6,084	236,188
- community assets	2	-	-	-	-	-	2
non-operational assets							
- investment property	3,137	-	-	-	-17	-	3,120
- surplus assets	56	-	-	-	-	-	56
total net fixed assets	282,342	4,287	-671	-41,194	-11,482	6,084	239,366

2. Vacant possession value of dwellings

The open market vacant possession value of dwellings including land within the HRA at 31 March 2010, at 1 April 2009 prices, is £478m. This is for the 5,227 properties in **table 42**, excluding the 2 shared ownership dwellings. The value of dwellings in **table 43**, £236m is net of the social element factor (44%). The difference of £242m 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.

Table 44: major repairs reserve

2008/2009		(figures in £'000s)	2009/2010	
-		balance 1 April		-
-6,383		transferred in		-6,092
3,223		transferred out to Housing Revenue Account		2,009
3,160		financing of capital expenditure		4,083
-		balance 31 March		-

4. Capital expenditure

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

Table 45: funding HRA capital expenditure

expenditure 2008/2009	financing 2008/2009		capital schemes (figures in £'000s)	expenditure 2009/2010	financing 2009/2010	
	major repairs allow'ce	revenue funding			major repairs allow'ce	revenue funding
2,591	2,071	520	kitchen & bathroom replacement	1,173	1,173	
-	-	-	void work	788	788	
469	469	-	central heating	349	349	
468	-	468	disabled adaptations	290	85	205
291	291	-	electrical works	337	337	
-	-	-	fuel switch heating installations	109	109	
250	-	250	roofing	8	8	
290	290	-	door & window renewal	355	355	
310	-	310	safety works	166	166	
-	-	-	sustainable energy	231	231	
1,313	38	1,275	other capital works	482	482	
5,982	3,159	2,823	total capital expenditure	4,288	4,083	205

The major repairs allowance is a sum included within 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:

Table 46: HRA in year capital receipts

2008/2009	(figures in £'000s)	2009/2010
130	council house sales	399
-2	less: cost of sales	-8
7	repaid mortgage advances	8
-	discount repaid on former council house sales	7
135	total capital receipts	406
-100	less: pooled receipts paid to Government	-306
35	total usable capital receipts	100

6. Rent income

This is the total dwelling rent collectable for the year after allowances for empty property. At 31 March 2010 there were 95 vacant properties for rent, representing 1.8% of the total (on 31 March 2009 the figures were 105 and 2.0%). The rent is calculated on a 48-week basis. The average weekly rent in 2009/2010 was £71.75, an increase of £2.23 or 3.2% 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 amount of rent arrears, which include £102k in respect of former tenants, has reduced by £9k (2%) as shown below. See also note 11.

Table 47 analysis of rent arrears		
2008/2009	(figures in £'000s)	2009/2010
59	court costs	58
308	current rent arrears	290
92	former tenants arrears	102
459	gross arrears at 31 March	450

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 rent collected by the Council, resulting in a net payment to the Government.

The final subsidy claim form is not completed at the time when these accounts are prepared. The 2009/2010 subsidy is an estimate and will be adjusted in the 2010/2011 accounts when the actual is known.

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

Table 48: HRA subsidy		
2008/2009	(figures in £'000s)	2009/2010
10,231	allowance for management, maintenance & major repairs	11,625
266	charges for capital	132
-1	interest on receipts	-1
-23	prior year adjustment	-
-16,439	rent	-16,894
-5,966	net payment to Government	-5,138
reconciliation from gross payment to Government		
-9,126	gross contribution to Government	-9,222
3,160	less: Major Repairs Allowance - Government grant	4,084
-5,966	net payment to Government	-5,138

10. Pensions accounting

Under FRS 17 accounting rules, services must bear the full cost of pension liabilities. This also applies to the HRA services shown on page 58. However, charges to or from the HRA are subject to a statutory determination and no regulation allows this FRS 17 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 £279k at 31 March 2010 (£292k at 31 March 2009).

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 2009/2010.

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

The depreciation charge for operational assets is £6.081 million for dwellings, (£6.377 million in 2008/2009), plus £22k for non-operational investment properties (£6k in 2008/2009). The impairment charge is £8.827m for dwellings (£611k in 2008/2009).

13. Impairment of fixed assets

Where assets are not revalued in the financial year, the authority 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

2008/2009		<i>notes</i>	2009/2010	
£000			£000	£000
income				
-56,098	income from council tax	<i>18 + 19</i>		-57,786
	transfers from General Fund			
-5,932	- council tax benefits			-6,626
-20,692	- income collectable from business ratepayers	<i>20</i>		-21,469
-82,722	total income			-85,881
expenditure				
	precepts and demands			
44,048	- Gloucestershire County Council		45,518	
8,010	- Gloucestershire Police Authority		8,284	
7,533	- Stroud District Council	7,833		
2,210	- parish and town councils	2,260		
			10,093	
61,801				63,895
	business rates			
20,532	- payment to national pool		21,309	
159	- cost of collection		160	
20,691				21,469
	bad and doubtful debts / appeals			
50	- provision for bad debts	<i>21</i>		-
	transfers to the General Fund			
3	- transitional relief (council tax)			5
	contributions towards previous year's estimated surplus			
-271	- council tax			390
82,274	total expenditure			85,759
movement on fund balance				
189	balance at beginning of the year			-259
-448	deficit / surplus (-) for the year			-122
-259	balance at end of the year			-381

Notes to the Collection Fund

16. General

This account reflects the statutory requirements for billing authorities to maintain a separate Collection Fund. It shows the transactions of the billing authority, i.e. Stroud District Council, in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with the other accounts of the Council. The balance on the fund at the end of year represents a debtor/creditor for the major precepting authorities as their share of re-distribution of any surplus or deficit.

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 2009/2010 was calculated as follows: -

Table 49: council tax base

band	estimated number of taxable properties after effect of discounts	ratio	band D equivalent dwellings
DIS A	18.25	5/9	10.14
A	5,703.30	6/9	3,802.20
B	10,080.90	7/9	7,840.70
C	10,075.85	8/9	8,956.31
D	6,818.20	9/9	6,818.20
E	5,560.65	11/9	6,796.35
F	3,366.25	13/9	4,862.36
G	2,309.25	15/9	3,848.75
H	208.85	18/9	417.70
	44,140.50		43,352.71
<u>less:</u>	adjustment for collection rate (1.5%)		-650.29
council tax base			42,702.42

18. Council tax income

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

Table 50: income from council tax

		£'000	£'000
total council tax base (see note 17)	42,702.42		
multiplied by average band D tax rate (see note 19)	x £1,496.29		
total property income			-63,895
<i>less:</i> council tax benefits		6,626	
<i>add:</i> transitional relief		-5	
<i>add:</i> other adjustments		-512	
			6,109
income from council tax			-57,786

19. Council tax rates

Table 51 : council tax rates by precepting body and band

precepting body	band								
	disr A £	A £	B £	C £	D £	E £	F £	G £	H £
district council	101.91	122.29	142.68	163.06	183.44	224.20	264.97	305.73	366.88
county council	592.19	710.63	829.06	947.50	1,065.94	1,302.82	1,539.69	1,776.57	2,131.88
police authority	107.77	129.33	150.88	172.44	193.99	237.10	280.21	323.32	387.98
average parish	29.40	35.28	41.16	47.04	52.92	64.68	76.44	88.20	105.84
total	831.27	997.53	1,163.77	1,330.04	1,496.29	1,828.81	2,161.31	2,493.82	2,992.58
banding proportion	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9

(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 £25.3m, based on the total non-domestic rateable value of £53.6m at 31 March 2009 multiplied by the national non-domestic multiplier for the year of 48.5p. The actual amount collected was £21.5m 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 2009/2010 amounting to £nil (2008/2009 £50k). This was calculated using CIPFA Guidelines. The total amount of the provision at 31 March 2010 is £357k and represents 29% of the £1.23m debt outstanding, compared with £360k, 29% and £1.256m at 31 March 2009.

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 principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are reflected in its financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves;
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 <i>revenue</i> 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 a <i>deferred charge</i> , long-term debtor or <i>intangible asset</i> ;
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 <i>capital expenditure</i> ;
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 Authority 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 authority. These provide the infrastructure that allows services to be provided, whether by the authority 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: <ul style="list-style-type: none"> 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 authority, 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 <i>budget</i> ; and is a forecast of income and expenditure for the year
forecast	an <i>estimate</i> of income and expenditure in a financial year;
FRS 17	Financial Reporting Standard 17 <i>Retirement Benefits</i> is the accounting requirement that local authorities must fully recognise in the publication of their statement of accounts;
General Fund	the account that records and finances Council <i>revenue</i> expenditure, other than <i>HRA</i> ;
Housing Revenue Account (HRA)	a separate statutory account dealing with the <i>revenue</i> 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 authority 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 authority 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;
LASAAC	Local Authority (Scotland) Accounts Advisory Committee;
major repairs allowance	a cash payment received by the <i>HRA</i> as part of housing subsidy for the upkeep of fixed assets such as rented dwellings;
medium term financial plan (MFTP)	the Council's rolling 5-year estimate of all effects on the <i>General Fund</i> , including inflation, government grants, service changes, base rate changes and the <i>tax base</i> ;
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 <i>actual</i> expenditure is more than the <i>budget</i> ;
precept	a levy made by the police authority, county council, district council or parish/ town councils on the <i>Collection Fund</i> to provide the required income from council taxpayers and business ratepayers on their behalf;
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;
revenue	this word is used in two different contexts, 1) sources of income, and 2) expenditure that is not of a <i>capital</i> 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 <i>revenue</i> expenditure and not for specific services;
right-to-buy (RTB)	legislation allows tenants of local authority dwellings to buy their property, at a discount, after a qualifying period as local authority tenants. The net income from the sale is a <i>capital receipt</i> ;
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: <ul style="list-style-type: none"> 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.

SORP	Statement Of Recommended Practice in accounting, sometimes called a Code of Practice. Practices in these accounts have been developed by the <i>CIPFA / LASAAC</i> Joint Committee in accordance with the Accounting Standards Board's (ASB) code of practice;
SSAP 9 (Statements of Standard Accounting Practice)	the accounting standard relating to stocks, SSAP 9, states that the value at which stocks should be included in financial statements is the lower of cost and net realisable value. However, SSAP 9 was written in the context of the production of finished goods for sale and much of its detailed content is irrelevant to local authorities;
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 authority it may phase in the changes using transitional arrangements, often on a sliding scale over a few years:
underspend	where <i>actual</i> expenditure is less than the <i>budget</i> .

ANNUAL GOVERNANCE STATEMENT 2009/10

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(2) of the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of an Annual Governance Statement.

2.0 The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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 2010, and up to the date of approval of the Statement of Accounts.

3.0 The governance framework

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

3.2 The Council has adopted a Local Code of 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'

This vision is underpinned by three guiding principles. These are to:-

1. Ensure a strong, healthy and just society
2. Respect the environment
3. Promote good governance

4.2 The Council has a Corporate Delivery Plan which is based on the outcomes that the residents of Stroud have stated are important. Each year the Council reviews progress in delivering the Plan and every March a new version is published. The Council's Corporate Delivery Plan 2009-2013, was adopted in March 2009. The Plan sets out the focus for the four year period of the Plan and is based on five broad areas:-

- Reducing climate change, secure and affordable energy and a resilient community
- Sending as little waste to landfill as possible, including recycling more
- Creating public spaces and buildings, which are perceived to be cared for, clean, green and safe
- Providing more affordable homes
- Helping local people to find local solutions to long-term local problems

4.3 The Executive Board and Strategic Team monitor progress of the CDP on a monthly basis. Each priority has a lead officer, Head of Service, Strategic Team and Scrutiny and Cabinet Member responsible for delivery. The Council uses interactive software to update the CDP quarterly. A copy of the current Corporate Plan can be found on the Council's website www.stroud.gov.uk.

4.4 The Council publishes an Annual Report, the latest version being the 2008/09 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 Council, Cabinet, individual Cabinet Members, Committees, and, officers.
- 5.4 Under the Local Authorities (Members Allowances) (England) Regulations 2003, local authorities are required to have in place a scheme which sets out payments of allowances to councillors. The 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. A full review of the allowances scheme was carried out by the independent remuneration panel in January 2009.

6.0 Promote values for the authority and demonstrate the values of good governance through the upholding of high standards of conduct and behaviour.

- 6.1 The Council has adopted codes of conduct for Members and Officers. The code of conduct for Members is in accordance with the National Code of Local Government Conduct. 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. There has recently been consultation by the government on the introduction of a new national Code of Conduct for Local Government officers.

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 Council's 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 agreed by Cabinet in March 2010. 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 established an Audit Committee. The Terms of Reference for the Audit Committee cover the core functions of an audit committee as identified in the CIPFA guidance ‘Audit Committees – Practical Guidance for Local Authorities’.
- 7.7 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 now report directly to the Chief Executive who as Head of Paid Service is the other statutory officer whom the Council is required to appoint.
- 7.8 The Council has an internal complaints procedure that enables dissatisfied members of the public to raise concerns with officers at management level, including the Chief Executive.
- 7.9 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.

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

- 8.2 Access to Member Development is a key element of the Local Code of Governance. The Council has a cross-party Members' Training and Development Working Group, however, this Group does not have any formal written terms of reference. 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.

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 (Cabinet), its Overview, Scrutiny and Regulatory functions, coupled with delegation arrangement and various protocols, is the Council's Constitution. The District Council Constitution was adopted in 2001 and has since been reviewed on a regular basis, in particular the Constitution was the subject of substantial review in 2007. 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 recommendation to the Council. Additionally, the Monitoring Officer is empowered to make minor changes at any time.
- 11.3 In February 2010, following a recommendation from the Council's Audit Committee, the Council approved a revised Local Code of Governance. The revised Code replaced the previous Code that had been in place since August 2002, and is based on the latest guidance produced by CIPFA/SOLACE entitled Delivering Good Governance in Local Government.

12.0 The Cabinet

- 12.1 The Council determines the policy framework. The principal decision-making body is the Cabinet (Executive). The Council had in place, during 2009-10, two overview and scrutiny committees which supported the work of the Cabinet i.e. Strategic Overview & Scrutiny Committee, and Performance Overview & Scrutiny Committee.
- 12.2 All 'executive' decisions taken by Cabinet, individual Cabinet Members and Officers are circulated to all councillors and may be subject to a call-in process for examination by the relevant Scrutiny Committee.

13.0 The Audit Committee

- 13.1 Good corporate governance requires independent, effective assurance about both the adequacy of corporate, operational and financial management and reporting, and the management of other processes required to achieve the organisation's corporate and service objectives. Effective audit committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors.
- 13.2 The Terms of Reference for the Audit Committee were reviewed as part of the review of the Constitution, and they now cover the core functions of an audit committee as identified in the CIPFA guidance 'Audit Committees – Practical Guidance for Local Authorities'.
- 13.3 During the 2009/10 financial year, and as a result of a previous internal audit report, the Audit Committee requested that a further audit of Members claims be carried out. The remit of the audit included the checking of all claims made by every Councillor for the 2008/09 Civic Year, and included all claims and payments made by the Civic Office on behalf of Councillors.
- 13.4 The audit identified that the majority of payments made were in accordance with the Scheme, however, a number of incorrect or invalid claims had been identified. The value of the overpayments identified as a result of the

invalid/incorrect claims totalled £1,347.24 from a budget of over £400,000. Individual overpayments ranged from 25p to £231.34.

- 13.5 As a result of the Internal Audit report, the Head of Communications proposed changes to the administrative arrangements of the Members Allowances scheme that were approved by Council in July 2010 with the benefit of the Independent Remuneration Panel's recommendations.
- 13.6 In accordance with best practice, and to help demonstrate the effectiveness of the Audit Committee, it is proposed to carry out a review using guidance produced by the CIPFA Better Governance Forum. The review is currently timetabled to be completed and reported in January 2011.

14.0 The Standards Committee

- 14.1 The Standards Committee consists of 8 members, including 4 independent Members and 2 representatives of the Stroud Parish Councils. Both the Chair and Vice Chair of the Committee are independents. 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.

15.0 Internal Audit

- 15.1 Internal Audit operates under the Accounts and Audit (Amendment) (England) Regulations 2006, which require the maintenance of an adequate and effective system of internal audit of accounting records and control systems. The Regulations also require the Authority to review the effectiveness of their system of internal audit once a year, and that the findings of this review should be included in the Annual Governance Statement.
- 15.2 The review 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. In accordance with guidance issued by the IPF Financial Advisory Network, the results were reported to the Council's Audit Committee in June 2010. The overall conclusion from the review was that the system of 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 Internal Audit work is carried out to the standards outlined in the CIPFA 'Code of Practice for Internal Audit in Local Government in the United Kingdom 2006' (the Code). The Code requires 'the Head of Internal Audit to provide a written report to those charged with governance timed to support the Annual Governance Statement'. The 2009-10 report by the Internal Audit manager concludes:-

'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.'

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 2009, the Council's External Auditor produced the Annual Governance Report relating to the 2008/09 audit. In relation to 'audit matters of governance interest that arise from the audit of the financial statements' the report concluded that 'there were no matters which we wish to draw to your attention.'
- 16.3 Risk management is the process by which risks are identified, evaluated and controlled and is a key element of the governance framework. In July 2009, an independent review of the Council's strategic risk management arrangements was carried out by Marsh, the Council's risk and insurance advisers. The results of the review were that, in terms of the Marsh risk management maturity model, the Council had moved beyond "basic compliance" and could be regarded as "striving". However, a number of areas were identified where the Council's position needed to be consolidated in order to provide an effective foundation for delivering excellence. A number of recommendations were made as a result of the review, one of which was to re-fresh and re-launch the Council's risk management policy and strategy. A revised RM Strategy was approved by Cabinet in March 2010.
- 16.4 In relation to performance management, the Audit Commission's Organisational Assessment for Stroud District Council, published in December 2009, commented that:-
- The Council is open and honest about its achievements and the areas that it has to improve but its arrangements for monitoring how it is doing are not yet fully functioning.
 - Performance and budget monitoring are not working effectively in all parts of the Council
 - Reporting of performance to councillors is still patchy
- 16.5 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 Significant governance issues

- 17.1 The Audit Commission's Organisational Assessment for SDC, published in December 2009, awarded a rating of 3 out of 4 for managing performance. Officers are currently working with Cabinet and Scrutiny Members to address

the issues identified in 16.4. The interim report from KPMG states that the Council 'has demonstrated a number of strong outcomes and is performing well in many areas notably managing performance'.

- 17.2 Following a review of the Council's risk management arrangements, a revised Risk Management Strategy was approved by Cabinet in March 2010. Officers are now working towards fully implementing the strategy to ensure that risk management becomes fully embedded within the organisation.
- 17.3 Considerable progress has been made with the Housing Improvement Plan produced in the year in response to the over spend on the Housing Revenue Account in 2008/09. The plan incorporates all the recommendations made by the Council's auditors KPMG LLP, the Audit Commission and Tribal Consulting who undertook reviews commissioned by the Chief Executive. The outturn position on the HRA for 2009/10, is an under spend of £1.4m. This is a combination of slippage, savings and under spending but clearly, further work is needed to improve budgetary control particularly on capital spending.
- 17.4 An internal inquiry is currently taking place by the Head of Finance and the Internal Audit Manager which will seek to identify the control weaknesses and make recommendations to address them. From the work undertaken so far, some assurance can be given that further improvements have been made however, with the amount of change currently being experienced in the Housing Services Team, it should be recognised that more time is needed for the changes to be fully effective. The findings will be reported in October and any recommendations will be incorporated into the Housing Improvement Plan.
- 17.5 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Frances Roden
Leader of the Council

Date:

David Hagg
Chief Executive

Date: