Contents

Explanatory Foreword

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

The pages that follow are the Council's final accounts for 2010/11, incorporating the changes required by the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 'Code'), and is the first to be based on International Financial Reporting Standards (IFRS). It includes:

Statement of responsibilities for the statement of accounts

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

The accounting statements

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

- **Movement in reserves statement** – shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' and 'unusable reserves'. This statement includes the 'Surplus on the Provision of Services', which is detailed in the Comprehensive income and expenditure statement (CI&E), and for 2010-11 is £17.2m.
- **Comprehensive income and expenditure statement** (CI&E) – shows the accounting cost in the year of providing services in accordance with generally accepted accounting practice;
- **Balance sheet** – shows the assets and liabilities of the Council. The total Net Worth at 31 March 2011 is £266m.
- **Cash flow statement** – shows the changes in cash and cash equivalents of the authority during the reporting period.

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

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

- Housing revenue account (HRA) income and expenditure account - income and expenditure on HRA services included in the whole authority CI&E account;
- Collection fund – reflects the statutory requirement for billing authorities to maintain a separate collection fund, which shows the transactions of the billing 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.

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

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

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

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

The Head of Finance has also:

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

The Head of Finance should sign and date the Statement of Accounts, stating that it presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2011. This statement is made on page 7.

Signed: Date:

10th September 2011

S D Cowley CPFA

Head of Finance

Summary of the Financial Year 2010/2011

1. There were two issues that arose during the financial year that impacted on the Council's accounts for 2010-11 and beyond. These are as follows:-

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

(b) The administration of concessionary fares transferred to the County Council on 1 April 2011, as determined nationally by government. As a result, this service heading is shown as a 'transferred service' in the Comprehensive Income and Expenditure Account on page 10. No other material assets were acquired or liabilities incurred.

2. General Fund

The Council spent a net total of £14.4m on General Fund revenue services in 2010/2011. Allowing for interest received, movements to and from reserves and other items, the amount to be funded was £13.7m, resulting in an increase in balances of £1,564k compared with the original forecast of an increase in balances of £190k. ***Table 1*** summarises the differences between forecast expenditure and the actual outturn. Further details can be found on pages 8 to10 of these accounts.

Table 1 : General Fund expenditure against original budget 2010/11

(figures in £'000)	original	actual	difference
main services			
central services to the public	1,543	1,356	187
corporate & democratic core	1,494	1,423	71
cultural & related services	2,710	2,908	-198
environmental & regulatory services	5,133	5,045	88
general fund housing	996	866	130
highways & transport	574	651	-77
non distributed costs & recharged services	304	129	175
planning & development services	1,885	1,987	-102
net budgeted underspending	-100	-	-100
net cost of general fund services	14,539	14,365	174
corporate income & expenditure	48	-524	572
external interest	-390	-717	327
interest payable & similar charges	210	198	12
appropriations	615	367	248
total to be funded	15,022	13,689	1,333
financed by:			
council tax	-8,028	-8,028	-
revenue support grant	-911	-911	-
other non-service government grants	-	-41	41
non domestic rate income	-6,273	-6,273	-
	-15,212	-15,253	41
transfer to (-) from balances	-190	-1,564	1,374
amounts carried forward	-	311	-311
net budget difference	-190	-1,253	-1,063

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. In addition, the Council continues to be pro-active in managing efficiency savings and budget savings in line with economic conditions generally and cuts in fomula and other grants from government.

The most significant individual change between the original budget and actual net expenditure in the year was a saving in staffing costs of £469k due to the non-filling of a number of posts that became vacant during the year. Other changes included budgets of £369k brought forward from 2009/2010, savings from refuse and recycling £81k, housing and council tax benefit subsidy £221k, and additional investment interest income of £230k. The net result is a transfer to balances of £1,564k which is a difference of £1,374k compared with the original budget. Items totalling £311k due to be spent in 2010/2011 have been carried forward to be spent in 2011/2012, resulting in a net saving against the original budget of £1,063k.

General Fund balances stood at £4.379m at 31 March 2011 compared with £2.202m expected when the budget was set in February 2010. The £2.177m difference comprises the higher balances carried forward from 2009/2010 as well as the 2010/2011 net position.

A precept of £10.379m was levied on the Collection Fund (page 66), including a sum of £2.351m which was collected on behalf of and paid to town and parish councils, leaving £8.028m for use by this Council.

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

3. Housing Revenue Account (HRA)

The Council is the district's major provider of rental accommodation, with a stock of 5,216 dwellings at 31 March 2011. Further details of the stock movement are in note 1 on page 62.

Table 2: Housing Revenue Account outturn

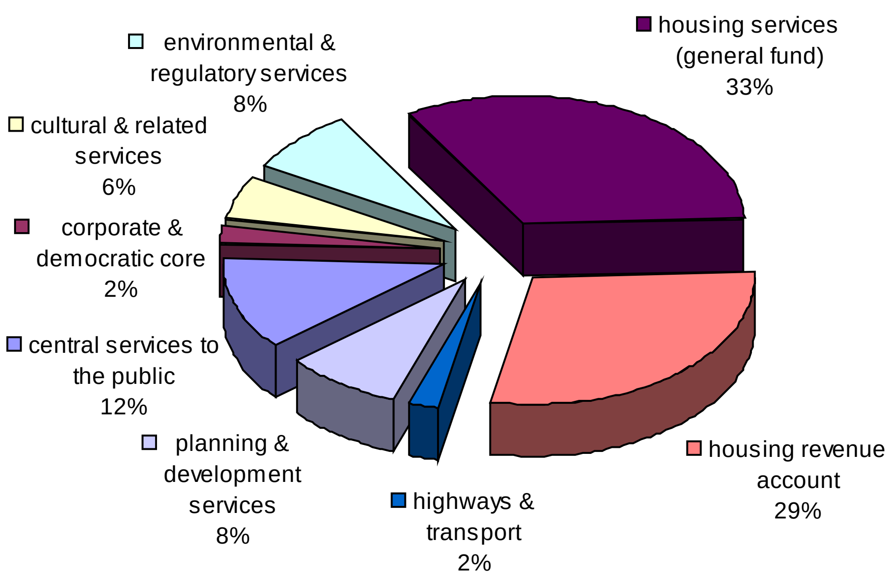
(figures in £000)	original budget	revised budget	actual	difference (from revised)
service expenditure	18,664	18,534	18,201	-333
other operating costs	4,230	5,059	5,141	82
total expenditure	22,894	23,593	23,342	-251
financed by:				
rents & other items	-20,033	-19,996	-19,975	21
government subsidy	-2,654	-2,654	-2,654	-
other transactions	-207	-119	-195	-76
transfer to (-) / from balances	-	824	518	-306

The 2010/2011 HRA outturn compared with budgets is summarised above. The reduction of £306k 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 2011/12 to be spent on high priority projects of both a revenue and capital nature.

What services the revenue expenditure was spent on

The Comprehensive Income and Expenditure Statement on page 10 details the net cost of services, with gross expenditure excluding revaluation write backs and pension credits of £81.6m. The major services are shown in ***Chart 1***.

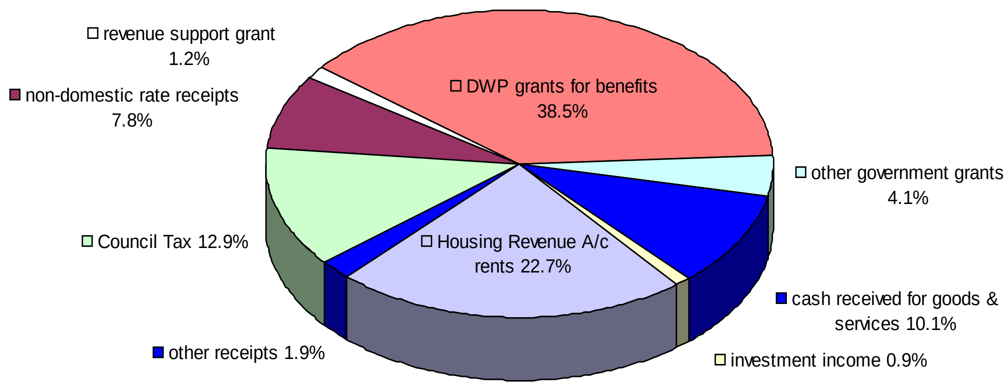
Chart 1: gross expenditure by service 2010/2011



4. Where the money came from

Chart 2 below shows the sources of the Council's revenue income, taken from the Comprehensive Income and Expenditure Statement on page 10, the gross income being adjusted for non-cash items to generate a total of £80.7**Error! Not a valid link.**m. 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 2010/2011



5. Capital expenditure

The Council spent £10.47m on capital schemes (£6.9m in 2009/2010) compared with a latest approved budget of £14.51m, a net spend of 72%. On 21 July 2011 Cabinet approved the carry forward of £4.09m to 2011/2012, as detailed below.

Table 3: capital slippage to 2011/12	
	£'000
canal	3,264
social housing grants	473
fuel poverty	25
Dursley all-weather pitch / joint use sports facility	100
energy efficiency – invest to save	69
flood alleviation	20
cardboard banks	25
home energy loans - pay as you save	72
Nailsworth bus station – health & safety	11
financial systems	23
thin client	8
total slippage from 2010/11 to 2011/12	**4,090**

£6.1m (58%) of the expenditure related to housing schemes within the Housing Revenue Account and the General Fund, and £3.1m (29%) on the Canal scheme. The remaining £1.3m (13%) was spent on schemes including Home Energy Loans, Dursley town centre paving, contaminated land, improving access to Council services, playbuilder schemes, upgraded computer systems and building maintenance. Further details of capital expenditure are given on pages 32 and 49.

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

In 2010/11 £3.055m was spent on the project of which £1.178m was funded by HLF, £1.392m by the Council and £0.490m funded by other external bodies. The following progress was made during the year:

- A new bridge at Upper Mills in Stonehouse has been opened;
- Ryeford Double Lock has been refurbished;
- 2.1km of canal between Stonehouse Ocean and Ryeford has been dredged;
- 2km of towpath has been widened giving access for buggies, wheelchairs and bikes;
- 300m of canal channel between Ryeford Double Lock and Oilmills has been opened;
- Various plots of land have been acquired along the canal corridor needed to complete the restoration;
- Considerable design work has been completed in preparation for further works during 2011/12;
- A number of volunteers have completed the restoration of Gough's Orchard Lock;

6. Capital resources

A mixture of external and internal sources financed this capital expenditure. External funding includes Government grants and external contributions. Internal sums from the Council's own resources included rent from Council dwellings, sales of assets and the use of reserves. Details of capital funding are in Note 38.

During the year, the sale of the Rackfield car park to Sainsbury's for £1.9m was completed as part of the development scheme in Dursley. In addition, 13 council houses were sold in the year for a total of £1.2m.

7. Borrowing

The Council did not have any long term loan debt during the year, although the future self-financing arrangements surrounding Council dwellings which come into effect on 1 April 2012 may mean taking up long term debt in the near future.

8. Council Tax Collection Fund

The Collection Fund accounts are included in these statements, starting on page 66. 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 13, and in the presentation of these accounts, as required by the 'Code' (see page 1), due to the introduction of International Financial Reporting Standards (IFRS).

10. Pensions liability

These accounts include the full financial impact of pensions accounting requirements ("IAS19"). This includes adjustments made to service costs in the Comprehensive Income and Expenditure Statement on page 10 and the inclusion of the pensions liability on the Balance Sheet on page 11. Further explanatory details are now consolidated in Note 41. The total net pension liability has decreased to £26.8m at 31 March 2011 compared with £53.4m a year earlier, due to a reduction in the present value of liabilities in the fund.

11. Corporate governance

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

A key element in effective corporate governance is the maintenance of a sound system of internal control. Further information is contained within the Annual Governance Statement on pages 71 to 78.

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 2011.

Signed: Date:

10th September 2011

S D Cowley CPFA

Head of Finance

Movement in Reserves Statement

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

Movement in Reserves Statement 2010-11

	Notes	(a) General Fund Balance £000	(b) Earmarked GF Reserves £000	(c) Housing Revenue Account £000	(d) Capital Receipts Reserve £000	(e) Capital Grants Unapplied £000	(f) **Total Usable Reserves** £000	(g) Unusable Reserves £000	(h) **Total Authority Reserves** £000
Balance at 31 March 2010		2,815	5,692	2,456	1,769	98	12,830	216,782	229,612
Surplus or (deficit) on provision of services (accounting basis)		8,438		8,759			**17,197**		**17,197**
Other Comprehensive Income & Expenditure							-	19,679	**19,679**
Total Comprehensive Income & Expenditure		**8,438**	**-**	**8,759**	**-**	**-**	**17,197**	**19,679**	**36,876**
Adjustments between accounting basis & funding basis under regulations	*9*	(6,776)		(9,277)	132	469	**(15,452)**	15,452	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves		**1,662**	**-**	**(518)**	**132**	**469**	**1,745**	**35,131**	**36,876**
Transfers to / (from) Earmarked Reserves	*10*	(98)	98		-		-		-
Increase / (Decrease) in Year		**1,564**	**98**	**(518)**	**132**	**469**	**1,745**	**35,131**	**36,876**
Balance at 31 March 2011		**4,379**	**5,790**	**1,938**	**1,901**	**567**	**14,575**	**251,913**	**266,488**

Movement in Reserves Statement 2009-10

	Notes	**(a)** General Fund Balance **£000**	**(b)** Earmarked GF Reserves **£000**	**(c)** Housing Revenue Account **£000**	**(d)** Capital Receipts Reserve **£000**	**(e)** Capital Grants Unapplied **£000**	**(f)** **Total Usable Reserves** **£000**	**(g)** Unusable Reserves **£000**	**(h)** **Total Authority Reserves** **£000**
Balance at 31 March 2009		**2,049**	**5,343**	**423**	**2,482**	**56**	**10,353**	**281,884**	**292,237**
Surplus or (deficit) on provision of services (accounting basis)		(854)		(8,327)			**(9,181)**		**(9,181)**
Other Comprehensive Expenditure & Income		-					-	(51,902)	**(51,902)**
Total Comprehensive Expenditure & Income		**(854)**	**-**	**(8,327)**	**-**	**-**	**(9,181)**	**(51,902)**	**(61,083)**
Adjustments between accounting basis & funding basis under regulations	*9*	1,899		10,360	(713)	42	**11,588**	(13,130)	**(1,542)**
Net Increase / (Decrease) before Transfers to Earmarked Reserves		**1,045**	**-**	**2,033**	(713)	**42**	**2,407**	**(65,032)**	**(62,625)**
Transfers to / (from) Earmarked Reserves	*10*	(279)	349	-	-		**70**	(70)	-
Increase / (Decrease) in Year		**766**	**349**	**2,033**	**(713)**	**42**	**2,477**	**(65,102)**	**(62,625)**
Balance at 31 March 2010		**2,815**	**5,692**	**2,456**	**1,769**	**98**	**12,830**	**216,782**	**229,612**

Comprehensive Income and Expenditure Statement

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

Comprehensive Income and Expenditure Statement

2009/2010 gross expenditure	2009/2010 gross income	2009/2010 net expenditure	figures in £'000s	*note*	2010/2011 gross expenditure	2010/2011 gross income	2010/2011 net expenditure
			Continuing Operations				
			Expenditure on Council Services				
9,036	-7,756	1,280	central services to the public		9,580	-8,229	1,351
1,737	-277	1,460	corporate & democratic core		1,708	-286	1,422
3,892	-1,184	2,708	cultural & related services		4,590	-1,460	3,130
6,205	-1,384	4,821	environmental & regulatory services		6,653	-1,713	4,940
584	-635	-51	highways & transport		912	-1,113	-201
32,155	-23,834	8,321	housing revenue account		13,901	-22,660	-8,759
25,971	-23,938	2,033	housing general fund		26,930	-24,695	2,235
4,127	-1,888	2,239	planning & development services		6,963	-1,846	5,117
8	-71	-63	non distributed costs		-8,989	-	-8,989
83,715	-60,967	22,748	**Total Continuing Operations excluding operations transferred to Gloucestershire County Council**	*31*	62,248	-62,002	246
			Services transferred to Gloucestershire County Council				
834	-255	579	highways & transport		924	-251	673
84,549	-61,222	23,327	**Surplus (-) / Deficit on Operations**		63,172	-62,253	919
3,248	-399	2,849	**Other Operating Expenditure**	*11*	3,342	-2,362	980
2,499	-683	1,816	**Financing & Investment Income & Expenditure**	*12*	2,637	-818	1,819
	-18,811	-18,811	**Taxation & Non-Specific Grant Income**	*13*		-20,915	-20,915
		9,181	**Surplus (-) / Deficit on Provision of Services**				**-17,197**
		27,949	Surplus(-) / Deficit on revaluation of Property, Plant & Equipment assets	*26*			-536
		24,003	Actuarial gains(-) / losses on pension assets / liabilities	*41*			-19,143
		-50	Other gains(-) / losses				
		51,902	**Other Comprehensive Income & Expenditure**				**-19,679**
		61,083	**Total Comprehensive Income & Expenditure**				**-36,876**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories:-
- the first category of reserves is usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitation on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt):
-the second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Balance Sheet

01 April 2009 £000	31 March 2010 £000		Notes	31 March 2011 £000
303,190	265,225	Property, Plant & Equipment	14	274,563
5,340	5,325	Investment Property	15	4,618
261	267	Intangible Assets	16	271
6,253	2,106	Long Tem Investments	18	-
34	27	Long Term Debtors	18	396
315,078	**272,950**	**Long Term Assets**		**279,848**
6,250	6,913	Short Term Investments	18	782
330	330	Assets Held for Sale	22	152
38	29	Inventories	19	4
3,531	3,697	Short Term Debtors	20	4,935
5,108	8,049	Cash and Cash Equivalents	21	16,860
15,257	**19,018**	**Current Assets**		**22,733**
-234	-266	Bank Overdraft	21	-1,059
-2,000	-	Short Term Borrowing		-800
-7,539	-8,628	Short Term Creditors	23	-7,007
-9,773	**-8,894**	**Current Liabilities**		**-8,866**
-	-	Long Term Creditors	23	-358
-3	-	Provisions	24	-
-28,279	-53,450	Other Long Term Liabilities	41, p54	-26,869
-43	-12	Capital Grants Receipts in Advance	36	-
-28,325	**-53,462**	**Long Term Liabilities**		**-27,227**
292,237	**229,612**	**Net Assets**		**266,488**
10,353	12,830	Usable Reserves	25	14,575
281,884	216,782	Unusable Reserves	26	251,913
292,237	**229,612**	**Total Reserves**		**266,488**

Cash Flow Statement

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

Cash Flow Statement

31 March 2010 £000		Notes	31 March 2011 £000
9,181	Net (surplus) or deficit on the provision of services		-17,197
-8,654	Adjust net surplus or deficit on the provision of services for non cash movements	27	17,656
399	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		3,152
926	Net cash flows from Operating Activities		3,611
-4,120	Investing Activities	28	-10,829
285	Financing Activities	29	-800
-2,909	**Net (increase) or decrease in cash and cash equivalents**		**-8,018**
4,874	Net cash and cash equivalents at the beginning of the reporting period		7,783
7,783	Net cash and cash equivalents at the end of the reporting period	21	15,801
2,909			**8,018**

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

(a) General Principles

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

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

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

(b) Accruals of Income and Expenditure

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

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

(c) Acquisition and Discontinued Operations

Acquired operations

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

Discontinued operations

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

(d) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

(e) Exceptional Items

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

(f) Prior Period Adjustments, Changes in Accounting Polices and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

(g) Charges to Revenue for Non-Current Assets

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

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

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

(h) Employee Benefits

Benefits payable during employment

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

Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of decisions by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or the pensioner in the year, not the amount calculated according to the relevant accounting standards.

(i) Post Employment Benefits

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

The Local Government Pension Scheme

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

- The liabilities of the Gloucestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the gross redemption yield on the Iboxx Sterling Corporate Index, AA over 15 years, at the IAS19 valuation date, subject to the removal of recently re-rated bonds from the index. This is a high quality corporate bond of equivalent term and currency to the liability).
- The assets of the Gloucestershire County Council pension fund attributable to the Authority are included in the balance sheet at their fair value:
    - Quoted securities – current bid price.
    - Unquoted securities – professional estimate.
    - Unitised securities – current bid price.
    - Property – market value.
- The change in the net pensions liability is analysed into seven components:
    - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
    - Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
    - Gains/losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of

Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- Contributions paid to the Gloucestershire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

(j) Events After the Balance Sheet Date

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

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

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

(k) Financial Instruments

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial assets are classified into two types:

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

Loans and receivables

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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 the section on Provisions, Contingent Liabilities and Contingent Assets.

(l) Foreign Currency Translation

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

(m) Government Grants and Contributions

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

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits, or service potential embodied in the asset acquired using grant, or contribution are required to be consumed by the recipient as specified, or future economic benefits, or service potential, must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and all capital grants) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

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

(n) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the authority.

Internally generated assets are capitalised when it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resource available) and the authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

(o) Interests in Companies and Other Entities

The Authority 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.

(p) Inventories and Long Term Contracts

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

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

(q) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services, or production of goods, or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve. Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line and result in a gain for the General Fund Balance.

(r) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and building elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance leases

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability.

- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the polices applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating leases

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

The Authority as Lessor

Finance leases

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

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received).

- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating leases

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

(s) 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 2010 (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 impairment losses chargeable on Assets Held for Sale.

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

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).

(t) Property, Plant and Equipment

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

The authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used an estimate of fair value.

Where there are non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at year-end, but as a minimum, every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight-line allocation of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- Infrastructure – straight-line allocation up to 30 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement.

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

(u) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and certainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

(v) Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

(w) Revenue Expenditure Funded from Capital Under Statute

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

(x) Value Added Tax

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

2. Accounting Standards Issued, not Adopted

Financial Reporting Standard (FRS 30) on Heritage Assets has been issued, but not yet adopted by the Code. FRS 30 will be adopted as part of the 2011-12 Statement of Accounts.

The Council operates the 'Museum in the Park' in Stroud, and many of the artefacts included in the museum will be affected by the adoption of FRS 30, as they will come under the new definition of 'Heritage Assets'. For insurance purposes the Council has an insurance value of just over £1m for the assets contained within the collection. Under FRS 30, these assets require a formal valuation. The assets have not previously been classified as Community Assets, as many artefacts have no formal value at all and the Council is custodian of these assets but does not own them. It is not expected, therefore, that there will be an increase in the value of assets recorded on the Balance Sheet under Non-Current Assets. If there were an increase, it would have a matching credit in the Capital Adjustment Account.
Full disclosure notes for any adjustments resulting from the adoption of FRS 30 will be included in the 2011-12 Statement of Accounts.

3. **Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Authority has £3m deposited with Glitnir Bank, Iceland which, together with accrued interest is overdue repayment. The matter is currently being processed through the Icelandic courts. This issue is being dealt with nationally by the Local Government Association who consider that prospects for recovery are good. The Authority, however, has had to impair these deposits in 2009/10 and has used a capitalisation direction to spread the costs in accordance with accounting practice. As a consequence, a prudent approach has been adopted in 2010/11 to not follow the accounting treatment recommended by LAAP Bulletin 82 Update 4 released by CIPFA in May 2011. Contrary to the accounting treatment recommended in the bulletin, a prudent approach dictates that no revaluation of the financial instrument will take place until a final settlement has been determined and received.

- The canal project continues in earnest, and significant sums of money will be managed by the Authority 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 Authority 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.

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

4. **Assumptions made about the Future and other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

As well as the items described in Note 3, the items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	**Uncertainties**	**Effect if Actual Results Differ from Assumptions**
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Hymans Robertson LLP, is engaged to provide the authority with expert advice about the assumptions to	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £6.795m. However, the assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pensions liability had decreased by £7.849m as a result of estimates being corrected as a

	be applied.	result of experience and decreased by £11.243m attributable to updating of assumptions.
Glitnir	The priority status of the Council's investments with Icelandic banks is being contested in Icelandic courts. Currently the investments have been deemed to have priority status, but this is subject to further appeal. A prudent approach has been adopted to retain the protection of a capitalisation direction granted and applied in 2009/10.	If the appeal against priority status is unsuccessful then it is likely that the capitalised loss of £2.25m could be reversed. The carrying amount of Glitnir investments are currently £782k and shown in Short Term Investments on the balance sheet.

5. Material Items of Income and Expense

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

- Disposal of the Rackfield Car Park in Dursley to Sainsbury's for £1.9m as part of the new superstore development.
- Changes to the pension fund liabilities as a result of the change from RPI to CPI for future pension increases, and actuarial gains from a revaluation of the fund (see Note 41).
- Over £3m was spent on the canal regeneration scheme (see page 3, summary of Financial Year).

6. Events after the Balance Sheet Date

On 1 April 2011 Icelandic Courts found in favour of reinstating priority creditor status to local authority depositors with Glitnir bank. However, this is subject to further appeal in the Icelandic Courts later in 2011.

7. Exceptional Items

Exceptional items are ones not expected to occur frequently. They can for example include items such as large-scale redundancies, emergency expenditure and costs of industrial action. In 2010/2011 there were no exceptional items.

8. First Time Adoption of IFRS

This is the first year that the Council has been required to prepare its accounts in accordance with IFRS. As part of the transition to the new accounting standards, the Council had to restate its balance sheet as at 1 April 2009 (the transition date) and its accounts for the year ended 31 March 2010. This has resulted in a number of changes to the published accounts. The effects of these changes are summarised in the tables that follow:-

Reconciliation of 2009/2010 Surplus(-) / Deficit for the year under UK GAAP to Surplus(-) / Deficit for the year under IFRS

	£000
(Surplus) / Deficit for 2009/2010 under UK GAAP	**10,608**
IAS 17 Leases	
IAS 19 Employee Benefits	-2
IAS 16 Property, Plant and Equipment	
IAS 40 Investment Properties	
IAS 20 Grants	-1,425
(Surplus) / Deficit for 2009/2010 under IFRS	**9,181**

Reconciliation of UK GAAP Reserves to IFRS Usable Reserves as at 31 March 2010

2009-10	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Earmarked Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
	£000	£000	£000	£000	£000	£000
31 March 2010 UK GAAP Closing Balances	**2,815**	**2,456**	**5,692**	**1,663**		**12,626**
Opening IFRS adjustments as at 31 March 2009:						
IAS 17 Leases						
IAS 19 Employee Benefits						
IAS 16 Property, Plant and Equipment						
IAS 40 Investment Properties						
IAS 20 Grants				106	98	204
2009/2010 IFRS adjustments:						
IAS 17 Leases						
IAS 19 Employee Benefits						
IAS 16 Property, Plant and Equipment						
IAS 40 Investment Properties						
IAS 20 Grants						
31 March 2010 IFRS Closing Balances	**2,815**	**2,456**	**5,692**	**1,769**	**98**	**12,830**

Reconciliation of UK GAAP Reserves to IFRS Unsable Reserves as at 31 March 2010

2009/10	Unusable Reserves							
	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Collection Fund Adjustment Account	Financial Instruments Adjustment Account	Accumulating Absences Adjustment Account	Total Unsable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
31 March 2010 UK GAAP Closing Balances	**7,361**	**-53,450**	**260,892**	**19**	**60**	**-5**		**214,877**
Opening IFRS adjustments as at 31 March 2009:								
IAS 17 Leases							-158	**-158**
IAS 19 Employee Benefits								
IAS 16 Property, Plant and Equipment								
IAS 40 Investment Properties	-1,263		1,274					**11**
IAS 20 Grants			2,167					**2,167**
2009/2010 IFRS adjustments:								
IAS 17 Leases								
IAS 19 Employee Benefits							2	**2**
IAS 16 Property, Plant and Equipment								
IAS 40 Investment Properties								
IAS 20 Grants			-117					**-117**
31 March 2010 IFRS Closing Balances	**6,098**	**-53,450**	**264,216**	**19**	**60**	**-5**	**-156**	**216,782**

The tables include the following material movements from the first time adoption of IFRS:

Investment Properties – balances held on the Revaluation Reserve for prior year revaluations have been written off to the Capital Adjustment Account in accordance with IAS 40.

Grants – Government Grants Deferred have been removed from the Balance Sheet and written off to the Capital Adjustment Account in accordance with IAS 20.

9. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

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

Adjustments between Accounting Basis & Funding Basis under Regulations 2009-10

2009-10 Comparative Figures	Usable Reserves General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	2,560	3,022				-5,582
Revaluation losses on Property, Plant and Equipment	-169	-17,604				17,773
Movements in the market value of Investment Properties						
Amortisation of intangible assets	-42					42
Movement in the Donated Assets Account						
Revenue expenditure funded from capital under statute	-2,113					2,113
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	-671					671
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	-2,250					2,250
Capital expenditure charged against the General Fund and HRA balances	230	205				-435
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions applied credited to the Comprehensive Income and Expenditure Statement	1,542				-1,542	
Application of grants to capital financing transferred to the Capital Adjustment Account					1,500	-1,500
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	391		-488			97
Use of the Capital Receipts Reserve to finance new capital expenditure			887			-887
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals						
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-230		306			-76
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			8			-8
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement						
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		4,083		-4,083		
Use of the Major Repairs Reserve to finance new capital expenditure				4,083		-4,083
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs charged in the year in accordance with statutory requirements		-281				281
Adjustment primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 41)	-3,142	215				2,927
Employer's pensions contributions and direct payments to pensioners payable in the year	1,974					-1,974
Adjustment primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	19					-19
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2					-2
Total Adjustments	-1,899	-10,360	713	0	-42	**11,588**

10. Transfers to / from Earmarked Reserves

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

Transfers to / from Earmarked Reserves 2010-11

	Balance 1st April 2009	Transfers Out 2009-10	Transfers In 2009-10	Balance 31st March 2010	Transfers Out 2010-11	Transfers In 2010-11	Balance 31st March 2011
General Fund:	£000	£000	£000	£000	£000	£000	£000
capital	1,185	-184	390	1,391	-361	705	1,735
climate change	-	-	-	-	-	264	264
closed circuit television	44	-	17	61	-	-	61
concessionary fares	200	-	-	200	-	-	200
economic development	78	-	8	86	-	100	186
efficiency savings / invest to save	200	-	-	200	-	-	200
housing	244	-	-	244	-	-	244
hydro power	14	-	-	14	-14	-	-
information communication technology	469	-47	72	494	-258	40	276
interest equalisation	300	-	-	300	-300	-	-
legal counsel	51	-86	80	45	-15	91	121
local plan preparation	88	-	-	88	-88	-	-
miscellaneous General Fund	21	-	-	21	-21	-	-
opportunity land purchase	100	-	-	100	-100	-	-
pension fund	1,040	-600	515	955	-779	515	691
planning appeal costs	180	-37	25	168	-3	25	190
planning delivery grant	94	-	132	226	-72	88	242
private sector housing loans scheme	-	-	-	-	-	50	50
property maintenance	609	-	-	609	-	-	609
redundancy	74	-1	56	129	-	111	240
risk management / insurance	186	-14	-	172	-52	-	120
S106 maintenance reserve	16	-1	-	15	-	-	15
Stratford Park leisure centre "sinking fund"	150	-6	30	174	-70	182	286
warm and well grants	-	-	-	-	-	60	60
total earmarked reserves - General Fund	**5,343**	-976	**1,325**	**5,692**	-2,133	**2,231**	**5,790**
HRA:							
major repairs reserve	-	6,092	-6,092	-	5,364	-5,364	-

11. Other Operating Expenditure

Other Operating Expenditure

2009/10		2010/11
£000		**£000**
2,260	Parish Council Precepts	2,351
79	Levies	88
230	Payments to the Government Housing Capital Receipts Pool	903
280	Gains (-) / losses on the disposal of non-current assets	-2,362
2,849	**Total**	**980**

12. Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure		
2009/10 £000		2010/11 £000
242	Interest payable and similar charges	198
2,257	Pensions interest cost and expected return on pensions assets	1,882
-683	Interest receivable and similar income	-717
-	Income and expenditure in relation to investment properties and changes in their fair value	456
1,816	**Total**	**1,819**

13. Taxation and Non Specific Grant Income

Taxation and Non Specific Grant Income		
2009/10 £000		2010/11 £000
-10,155	Council tax income	-10,379
-5,736	Non domestic rates	-6,273
-1,378	Non-ringfenced government grants	-951
-1,542	Capital grants and contributions	-3,312
-18,811	**Total**	**-20,915**

14. Property, Plant and Equipment

Property, Plant and Equipment						
Movements in 2010-11	**council dwellings**	**other land & buildings**	**vehicles, plant furniture & equipment**	**infra-structure assets**	**community assets**	**total property, plant & equipment**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or valuation						
At 1 April 2010	289,923	32,301	1,972	221	83	324,500
Additions	5,072		252	202		5,526
Revaluation increases/decreases (-) recognised in the Revaluation Reserve		555	-20			535
Revaluation increases/decreases(-) recognised in the Surplus / Deficit on the Provision of Services	9,420					9,420
Derecognition - disposals	-687					-687
Derecognition - other						-
Assets reclassified to(-) / from Held for						-
Other movements in cost or valuation					-1	-1
At 31 March 2011	303,728	32,856	2,204	423	82	339,293
Accumulated Depreciation &						
At 1 April 2010	-53,735	-4,616	-884	-32	-8	-59,275
Depreciation charge	-5,364	-599	-140	-8		-6,111
Depreciation written out to the Revaluation Reserve						-
Depreciation written out to the Surplus / Deficit on the Provision of Services	5,364	545				5,909
Impairment losses / (reversals) recognised in the Revaluation Reserve						-
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of	-5,072	-476				-5,548
Derecognition - disposals						-
Derecognition - other						-
Other movements in depreciation and impairment		295				295
At 31 March 2011	**-58,807**	**-4,851**	**-1,024**	**-40**	**-8**	**-64,730**
Net Book Value						
At 31 March 2011	**244,921**	**28,005**	**1,180**	**383**	**74**	**274,563**
at 31 March 2010	236,188	27,685	1,088	189	75	265,225

Property, Plant and Equipment

Movements in 2009-10	council dwellings	other land & buildings	vehicles, plant furniture & equipment	infra-structure assets	community assets	total property, plant & equipment
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2009	327,501	28,196	1,697	221	67	357,682
Additions	4,287	396	175		8	4,866
Revaluation increases/decreases (-) recognised in the Revaluation Reserve	-25,710	5,998	100			-19,612
Revaluation increases/decreases(-) recognised in the Surplus / Deficit on the Provision of Services	-15,484	-2,289				-17,773
Derecognition - disposals	-671					-671
Derecognition - other						-
Assets reclassified to(-) / from Held for Sale						-
Other movements in cost or valuation					8	8
At 31 March 2010	289,923	32,301	1,972	221	83	324,500
Accumulated Depreciation & Impairment						
At 1 April 2009	-48,354	-5,371	-743	-23	-1	-54,492
Depreciation charge	-6,081	-661	-141	-9	-7	-6,899
Depreciation written out to the Revaluation Reserve						-
Depreciation written out to the Surplus / Deficit on the Provision of Services	-5,384	-232				-5,616
Impairment losses / (reversals) recognised in the Revaluation Reserve	700	1,416				2,116
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	5,384	232				5,616
Derecognition - disposals						-
Derecognition - other						-
Other movements in depreciation and impairment						-
At 31 March 2010	**-53,735**	**-4,616**	**-884**	**-32**	**-8**	**-59,275**
Net Book Value						
at 31 March 2010	**236,188**	**27,685**	**1,088**	**189**	**75**	**265,225**
at 31 March 2009	279,147	22,825	954	198	66	303,190

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

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

Capital Commitments
At 31 March 2011, the Authority has entered into a number of major contracts (in excess of £300k) for the construction or enhancement of Property, Plant and Equipment in 2011-12 and future years. These are part of the canal restoration project which the council is leading on and ithe commitments are estimated to cost £1.45m. The major commitments are:

- £560k procurement of lock gates as part of canal project (2010 – 2013).
- £890k replacement of 3 swing bridges as part of the canal project (2011).

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

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

	council dwellings	other land & buildings	vehicles, plant furniture & equipment	infra-structure	community assets	total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Carried at historical cost			1,892	221	83	**2,196**
Valued at fair value as at:						
31 March 2011	244,920	5,431	80			**250,431**
31 March 2010	236,188	24,483				**260,671**
31 March 2009	279,147	1,887				**281,034**
31 March 2008	281,749	-				**281,749**
31 March 2007	261,688	12,097				**273,785**
Total Cost or Valuation		**43,898**	**1,972**	**221**	**83**	

15. Investment Properties

Investment Properties - Fair Value	2010/11	2009/10
	£000	**£000**
Balance at start of the year	5,325	5,340
Additions:		
> Purchases		
> Construction		
> Subsequent expenditure		
Disposals:		
Net gains / losses from fair value adjustments	-456	
Transfers:		
> to / from Inventories		
> to / from Property, Plant & Equipment		-26
Other changes	-251	11
	4,618	**5,325**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

16. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licenses only, as the Authority has no internally generated software.

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £47k charged to revenue in 2010-11 was charged directly to the appropriate service, with the amortised cost then forming part of support services recharging across all service heading in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

Intangible Assets	Purchased Software Licences	
	2010-11 £000	2009-10 £000
Balance at start of year:		
- Gross carrying amounts	408	360
- Accumulated amortisation	-141	-99
Net carrying amount at start of year	**267**	**261**
Purchases	51	48
Amortisation for the period	-47	-42
Net carrying amount at end of year	**271**	**267**
Comprising:		
- Gross carrying amounts	459	408
- Accumulated amortisation	-188	-141
	271	**267**

17. Construction Contracts

At 31 March 2011 the authority had no construction contracts in place on its own assets.

18. Financial Instruments

Categories of Financial Instruments

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

Categories of Financial Instruments	Long Term		Current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Investments				
Loans and receivables	-	2,106	782	6,913
Available-for -sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-
Total Investments	**-**	**2,106**	**782**	**6,913**
Debtors				
Loans and receivables	396	27	4,935	3,697
Financial assets carried at contract amounts	-	-	-	-
Total Debtors	**396**	**27**	**4,935**	**3,697**
Borrowings				
Financial liabilities at amortised cost	-	-	-800	-
Financial liabilities at fair value through profit and loss	-	-	-	-
Total Borrowings	**-**	**-**	**-800**	**-**
Other Long Term Liabilities				
PFI and finance lease liabilities	-	-	-	-
Total Other Long Term Liabilities	**-**	**-**	**-**	**-**
Creditors				
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities carried at contract cost	-358	-	-6,985	-8,628
Total Creditors	**-358**	**-**	**-6,985**	**-8,628**

Fair Values of Assets and Liabilities

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

- Estimated ranges of interest rates at 31 March 2011 of 1.89% to 5.31% for loans from PWLB and 0.56% to 4.26% for other loans receivable and payable, based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Fair Values - liabilities	31/03/2011		31/03/2010	
	carrying amount £000	fair value £000	carrying amount £000	fair value £000
Financial liabilities	800	800	-	-
Long-term creditors	358	254	-	-

The fair value of financial liabilities is shown as equal to the carrying amount because whilst the Authority's PWLB fixed rate loan interest rate is lower than the prevailing rates at the Balance Sheet date, the loan is repayable in June 2011 and so the financial difference in values is less than £500. The fair value of long-term creditors is lower than the carrying amount due to the time value of money.

Fair Values - receivables	31/03/2011		31/03/2010	
	carrying amount £000	fair value £000	carrying amount £000	fair value £000
Loans & receivables	5,717	5,717	12,716	10,341
Long-term debtors	396	281	27	24

The fair value of long-term debtors is lower than the carrying amount due to the time value of money. Short term debtors and creditors are carried at cost as this is a fair approximation of their value. Glitnir investments are included at their impaired value. Interest income from these impaired investments of £43k was credited to the CI&E Statement in 2010-11.

19. Inventories

Inventories	bus & national transport tokens		other consumable stores		total	
	2010-11 £000	2009-10 £000	2010-11 £000	2009-10 £000	2010-11 £000	2009-10 £000
Balance outstanding at start of year:	26	35	3	3	29	38
Purchases	111	140	24	22	135	162
Recognised as an expense in the year	-137	-149	-22	-20	-159	-169
Written off balances	-	-	-1	-2	-1	-2
Balance outstanding at end of year	**-**	**26**	**4**	**3**	**4**	**29**

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

20. Debtors

Debtors	31 March 2011 £000	31 March 2010 £000
Central government bodies	1,685	1,375
Other local authorities	130	119
NHS bodies		
Public corporations & trading funds		
Other entities & individuals	3,120	2,203
Total	**4,935**	**3,697**

21. Cash and Cash Equivalents

Cash & Cash Equivalents	31 March 2011 £000	31 March 2010 £000
Cash held by the Authority	4	
Bank current accounts	176	
Short-term deposits with banks	16,680	8,049
Total Cash & Cash Equivalents	**16,860**	**8,049**
Less:- overdraft	-1,059	-266
Net Cash & Cash Equivalents	**15,801**	**7,783**

22. Assets Held for Sale

Assets Held for Sale	Current		Non Current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Balance outstanding at start of year	**330**	**256**		
Assets newly classified as held for sale:				
Property, Plant & Equipment		79		
Intangible Assets				
Other assets/liabilities in disposal groups				
Revaluation losses	-48			
Revaluation gains				
Impairment losses				
Assets declassified as held for sale:				
Property, Plant & Equipment		-5		
Intangible Assets				
Other assets/liabilities in disposal groups				
Assets sold	-130			
Transfers from non-current to current				
Other movements				
Balance outstanding at end of year	**152**	**330**	**0**	**0**

23. Creditors

Creditors	Current		Non Current	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Central government bodies	513	2,255		
Other local authorities	999	412		
NHS bodies				
Public corporations & trading funds			358	-
Other entities & individuals	5,495	5,961		
Total	**7,007**	**8,628**	**358**	-

24. Provisions

Provisions	Outstanding Legal Cases	Injury & Damage Compensation Claims	Other Provisions	Total
	£000	£000	£000	£000
Balance at 1 April 2010	-	-	-	-
Additional provisions made in 2010-11				-
Amounts used in 2010-11				-
Unused amounts reversed in 2010-11				-
Unwinding of discounting on 2010-11				-
Balance at 31 March 2011	-	-	-	-

25. Usable Reserves

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

26. Unusable Reserves

31 March 2010	Unusable Reserves	31 March 2011
£000		£000
6,098	Revaluation Reserve	6,634
264,216	Capital Adjustment Account	272,163
-5	Financial Instruments Adjustment Account	-
19	Deferred Capital Receipts Reserve	17
-53,450	Pensions Reserve	-26,869
60	Collection Fund Adjustment Account	127
-156	Accumulating Absences Adjustment Account	-159
216,782	**Total Unusable Reserves**	**251,913**

Revaluation Reserve

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

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

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

31 March 2010	Revaluation Reserve	31 March 2011	
£000		£000	£000
25,711	**Balance at 1 April**		**6,098**
	Upward revaluation of assets	556	
-19,613	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-20	
- 19,613	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**536**
	Difference between fair value depreciation & historical cost depreciation		
	Accumulated gains on assets sold or scrapped		
-	**Amount written off to the Capital Adjustment Account**		**-**
6,098	**Balance at 31 March**		**6,634**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

31 March 2010	Capital Adjustment Account	31 March 2011	
£000		£000	£000
284,828	**Balance at 1 April**		**264,216**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
-4,802	Charges for depreciation & impairment of non-current assets	-4,921	
-169	Revaluation losses on Property, Plant & Equipment	-524	
-42	Amortisation of intangible assets	-47	
-2,113	Revenue expenditure funded from capital under statute	-4,892	
-671	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	-1,068	
-7,797		-11,452	
-17,604	Adjusting amounts written out of the Revaluation Reserve	9,420	
-25,401	**Net written out amount of the cost of non-current assets consumed in the year**		**-2,032**
	Capital financing applied in the year:		
887	Use of the Capital Receipts Reserve to finance new capital expenditure	2,264	
4,083	Use of the Major Repairs Reserve to finance new capital expenditure	2,654	
740	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	975	
894	Application of grants to capital financing from the Capital Grants Unapplied Account	1,855	
-2,250	Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	-	
435	Capital expenditure charged against the General Fund & HRA balances	2,687	
4,789		10,435	
-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	-456	
4,789			**9,979**
264,216	**Balance at 31 March**		**272,163**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income & Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. 2010-11 is the final year in respect of this charge.

31 March 2010 £000	Financial Instruments Adjustment Account	31 March 2011 £000	31 March 2011 £000
-286	**Balance at 1 April**		**-5**
-	Premiums incurred in the year & charged to the Comprehensive Income & Expenditure Statement	-	
281	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	5	
281	Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		**5**
-5	**Balance at 31 March**		**-**

Pensions Reserve

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

31 March 2010 £000	Pensions Reserve	31 March 2011 £000
-28,279	**Balance at 1 April**	**-53,450**
-24,003	Actuarial gains or losses on pensions assets & liabilities	19,143
-3,142	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	5,370
1,974	Employer's pensions contributions & direct payments to pensioners payable in the year	2,068
-53,450	**Balance at 31 March**	**-26,869**

Deferred Capital Receipts Reserve

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

31 March 2010 £000	Deferred Capital Receipts Reserve	31 March 2011 £000
27	**Balance at 1 April**	**19**
	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	
-8	Transfer to the Capital Receipts Reserve upon receipt of cash	-2
19	**Balance at 31 March**	**17**

Collection Fund Adjustment Account

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

31 March 2010 £000	Collection Fund Adjustment Account	31 March 2011 £000
41	**Balance at 1 April**	**60**
19	Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	67
60	**Balance at 31 March**	**127**

Accumulating Absences Adjustment Account

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

31 March 2010 £000	Accumulating Absences Adjustment Account	31 March 2011 £000	£000
-158	**Balance at 1 April**		**-156**
158	Settlement or cancellation of accrual made at the end of the preceding year	**156**	
-156	Amounts accrued at the end of the current year	-159	
2	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**-3**
-156	**Balance at 31 March**		**-159**

27. Cash Flow Statement – Operating Activities

31 March 2010 £000	Cash Flow Statement - Non Cash Items Included in (Surplus) / Deficit on Provision of Services	31 March 2011 £000
-818	Depreciation charges	-747
-42	Amortisation charges	-47
-9,078	Impairment	9,715
-1,089	Increase (-) / decrease in creditors	1,621
145	Increase in debtors	1,239
-9	Decrease in inventories	-25
2,250	Capitalisation direction	
-1,168	Non cash charges for retirement benefits	7,438
-671	Carry amount of non current assets sold	-1,068
2,007	Revenue expenditure funded by capital under statute	
	Investment properties' revaluation	-456
-181	Other non cash items	-14
-8,654	**Non cash items in Net (Surplus) / Deficit**	**17,656**

28. Cash Flow Statement – Investing Activities

31 March 2010 £000	Cash Flow Statement - Investing Activities	31 March 2011 £000
579	Purchase of property, plant & equipment, investment property & intangible assets	454
	Purchase of short-term & long-term investments	14,769
-399	Proceeds from the sale of property, plant & equipment, investment property & intangible assets	-3,152
-4,300	Proceeds from short-term & long-term investments	-22,900
-4,120	**Net cash flows from investing activites**	**-10,829**

29. Cash Flow Statement – Financing Activities

31 March 2010 £000	Cash Flow Statement - Financing Activities	31 March 2011 £000
	Cash receipts of short-term borrowing	-800
-1,715	Other receipts from financing activities	
2,000	Other payments for financing activities	
285	**Net cash flows from financing activites**	**-800**

30. Amounts Reported for Resource Allocation Decisions

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

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).

- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.
- Expenditure on some support service is budgeted for centrally and not charged to services.

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

Amounts Reported for Resource Allocation Decisions

Service Income and Expenditure 2010/11	Corporate and Democratic Core £'000	Cultural and Related Services £'000	Central Services to the Public £'000	Environmental and Regulatory Services £'000	Housing General Fund £'000	Highways and Transport £'000	Non Distributed Costs £'000	Planning Services £'000	Recharged Services £'000	Housing Revenue Account £'000	Total £'000
Fees & Charges	-285	-1,342	-501	-1,400	-844	-639	0	-1,399	-23	-19,975	-26,408
Govt Grants	-2	0	-7,572	-27	-23,851	-250	0	0	0	-2,654	-34,356
Total Income	-287	-1,342	-8,073	-1,427	-24,695	-889	0	-1,399	-23	-22,629	-60,764
Employee	174	1,468	1,216	1,501	793	165	49	1,655	3,580	3,275	13,876
Non-Pay	607	2,166	7,778	4,337	24,429	1,210	41	1,030	1,104	11,416	54,118
Support Services	929	734	617	920	339	165	1	1,014	1,267	1,099	7,085
Less: Recharge Income	0	-118	-182	-286	0	0	0	-313	-5,891	0	-6,790
Total Expenditure	1,710	4,250	9,429	6,472	25,561	1,540	91	3,386	60	15,790	68,289
Net Cost of Services	1,423	2,908	1,356	5,045	866	651	91	1,987	37	-6,839	7,525

Service Income and Expenditure 2009/10	Corporate and Democratic Core £'000	Cultural and Related Services £'000	Central Services to the Public £'000	Environmental and Regulatory Services £'000	Housing General Fund £'000	Highways and Transport £'000	Non Distributed Costs £'000	Planning Services £'000	Recharged Services £'000	Housing Revenue Account £'000	Total £'000
Fees & Charges	-277	-1,322	-573	-1,403	-596	-654	0	-1,604	-114	-19,718	-26,261
Govt Grants	0	0	-7,184	-46	-23,344	-243	0	-188	0	-4,084	-35,089
Total Income	-277	-1,322	-7,757	-1,449	-23,940	-897	0	-1,792	-114	-23,802	-61,350
Employee	248	1,468	1,216	1,501	793	165	49	1,655	3,580	3,027	13,702
Non-Pay	651	2,058	7,635	4,247	23,719	1,088	41	1,568	1,167	20,554	62,728
Support Services	929	734	617	920	339	165	1	1,014	1,267	1,071	7,057
Less: Recharge Income	0	-118	-182	-286	0	0	0	-313	-5,891	0	-6,790
Total Expenditure	1,828	4,142	9,286	6,382	24,851	1,418	91	3,924	123	24,652	76,697
Net Cost of Services	1,551	2,820	1,529	4,933	911	521	91	2,132	9	850	15,347

Reconciliation to Subjective Analysis

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

Reconciliation to Subjective Analysis 2010/11	Service Analysis £'000	Net expenditure of services and support services not included in the Analysis £'000	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis £'000	Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement £'000	Cost of Services in Comprehensive Income and Expenditure Statement £'000	Corporate Amounts £'000	Total £'000
Employee Costs	13,876		76		13,952		13,952
Other Service Expenditure	54,413		6,244		60,657	88	60,745
Pension Interest Cost			-9,393		-9,393	1,882	-7,511
Reversal of Major Repairs Allowance credited to the HRA			2,710		2,710		2,710
Net expenditure in relation to investment properties and changes in their fair value					0	456	456
Revenue expenditure funded from capital under statute			4,874		4,874		4,874
Capital Expenditure Funded by the HRA			-2,501		-2,501		-2,501
Depreciation, Amortisation and Impairment			308		308		308
Surplus or Deficit on Revaluation			-8,924		-8,924		-8,924
Parish Council Precepts					0	2,351	2,351
Payments to Housing Capital Receipts Pool					0	903	903
Interest Payable and Similar Charges					0	198	198
Total Expenditure	**68,289**	**0**	**-6,606**	**0**	**61,683**	**5,878**	**67,561**
Fees & Other Income	-26,408				-26,408		-26,408
Govt Grants	-34,356				-34,356		-34,356
Gain/Loss on Disposal of Fixed Assets					0	-2,362	-2,362
Interest & Investment Income					0	-717	-717
Taxation & Non-Specific Grant Income					0	-20,915	-20,915
Other					0		0
Total Income	**-60,764**	**0**	**0**	**0**	**-60,764**	**-23,994**	**-84,758**
Net Expenditure	**7,525**	**0**	**-6,606**	**0**	**919**	**-18,116**	**-17,197**

Reconciliation to Subjective Analysis 2009/10	Service Analysis £'000	Net expenditure of services and support services not included in the Analysis £'000	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis £'000	Amounts included in the Analysis not included in the Comprehensive Income & Expenditure Statement £'000	Cost of Services in Comprehensive Income and Expenditure Statement £'000	Corporate Amounts £'000	Total £'000
Employee Costs	13,702		217		13,919		13,919
Other Service Expenditure	62,995		-1,065		61,930	79	62,009
Pension Interest Cost			-1,304		-1,304	2,257	953
Reversal of Major Repairs Allowance credited to the HRA			-2,009		-2,009		-2,009
Net expenditure in relation to investment properties and changes in their fair value					0		0
Revenue expenditure funded from capital under statute			2,007		2,007		2,007
Capital Expenditure Funded by the HRA			205		205		205
Depreciation, Amortisation and Impairment			9,930		9,930		9,930
Surplus or Deficit on Revaluation					0		0
Parish Council Precepts					0	2,260	2,260
Payments to Housing Capital Receipts Pool					0	230	230
Interest Payable and Similar Charges					0	242	242
Total Expenditure	**76,697**	**0**	**7,981**	**0**	**84,678**	**5,068**	**89,746**
Fees & Other Income	-26,261				-26,261		-26,261
Govt Grants	-35,089				-35,089		-35,089
Gain/Loss on Disposal of Fixed Assets					0	280	280
Interest & Investment Income					0	-683	-683
Taxation & Non-Specific Grant Income					0	-18,811	-18,811
Other					0		0
Total Income	**-61,350**	**0**	**0**	**0**	**-61,351**	**-19,214**	**-80,565**
Net Expenditure	**15,347**	**0**	**7,981**	**0**	**23,327**	**-14,146**	**9,181**

31. Acquired or Discontinued Operations and Transferred Services

There are no discontinued or acquired operations however, under machinery of government arrangements, on 1 April 2011 the Council's statutory responsibility for concessionary travel was transferred to Gloucestershire County Council. This is the administration of the issue of the national bus pass. The costs and income for this service for both 2010/2011 and 2009/2010 are shown in the CI&E as a transferred service.

32. Trading Operations

The Council has no formal trading operations.

33. Members' Allowances

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

	2009-10 £000	**2010-11 £000**
Allowances	358	358
Expenses	20	18
Total	378	376

34. Officers' Remuneration

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

		Salary, Fees & Allowances £	Bonuses £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Chief Executive	2010-11	110,568.96	-	-	-	26,609.16	137,178.12
	2009-10	110,609.76	-	-	-	24,111.24	134,721.00
Strategic Head (Customer Services)	2010-11	67,522.00	-	-	-	16,361.88	83,883.88
	2009-10	67,035.05	-	-	-	14,869.18	81,904.23
Strategic Head (Development Services)	2010-11	67,385.10	-	-	-	16,361.88	83,746.98
	2009-10	66,978.16	-	-	-	14,869.18	81,847.34
Strategic Head (Community Services)	2010-11	66,978.75	-	-	-	16,149.73	83,128.48
	2009-10	67,124.58	-	-	-	15,486.92	82,611.50
Head of Finance	2010-11	60,770.11	-	-	-	14,877.36	75,647.47
	2009-10	61,254.01	-	-	-	13,513.63	74,767.64
Canal Project Manager	2010-11	58,567.36	-	-	-	14,328.17	72,895.53
	2009-10	69,384.37	-	-	-	15,338.87	84,723.24
Head of Corporate Resources	2010-11	58,135.59	-	-	-	13,652.40	71,787.99
	2009-10	52,138.43	-	-	-	11,562.18	63,700.61
Head of Communications	2010-11	57,558.36	-	-	-	13,652.40	71,210.76
	2009-10	53,114.19	-	-	-	11,562.18	64,676.37

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

Remuneration Band	2010/2011 Number of employees	2009/2010 Number of employees
£50,000 - 54,999	4	4
£55,000 - 59,999	-	-
£60,000 - 64,999	-	-
£65,000 - 69,999	-	-
£70,000 - 74,999	-	-
£75,000 - 79,999	-	-
£80,000 - 84,999	-	-
£85,000 - 89,999	-	-
£90,000 - 94,999	-	-
£95,000 - 99,999	-	-
£100,000 - 104,999	-	-
£105,000 - 109,999	-	-
£110,000 - 114,999	-	-

35. External Audit Costs

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

Fees payable to the Audit Commission and KPMG during the financial year:	2010-11 £000	2009-10 £000
with regard to external audit services carried out by the appointed auditor for the year	115	115
in respect of statutory inspections by the Audit Commission	5	6
for the certification of grant claims and returns for the year by the appointed auditor	24	26
other services provided during the year by the appointed auditor	8	25
gross fees paid	152	172
less Audit Commission rebate for IFRS transition audit cost	-9	-
Total	**143**	**172**

36. Grant Income

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

	2010-11 £000	2009-10 £000
Credited to Taxation & Non Specific Grant Income		
DCLG Non Domestic Rates	6,273	5,736
DCLG Revenue Support Grant	911	1,324
DCLG Area Based Grant / LABGI	40	54
Capital Grants & Contributions:-		
Heritage Lottery Fund - Canal Scheme	1,178	338
DCLG Regional Housing Pot	459	492
DCLG Disabled Facilities Grants	281	222
Energy Savings Trust	388	-
Defra - Contaminated Land	67	50
Other Capital Grants & Contributions	939	440
Total	**10,536**	**8,656**
Credited to Services		
DWP Housing Benefit Grant	23,301	22,784
DWP Council Tax Benefit Grant	6,925	6,643
DWP Discretionary Housing Payments / In & Out of Work	37	52
DWP Housing Benefit Administration Grant	837	727
DCLG Housing Subsidies and Grant (HRA)	2,654	4,084
DCLG Business Rate Collection	168	175
DCLG Climate Change	-	56
DCLG Planning Delivery Grant	-	132
DCLG Homelessness Grant and Mortgage Rescue Scheme	41	97
DCLG Revocation of Personal Search Fees	34	-
DCLG Additional Grant	-	10
DFT Concessionary Fares Special Grant	249	243
HCA Home Improvement	52	49
HO Building Safer Communities Grant	9	21
LAA Related Schemes	19	25
GCC Recycling Credits	384	374
STW Flood Prevention Projects	47	134
Other Contributions and Donations	168	180
Other grants	29	169
Total	**34,954**	**35,955**

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

	2010-11 £000	2009-10 £000
Capital Grants Receipts in Advance		
Contaminated Land Grant	-	12
	-	**12**

37. Related Parties

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

Central Government
Central government has control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants, and prescribes the terms of many transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 30 on reporting for resource allocation decisions and in Note 36. Grant receipts outstanding at 31 March 2011 and 31 March 2010, are shown in Note 36.

Members
Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 and 2009/10 is shown in Note 33. Members have not disclosed any material transactions with related parties in either year. The Register of Members' Interest is open to public inspection at Ebley Mill during office hours, on application.

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

Entities Controlled or Significantly Influenced by the Council
The Council is represented on the Board of Directors for the Stroud Valleys Canal Company (SVCC) and as such, has the power to participate in the financial and operating policy decisions of the company. The company was formed in 2009 to hold land associated with the Canal Restoration Project lead by the Council. All transactions associated with the canal restoration project are within the Council's accounts. There were no transactions between SVCC and the Council in 2010/11.

38. Capital Expenditure and Capital Financing

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

Capital Expenditure & Financing	2010-11	2009-10
	£000	£000
Opening Capital Financing Requirement	**832**	**-1,418**
Capital Investment		
Property, Plant & Equipment	5,526	6,805
Investment Properties	-	-
Intangible Assets	51	48
Revenue Expenditure Funded from Capital under Statute	4,892	2,250
Sources of Finance		
Capital receipts	-2,263	-887
Government grants & other contributions	-5,485	-5,531
Sums set aside from revenue	-269	-230
Direct revenue contributions	-2,452	-205
MRP/loans fund principal	-	-
Closing Capital Financing Requirement	**832**	**832**
Explanation of movement in year		
Increase in underlying need to borrow (supported by government financial assistance)	-	-
Increase in underlying need to borrow (unsupported by government financial assistance)	-	2,250
Assets acquired under finance leases	-	-
Assets acquired under PFI/PPP contracts	-	-
Increase / (decrease) in Capital Financing Requirement	**-**	**2,250**

39. Leases

Authority as Lessee

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

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

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

	31 March 2011 £000	31 March 2010 £000
Not later than one year	329	329
Later than one year & not later than five years	1,316	1,316
Later than five years	593	922
Total	**2,238**	**2,567**

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

	2010-11 £000	2009-10 £000
Minimum lease payments	329	329
Contingent rents		
Sublease payments receivable		
	329	**329**

Authority as Lessor

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

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

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

	31 March 2011 £000	31 March 2010 £000
Not later than one year	374	374
Later than one year & not later than five years	1,495	1,495
Later than five years	608	982
Total	**2,477**	**2,851**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010-11 Nil contingent rents were receivable by the Authority (2009-10 Nil).

40. Impairment Losses

During 2010-11 the Authority has recognised impairment losses of £8.468m which includes £9.420m of gains reversed against prior year impairment charges. £20k was offset against previous revaluation gains and the balance was charged to the Surplus / Deficit (-) on the Provision of Services. This is analysed below:-

2009/10 Impairment charges to Surplus / Deficit (-) £000	2009/10 Impairment charges to Revaluation Reserve £000	2009/10 Total £000	Impairment Losses	2010/11 Impairment charges to Surplus / Deficit (-) £000	2010/11 Impairment charges to Revaluation Reserve £000	2010/11 Total £000
-	-	-	Council Dwellings	-9,420	-	-9,420
-	-	-	Other Land & Buildings	476	-	476
-	-	-	Vehicles, Plant & Equipment	-	20	20
-	-	-	Infrastructure	-	-	-
-	-	-	Community Assets	-	-	-
-	-	-	Property, Plant & Equipment under Construction	-	-	-
-	-	-	Investment Properties	456	-	456
-	-	-	Intangible Assets	-	-	-
-	-	-		-8,488	20	-8,468

41. Defined Benefit Pension Scheme

Participation in Pension Scheme

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

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

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme 2010-11 £000	2009-10 £000
Comprehensive Income & Expenditure Statement		
Cost of Services		
current service cost	1,699	885
past service costs	(8,951)	-
settlements and curtailments	-	-
Financing and Investment Income & Expenditure		
interest cost	5,172	4,288
expected return on scheme assets	(3,290)	(2,031)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(5,370)**	**3,142**
Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement		
actuarial gains and losses	(19,143)	24,003
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	**(24,513)**	**27,145**
Movement in Reserves Statement		
reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	26,581	(25,171)
Actual amount charged against the General Fund Balance for pensions in the year:		
employers' contributions payable to the scheme	**2,068**	**1,974**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £15.494m.

Assets and Liabilities in Relation to Post-employment Benefits

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

Funded Liabilities	Local Government Pension Scheme	
	2010-11	**2009-10**
	£000	**£000**
Opening balance at 1 April	101,501	62,874
Current service cost	1,699	885
Interest cost	5,172	4,288
Contributions by scheme participants	570	587
Actuarial gains & losses	(18,482)	35,829
Benefits paid	(3,352)	(2,962)
Past service costs	(8,951)	-
Entity combinations	-	-
Curtailments	-	-
Settlements	-	-
Closing balance 31 March	**78,157**	**101,501**

The present value of unfunded benefits is £845k (£1.014m 2009/2010).

In the budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing Stroud District Council's liabilities in Gloucestershire Pension Fund by £8.951m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund or Housing Revenue Account.

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

Scheme Assets	Local Government Pension Scheme	
	2010-11	**2009-10**
	£000	**£000**
Opening balance at 1 April	48,051	34,595
Expected rate of return	3,290	2,031
Actuarial gains & losses	610	11,779
Employer contributions	2,068	1,974
Contributions in respect of unfunded benefits	51	47
Contributions by scheme participants	570	587
Benefits paid	(3,352)	(2,962)
Entity combinations	-	-
Settlements	-	-
Closing balance 31 March	**51,288**	**48,051**

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

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £3.900m (2009-10: £13.890m).

Scheme History

	2006-07	2007-08	2008-09	2009-10	2010-11
	£000	£000	£000	£000	£000
Present value of liabilities:					
Local Government Pension Scheme	(73,255)	(64,535)	(62,874)	(101,501)	(78,157)
Discretionary Benefits	-	-	-	-	-
Fair value of assets in the Local Government Pension Scheme	**49,670**	**44,688**	**34,595**	**48,051**	**51,288**
Surplus / (deficit) in the scheme:					
Local Government Pension Scheme	(23,585)	(19,847)	(28,279)	(53,450)	(26,869)
Discretionary Benefits	-	-	-	-	-
Total	**(23,585)**	**(19,847)**	**(28,279)**	**(53,450)**	**(26,869)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £78.157m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £26.869m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £2.144m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £nil.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Council being based on the latest full valuation of the scheme as at 31 March 2010. The principal assumptions used by the actuary have been:

Assumptions	**2010-11**	**2009-10**
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.8%
Bonds	4.9%	5.0%
Property	5.5%	5.8%
Cash	4.6%	4.8%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.7	22.7
Women	23.6	26.1
Longevity at 65 for future pensioners:		
Men	23.5	24.8
Women	25.8	28.3
Rate of inflation	2.8%	3.8%
Rate of increase in salaries	4.6%	5.3%
Rate of increase in pensions	2.8%	3.8%
Rate of discounting scheme liabilities	5.5%	5.5%
Take-up option to convert annual pension into retirement lump sum - pre-2008 service	50.0%	50.0%
Take-up option to convert annual pension into retirement lump sum - post 2008 service	75.0%	75.0%

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

Categories	**31 March 2011 %**	**31 March 2010 %**
Equity investments	68	67
Debt instruments	24	24
Property	6	6
Cash	2	3
	100	**100**

History of Experience Gains and Losses

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

	2006-07 %	**2007-08 %**	**2008-09 %**	**2009-10 %**	**2010-11 %**
Differences between the expected and actual return on assets	-0.11%	-12.94%	-37.55%	24.51%	0.94%
Experience gains and losses on liabilities	0.10%	0.27%	-0.04%	-0.01%	9.26%

42. Contingent Liabilities

The Council is currently subject to litigation, which is likely to be determined during the 2011/2012 financial year. The Council believes that the likelihood of any significant liability arising in relation to this claim is remote, and as such no provision has been made in the accounts. However, the council holds sufficient reserves and balances in the event that there is a liability.

43. Contingent Assets

A capitalised loss of £2.25m in respect of investments with Glitnir bank could be reversed, subject to a favourable resolution in the Icelandic courts and receipt of final settlement.

44. 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 treasury team within the Finance section, 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. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Sector Treasury Services, the council's treasury management advisers. The

Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution or group.

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

- A financial institution must be included as a creditworthy counterparty on Sector Treasury Services weekly listing.
- There is a group limit of £8m 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 an investment 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 for goods and services are assessed, taking into account their financial position, past experience and other factors, but formal individual credit limits are not set.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £16.6m (this figure excludes Icelandic investments that are referred to elsewhere in the accounts) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that, whilst rare, it can happen that such entities can fail to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no new evidence at 31 March 2011 that this risk was likely to crystallise.

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

	Amount at 31 March 2011	**Historical experience of default**	**Historical experience adjusted for market conditions at 31 March 2011**	**Estimated maximum exposure to default & uncollectability at 31 March 2011**	**Estimated maximum exposure at 31 March 2010**
	£000	**%**	**%**	**£000**	**£000**
	A	B	C	(A*C)	
Bonds	-	-	-	-	-
Customers	4,935	4.5%	5.5%	271	194
				271	194

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

The Authority does not generally allow credit for customers, such that £4.206m of the £4.935m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

Age of debts

	31 March 2011	**31 March 2010**
	£000	**£000**
Less than three months	55	398
Three to six months	23	23
Six months to one year	4,046	2,514
More than one year	82	41
	4,206	2,976

Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is readily available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and Public Works Loans Board. There is no significant risk that it will be unable to meet its commitments under financial instruments. The Authority has one PWLB loan that matures in June 2011.

Maturity - liabilities

	31 March 2011 £000	31 March 2010 £000
Less than one year	6,985	8,628
Between one and two years	-	-
Between two and five years	-	-
More than five years	-	-
	6,985	8,628

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

Market Risk

Interest Rate Risk

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

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

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

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 100% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. Risk of loss may be ameliorated if a proportion of government grant payable on financing costs moves with prevailing interest rates or the authority's cost of borrowing and provides compensation for a proportion of any higher costs.

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

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

1% Interest Higher

	£000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	78
Increase in government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	78
Share of overall impact debited to HRA	34
Decrease in fair value of fixed rate investment assets	8
Impact on Other Comprehensive Income & Expenditure	8
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	2

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

Price Risk

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

Foreign Exchange Risk

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

Supplementary Financial Statements

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

Housing Revenue Account Income and Expenditure Account

2009/2010 £000		*notes*	**2010/2011 £000**	**£000**
	income			
-17,615	dwelling rents	*6*	-17,861	
-489	non-dwelling rents	*8*	-452	
-1,433	charges for services and facilities		-1,462	
-4,083	HRA subsidy receivable (including MRA)	*9*	-2,654	
-135	Transfers from General Fund		-167	
-47	contribution towards expenditure		-33	
-23,802	**total income**			**-22,629**
	expenditure			
2,745	repairs and maintenance		2,868	
3,021	supervision and management		3,375	
2,121	special services		2,124	
9,222	negative HRA subsidy payable to cental government	*9*	9,417	
14,930	depreciation & impairment of non-current assets		-4,056	
39	debt management costs		40	
45	increased provision for bad or doubtful debt	*11*	102	
32,123	**total expenditure**			**13,870**
8,321	**net cost of HRA services as included in the whole authority Comprehensive Income & Expenditure Statement**			-8,759
254	HRA share of corporate and democratic core			272
8,575	**net cost of HRA services**			-8,487
	HRA share of operating income & expenditure included in the whole authority Comprehensive Income & Expenditure Statement:			
280	gain (-) or loss on sale of HRA non-current assets	*15*		-491
	interest payable & similar charges			
-229	HRA interest & investment income			-195
	pensions interest cost & expected return on pensions assets			
8,626	**surplus(-) / deficit for the year on HRA services**			**-9,173**

Movement on the Housing Revenue Account Statement

2009/2010 £000		2010/2011 £000
-423	**balance on the HRA as at the end of the previous reporting period**	**-2,456**
8,626	surplus(-) / deficit for the year on the HRA Income & Expenditure Statement	-9,173
-10,659	adjustments between accounting basis & funding basis under regulations	9,691
-2,033	net increase or decrease before transfers to or from reserves	518
-	transfers to or from reserves	-
-2,033	**increase or (decrease) in year on HRA**	**518**
-2,456	**balance on the HRA as at the end of the current reporting period**	**-1,938**

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

Note to the Movement on the Housing Revenue Account Statement

2009/2010 £000		2010/2011 £000
42	difference between interest payable & similar charges including amortisation of premiums & discounts determined in accordance with the Code & those determined in accordance with statute	5
6	difference between any other item of income & expenditure determined in accordance with the Code & those determined in accordance with statutory HRA requirements (if any)	-12
-280	gain or loss (-) on sale of HRA non-current assets	491
215	HRA share of contributions to or from the Pensions Reserve	73
205	capital expenditure funded by the HRA	2,424
-2,009	transfer to / from (-) Major Repairs Reserve	-2,710
-8,838	transfer to / from (-) the Capital Adjustment Account	9,420
-10,659	**net additional amount required to be credited (-) or debited to the HRA balance for the year**	**9,691**

Notes to the Housing Revenue Account (HRA)

1. Housing stock

The Council was responsible for managing an average of 5,223 dwellings during the year. 13 dwellings were sold under right-to-buy legislation, compared with 5 sales and 9 transfers in the previous 12 months. The table below summarises movements in the year.

Movement in housing stock

2009/2010 1 Apr	2009/2010 right-to-buy sales	2009/2010 31 Mar	(number by type of dwellings)	2010/2011 1 Apr	2010/2011 right-to-buy sales	2010/2011 31 Mar
1,295		1,295	bungalows	1,295		1,295
1,527	-1	1,526	flats	1,526	-1	1,525
2,390	-13	2,377	houses	2,377	-12	2,365
29	-	29	maisonettes	29		29
2	-	2	shared ownership (half)	2		2
5,243	-14	5,229	total housing stock	5,229	-13	5,216

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

Movement in HRA fixed assets

(figures in £'000s)	Balance 1 Apr 10	additions in year	disposals	revaluation	depreciation & impairment	accumulated depreciation & impairment	Balance 31 Mar 11
operational assets							
- council dwellings	236,188	5,072	-687	9,420	-5,364	292	244,921
- community assets	8						8
non-operational assets							
- investment property	3,115		-250				2,865
- surplus assets	51		-51				0
total net fixed assets	239,362	5,072	-988	9,420	-5,364	292	247,794

2. Vacant possession value of dwellings

The open market vacant possession value of dwellings including land within the HRA at 31 March 2011, at 1 April 2010 prices, is £556m. This is for 5,215 properties, excluding the 2 shared ownership dwellings. The value of dwellings net of the social element factor (44%) is £245m. The difference of £311m between the vacant possession value and balance sheet value of dwellings within the HRA shows the economic cost of providing council housing at less than open market rents.

3. Major repairs reserve

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

Major repairs reserve

2009/2010	(figures in £'000s)	2010/2011
-	balance 1 April	-
-6,092	transferred in	-5,364
2,009	transferred out to Housing Revenue Account	2,710
4,083	financing of Capital expenditure	2,654
-	balance 31 March	-

4. Capital expenditure

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

Funding HRA capital expenditure						
expend -iture 2009/2010	financing 2009/2010		capital schemes	expend -iture 2010/2011	financing 2010/2011	
	major repairs allow'ce	revenue funding	(figures in £'000s)		major repairs allow'ce	revenue funding
1,173	1,173		kitchen & bathroom replacement	992	992	
788	788		void - other	1,333	653	680
349	349		central heating	436		436
290	85	205	disabled adaptations	334		334
337	337		electrical works	121	121	
109	109		fuel switch heating installations	332	332	
8	8		roofing	259	102	157
355	355		door & window renewal	244	244	
166	166		safety works	285		285
231	231		renewable heating	63		63
482	482		other capital works	678	210	468
4,288	4,083	205	**total capital expenditure**	5,077	2,654	2,423

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

5. Capital receipts

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

HRA in year capital receipts		
2009/2010		**2010/2011**
399	council house sales	1,203
-8	*less* : cost of sales	-25
8	repaid mortgage advances	2
7	discount repaid on former council house sales	24
406	total capital receipts	1,204
-306	*less:* pooled receipts paid to Government	-903
100	**total usable capital receipts**	**301**

6. Rent income

This is the total dwelling rent collectable for the year after allowances for empty property. At 31 March 2011 there were 131 vacant properties for rent, representing 2.5% of the total (on 31 March 2010 the figures were 95 and 1.8%). The rent is calculated on a 48-week basis. The average weekly rent in 2010/2011 was £72.90, an increase of £1.15 or 1.6% 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 £134k in respect of former tenants, has increased by £72k (16%) as shown below. See also note 11.

Analysis of rent arrears		
2009/2010		**2010/2011**
58	court costs	53
290	current rent arrears	335
102	former tenant arrears	134
450	**gross arrears at 31 March**	**522**

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 2010/2011 subsidy is an estimate and will be adjusted in the 2011/2012 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:

HRA Subsidy		
2009/2010	(figures in £'000s)	**2010/2011**
11,625	allowance for management, maintenance & major repairs	10,521
132	charges for capital	40
-	rental constraint allowance	0
-1	interest on receipts	0
-	prior year adjustment	0
-16,894	rent	-17,324
-5,138	net payment to Government	-6,763
	reconciliation from gross payment to Government	
-9,222	gross contribution to Government	-9,417
4,084	*less* : Major Repairs Allowance - Government Grant	2,654
-5,138	net payment to Government	-6,763

10. Pensions accounting

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

11. Bad debt provision

The cumulative provision for uncollected debts was £339k at 31 March 2011 (£279k at 31 March 2010), with in-year write-offs totalling £42k

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 2010/2011

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 £5.364 million for dwellings, (£6.081 million in 2009/2010). The impairment charge is £5.072m for dwellings (£8.827m in 2009/2010).

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

2009/2010 £000		notes	£000	2010/2011 £000	£000
	income				
-57,786	income from council tax	*18*			-59,382
	transfers from General Fund				
-6,626	- council tax benefits				-6,838
-21,469	- income collectable from business ratepayers	*20*			-21,092
-85,881	**total income**				-87,312
	expenditure				
	precepts and demands				
45,518	- Gloucestershire County Council			46,835	
8,284	- Gloucestershire Police Authority			8,576	
7,833	- Stroud District Council		8,028		
2,260	- parish and town councils		2,351		
				10,379	
63,895					65,790
	business rates				
21,309	- payment to national pool			20,933	
160	- cost of collection			159	
21,469					21,092
	bad and doubtful debts / appeals				
-	- provision for bad debts	*21*			-
	transfers to the General Fund				
5	- transitional relief (council tax)				5
	contributions towards previous year's estimated surplus / deficit (-)				
390	- council tax			-	
390					-
85,759	**total expenditure**				86,887
	movement on fund balance				
-259	balance at beginning of the year				-381
-122	surplus for the year				-425
-381	**balance at end of the year**				-806

Notes to the Collection Fund

16. General

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

17. Council tax base

The Council's tax base represents the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted by a prescribed ratio to give an equivalent number of "band D" dwellings. The band D equivalent is adjusted by 1.5% to cover appeals, changes in discounts and bad debts that arise. The tax base for 2010/2011 was calculated as follows: -

Council tax base

band		estimated number of taxable properties after effect of discounts	ratio	band D equivalent dwellings
DIS A		18.50	5/9	10.28
A		5,729.50	6/9	3,819.67
B		10,180.40	7/9	7,918.09
C		10,139.20	8/9	9,012.62
D		6,861.20	9/9	6,861.20
E		5,585.95	11/9	6,827.27
F		3,394.90	13/9	4,903.74
G		2,301.20	15/9	3,835.33
H		207.15	18/9	414.30
	0.00	44,418.00		43,602.51
less: adjustment for collection rate (1.5%)				-654.04
council tax base				**42,948.47**

18. Council tax income

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

Income from council tax

			£'000	£'000
total council tax base *(see note 20)*		42,948.47		
multiplied by average band D tax rate *(see note 22)*	x	£1,531.86		
total property income				-65,791
less: council tax benefits			6,838	
add: transitional relief			-5	
add: other adjustments			-424	
				6,409
income from council tax				**-59,382**

19. Council tax rates

Council tax rates by precepting body and band									
	band								
	disr A	A	B	C	D	E	F	G	H
precepting body	£	£	£	£	£	£	£	£	£
district council	103.85	124.62	145.39	166.16	186.93	228.47	270.01	311.55	373.86
county council	605.83	727.00	848.17	969.33	1,090.50	1,332.83	1,575.17	1,817.50	2,181.00
police authority	110.94	133.13	155.31	177.50	199.69	244.07	288.44	332.82	399.38
average parish	30.41	36.49	42.58	48.66	54.74	66.90	79.07	91.23	109.48
total	851.03	1,021.24	1,191.44	1,361.65	**1,531.86**	1,872.28	2,212.69	2,553.10	3,063.72

(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 £25.9m, based on the total non-domestic rateable value of £64.95mm at 31 March 2010 multiplied by the national non-domestic multiplier for the year of 41.4p. The actual amount collected was £21.3m 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 2010/2011 amounting to £nil (2009/2010 £nil). This was calculated using CIPFA Guidelines. The total amount of the provision at 31 March 2011 is £347k and represents 26% of the £1.33m debt outstanding - (this compares with £357k, 29% and £1.23m at 31 March 2010).

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

We have audited the financial statements of Stroud District Council for the year ended 31 March 2011 on pages 8 to 68, 73 to 80. The financial statements have been prepared under applicable law and the accounting policies set out in the Statement of Accounting Policies.

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

Respective responsibilities of the Head of Finance and auditor

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

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

Scope of the audit of the financial statements

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

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

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

Opinion on financial statements

In our opinion the financial statements:

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

Matters on which we are required to report by exception

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

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

Conclusion on Stroud District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

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

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

Basis of conclusion

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

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, Stroud District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

We certify that we have completed the audit of the financial statements of Stroud District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice2010 for Local Government Bodies issued by the Audit Commission.

Ian Pennington

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

KPMG LLP

3 Assembly Square

Britannia Quay

Cardiff

CF10 4AX

29 September 2011

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ANNUAL GOVERNANCE STATEMENT 2010/11

1.0 Scope of responsibility

1.1 Stroud District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Stroud District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, Stroud District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3 Stroud District Council has approved and adopted a code of governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government.* This statement explains how Stroud District Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement.

2.0 The purpose of the governance framework

2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Stroud District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at Stroud District Council for the year ended 31st March 2011, and up to the date of approval of this Statement.

3.0 The governance framework

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

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

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

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

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

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

4.2 The Council's Corporate Delivery Plan is based on the outcomes that the residents of Stroud have stated are important. Each year the Council reviews progress in delivering the Plan and every March a new version is published. The Council's Corporate Delivery Plan 2010-2014, was adopted in March 2010, and the Corporate Delivery Plan 2011-2015, was adopted in March 2011. All councilors are provided with a hard copy and it is also available on the Council's website www.stroud.gov.uk

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

4.4 The Council publishes an Annual Report, the latest version being the 2009/10 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, Committees, and, officers. There is also a mechanism for delegating decisions to Cabinet Members within their respective portfolios.

5.4 Under the Local Authorities (Members Allowances) (England) Regulations 2003, local authorities are required to have in place a scheme which sets out payments of allowances to councillors. The District Council formally adopts its allowances scheme for the forthcoming year at Annual Council. Prior to the Council agreeing its scheme of allowances, it has to consider the recommendations of an independent remuneration panel. The Scheme was reviewed by the Council's Standards Committee in May 2010. A review of the allowances scheme was also carried out by the independent remuneration panel in July 2010. However, due to the detailed review by the Standards Committee, this review was limited to changes in Basic Allowances and changes in the Special Responsibility Allowances for opposition Group Leaders.

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

6.1 The Council has adopted codes of conduct for Members and Officers. The code of conduct for Members is in accordance with the National Code of Local Government Conduct. Staff are also expected to maintain high standards of behaviour at all times. Their terms and conditions of employment and related matters are set out in the Employee Handbook, which incorporates an officer Code of Conduct based on a national model. The Council's Constitution also contains a number of protocols in respect of Member/Officer and Member/Member relations, and a whistle-blowing policy for employees.

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

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

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

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

The general role of these committees is detailed in the Constitution.

7.3 The Monitoring Officer maintains the up to date registration of Members Interests and also ensures that Members are regularly reminded to update their record. Declarations of Interest are a standard agenda item for each main committee meeting.

The requirement for staff to declare interests is included in the Officers Code of Conduct – Council Constitution Part 5, Standards of Conduct and Ethics

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

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

7.5 The Authority recognises that all aspects of business risk must be managed. The Council has a Risk Management Strategy, the purpose of which is to provide a framework for the effective management of risks within the authority. The Strategy was agreed by Council 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 either report directly to, or have access to, the Chief Executive who as Head of Paid Service is the other statutory officer whom the Council is required to appoint.

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

7.9 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. The Council was the first authority in the region to be awarded the IiP Health and Well Being Award.

8.2 Access to Member Development is a key element of the Local Code of Governance. 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. Recommendations were made in relation to the development of Members' personal personal development needs and addressing the issue of low attendance at Member Training events. Strategic Overview and Scrutiny Committee started a review of member participation during 2010/11.

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

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

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

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

10.0 Review of effectiveness

10.1 Stroud District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior management team within the authority who have responsibility for the development and maintenance of the governance environment, the annual report by the Internal Audit Manager, and also by comments made by the external auditors and other review agencies and inspectorates.

10.2 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework are as follows:-

11.0 The Council

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

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

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

12.0 The Cabinet

12.1 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.

12.2 The Council had in place, during 2010-11, two overview and scrutiny committees which supported the work of the Cabinet i.e. Strategic Overview & Scrutiny Committee, and Performance Overview & Scrutiny Committee.

13.0 The Audit Committee

13.1 Good corporate governance requires independent, effective assurance about both the adequacy of corporate, operational and financial management and reporting, and the management of other processes required to achieve the organisation's corporate and service objectives. Effective audit committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors.

13.2 The Terms of Reference for the Audit Committee cover the core functions of an audit committee as identified in the CIPFA guidance 'Audit Committees – Practical Guidance for Local Authorities'.

13.3 In accordance with best practice, a review of the effectiveness of the Audit Committee was carried out during the year using guidance produced by the CIPFA Better Governance

Forum. The review identified that the Committee was generally effective, but did identify a few areas where Members felt improvement was necessary. An Action Plan has been agreed to implement the improvements.

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.

14.2 The introduction in Parliament of the Localism Bill, which is unlikely to receive Royal Assent much before the end of 2011, will have a significant impact on the Standards Committee and ethical standards generally. The Bill proposes that:-

- the requirement for local authorities to have a Standards Committee will be abolished, although such Committees may be appointed at the discretion of local authorities
- the requirement to adopt a Member Code of Conduct will be revoked, although Councils will be free to formulate such a code should they so wish.
- The requirement for certain Member interests to be registered will remain.
- Failure to register/declare an interest will be potentially punishable as a criminal offence.

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

15.0 Internal Audit

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

15.2 The review consisted mainly of a self-assessment against the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006, and the results were reviewed by the Council's Head of Finance, and were also reported to the Council's Audit Committee in June 2011. The overall conclusion from the review was that internal audit at SDC is effective. Although the self-assessment identified a number of 'gaps' in compliance with the CIPFA Code of Practice, these do not materially effect the reliance the Council can place on the Internal Audit manager's opinion on the adequacy of the control environment.

15.3 Internal Audit work is carried out to the standards outlined in the CIPFA 'Code of Practice for Internal Audit in Local Government in the United Kingdom 2006' (the Code). The Code requires 'the Head of Internal Audit to provide a written report to those charged with governance timed to support the Annual Governance Statement'. The 2010-11 report by the Internal Audit manager concluded:-

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

15.4 During the year, the Council entered into a formal shared service with Gloucester City Council for the provision of the Council's internal audit service. Known as the Glos Audit & Assurance Partnership (***G A A P***), and hosted by Gloucester City Council, the arrangement brings together the internal audit staff of both Councils. The main benefits to the two Councils of the proposed shared service are improved capacity by bringing together staff resources from both partners, increased resilience by standardising processes across partner sites and creating a pool of skilled staff who can support both partners and improved quality of service delivery.

16.0 Other review/assurance mechanisms

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

16.2 In September 2010, the Council's External Auditor produced the Annual Governance Report relating to the 2009/10 audit of the Council's financial statements. In relation to, 'audit matters of governance interests that arise from the audit of the financial statements', the report concluded that 'there were no matters which we wish to draw to your attention'.

16.3 **Risk Management** - is the process by which risks are identified, evaluated and controlled and is a key element of the governance framework. The Council approved a new Risk Management Policy and Strategy in March 2010. As part of the strategy for embedding risk management within the Council and ensuring all risks were properly identified and managed, a Corporate Risk Management Group (CRMG) was formed.

16.4 The CRMG met regularly throughout 2010-11 and has been working actively with Heads of Service to ensure that all risks identified are recorded correctly on the Council's performance management system. All Cabinet and Scrutiny Committee Members have access to the system and can review the Corporate Risk Register at any time.

16.5 The CRMG report to Cabinet and the Audit Committee on an annual basis. The latest report was reported to the March meetings of Cabinet and the Audit Committee.

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

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

16.8 **HRA Internal Inquiry** - As a result of the under-spend of £1.4m on the HRA for 2009/10, it was identified that further work was needed to improve budgetary control particularly on the capital spending. During 2010-11, an internal inquiry was undertaken by the Council's Head of Finance, assisted by the Council's Internal Audit Manager, to identify the weaknesses in the budget setting and monitoring process, particularly around capital and planned maintenance budgets.

16.9 The report, which was presented to the Audit Committee in February 2011, made a number of recommendations which have been agreed to be implemented. The Council's internal audit team have been requested to carry out an audit to ensure that the recommendations have been implemented.

16.10 **Assurance Statements** - A further source of assurance has been obtained from the introduction of Assurance Statements. These Statements have been issued to all Heads of

Service, and they have been requested to complete, and to identify any significant internal control issues within their portfolio. There were no significant governance issues identified.

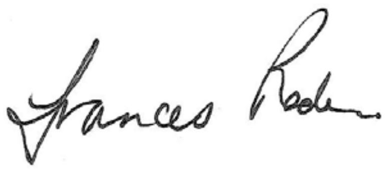
17.0 Significant governance issues

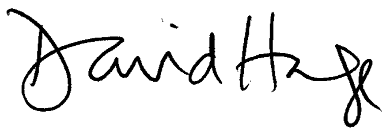
17.1 The Council will consider how it will best address the maintenance of high ethical standards by Councillors once the Localism Bill becomes law. It is recognised that the existence of a transparent robust framework to regulate such matters is both essential and in the public interest. Equally it is recognised that whatever the future of the Standards Committee' it is of importance to retain a role for outside independent member involvement.

17.2 In 2009/10 the Council reported the financial management of the Housing Revenue Account (HRA) as a significant governance issue. As referred to in paragraph 16.8 above and reported to the Audit Committee in June, significant improvements have been made. It should also be noted that the Tenants Services Authority (TSA), the regulator of Social Housing has formally signed off its involvement with Stroud, satisfied that the Council has addressed all concerns and has made significant improvements in the service it provides to tenants.

17.3 We propose over the coming year to take steps 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

David Hagg
Chief Executive

Glossary

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

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

Collection Fund	Stroud District Council collects council tax and business rates on behalf of a number of public bodies – Gloucestershire County Council, Gloucestershire Police 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: 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 *budget*; and is a forecast of income and expenditure for the year
forecast	an *estimate* of income and expenditure in a financial year;
IAS 19	International Accounting Standard 19 *Employee Benefits* is the accounting requirement as regards pensions that local authorities must fully recognise in the publication of their statement of accounts;
General Fund	the account that records and finances Council *revenue* expenditure, other than *HRA*;
Housing Revenue Account (HRA)	a separate statutory account dealing with the *revenue* income and expenditure arising from the provision of Council-owned and managed dwellings;
housing subsidy	paid by or to the government to reflect the government's assessment of how much the 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;
material	omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessment of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or combination of both, could be the determining factor.
major repairs allowance	a cash payment received by the *HRA* as part of housing subsidy for the upkeep of fixed assets such as rented dwellings;
medium term financial plan (MTFP)	the Council's rolling 5-year estimate of all effects on the *General Fund*, including inflation, government grants, service changes, base rate changes and the *tax base*;
net cost	the cost of continuing operations after deducting specific grants and income from fees and charges;
non distributed costs	elements that are excluded from recharge to the total cost of a service but limited to: past service costs, settlement costs, curtailments, unused share of IT facilities and cost of shares of other long-term unused but unrealisable assets
overspend	where *actual* expenditure is more than the *budget*;
precept	a levy made by the police authority, county council, district council or parish/ town councils on the *Collection Fund* to provide the required income from council taxpayers and business ratepayers on their behalf;
prior period errors	are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that: a) was available when financial statements for those periods were authorised for issue, and b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretation of facts, and fraud.
prospective application	of a change in accounting policy and of recognising the effect of a change in an accounting estimate, respectively, are: a) applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed, and b) recognising the effect of change in the accounting estimate in the current and future periods affected by the change
Public Works Loan Board (PWLB)	a government institution that borrows money on behalf of the government and lends it to public bodies that meet its borrowing criteria;

retrospective application	is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.
retrospective restatement	is correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.
revenue	this word is used in two different contexts, 1) sources of income, and 2) expenditure that is not of a *capital* nature such as general running costs including salaries and capital financing costs;
revenue support grant (RSG)	a grant paid by central government to local authorities to support general *revenue* expenditure and not for specific services;
right-to-buy (RTB)	legislation allows tenants of local 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 *capital receipt*;
settlement	an irrevocable action that relieves the employer (or defined benefit scheme) of the primary responsibility for the pension obligation and eliminates risks relating to the obligation and the assets used to effect the settlement. Settlements include: a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits; b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.
surplus assets	property awaiting redeployment or disposal, not used in the delivery of Council services;
tax base	used to measure the taxable value of properties in a council's area based upon numbers of properties in each tax band;
transitional arrangement	where the government is making changes that may adversely affect a local authority it may phase in the changes using transitional arrangements, often on a sliding scale over a few years:
underspend	where *actual* expenditure is less than the *budget*.

Feedback form – your views

We would like to know what you think about this Statement of Accounts in order to make future statements more usable for readers. They are made available on the Council's website at http://www.stroud.gov.uk/docs/statement_of_accounts.asp?did=Audit_accounts.

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

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

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

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

You can give your name and address if you wish.

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

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

How could we improve the Statement of Accounts?

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

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

Your address ....

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Telephone .... Email ....

Thank you