

# **FOREST OF DEAN DISTRICT COUNCIL**

**AUDIT COMPLETED**



**STATEMENT OF ACCOUNTS  
2009/2010**

## STATEMENT OF ACCOUNTS 2009/2010

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## **WELCOME TO THE STATEMENT OF ACCOUNTS**

These accounts are very technical documents that describe in great detail the performance of the Council over the last 12 months and its financial position at the end of March 2010. There are some important headlines that can be highlighted.

Never before has the public eye been so focussed on the issue of the local government pension scheme. Our actuaries are now estimating our long-term pension liability to be in the order of £42m, this means that in these accounts we are now presenting a negative balance sheet. We await to see what changes will come in the future to make the scheme viable for both the public and employees.

During the year we implemented a £1.1m programme of budget reductions and savings. We also introduced improved financial control processes that allowed us to successfully tackle a potential in-year overspend of nearly £0.3m.

By the end of March we managed to record a small overspend of £32,000 against the original budget we set in February 2009. Despite the financial challenges we have many success stories to tell and these are detailed separately in our Annual Report.

Looking forward, we are anticipating large reductions in financial support given to us by the government. Officers and Members are already working hard to develop efficiency strategies that will minimise the impact on the services we deliver to the public. Careful management of our reserves mean that we have adequate resources to meet the challenges ahead.

We are always looking to improve the way we present our financial information. This is because we feel it is important that residents understand the Council's finances. If there is anything you would like to tell us so that we can improve things for the future, then please do not hesitate to get in touch with us at Accountancy Services, Council Offices, High Street, Coleford, Glos GL16 8HG.

Finally, we thank you for showing an interest in the Council's finances.

# THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## THE COUNCIL'S RESPONSIBILITIES

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Group Manager – Finance and Property, who also undertakes the role of Chief Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

## THE CHIEF FINANCIAL OFFICER'S RESPONSIBILITIES

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

In preparing the Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority SORP.

The Chief Financial Officer has also:

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

## CERTIFICATE OF CHIEF FINANCIAL OFFICER

I certify that the Statement of Accounts on pages 16 to 64 gives a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2010.

Chief Financial Officer



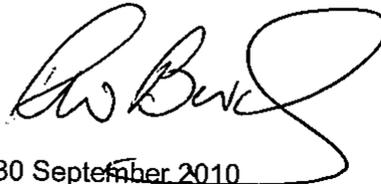
Date

30 September 2010

## COMMITTEE APPROVAL OF THE STATEMENT OF ACCOUNTS

This Statement of Accounts was approved by the Audit Committee at its meeting on 24 June 2010.

Audit Committee Chairman



Date

30 September 2010

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOREST OF DEAN DISTRICT COUNCIL**

### **Opinion on the accounting statements**

I have audited the Authority accounting statements and related notes of Forest of Dean District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Forest of Dean District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

### ***Respective responsibilities of the Chief Financial Officer and auditor***

The Chief Financial Officer's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

### ***Basis of audit opinion***

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

## ***Opinion***

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### ***Authority's Responsibilities***

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

### ***Auditor's Responsibilities***

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## ***Conclusion***

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Forest of Dean District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

## **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Peter Barber  
Engagement Lead  
Audit Commission  
5th Floor, Block 3 Shire Hall  
Westgate Street  
Gloucester  
GL1 2TG

30 September 2010

# FOREST OF DEAN DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT 2009/2010

## 1. Scope of the governance framework

The Forest of Dean 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. The 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.

In discharging these responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, including arrangements for the management of risk.

The Council has developed and approved a code of corporate governance, which is consistent with the principles of national best practice. This statement explains how the Council is currently complying with these principles. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

## 2. The purpose of the governance framework

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

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 the 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.

The governance framework has been in place at the Council for the year ended 31 March 2010 and up to the date of approval of the annual statement of accounts.

### The governance framework

The key elements of the Council's governance framework are summarised below:

- A community and corporate planning process, based on consultation with the community and key stakeholders, to identify and communicate the Council's vision of its purpose and intended outcomes for citizens and service users.
- An annual service planning process informed by the Sustainable Community Plan and Corporate Plan with links to individual performance appraisals.
- An annual review of the Council's vision and corporate priorities and its implications for governance arrangements conducted by the Corporate Leadership Team and the Cabinet.
- Measuring the quality of service for users to ensure services are delivered in accordance with the Council's objectives and represent best use of resources.
- The roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions are defined in the Council's Constitution.
- Defined codes of conduct for elected members and Council employees.
- A strong Standards Committee, with independent members, fostering a strong ethical culture and monitoring the application of codes of conduct.
- Reviewing and updating the Constitution, the scheme of delegation and supporting written procedures, which clearly define how decisions are taken and the processes and controls required to manage risks.

- An independent Audit Committee, which meets good practice standards and includes at least one member independent of the Council.
- An effective Scrutiny function able to constructively challenge decision-makers, including those who work in partnership with the Council.
- Internal procedures and monitoring arrangements which ensure compliance with relevant laws and internal policies.
- A whistle-blowers' charter for receiving and investigating complaints from the public and employees, which has been publicised to employees, contractors and the public.
- A Customer Feedback policy for handling comments and complaints.
- A Communications and Engagement Strategy and associated action plan.
- A Partnership Protocol guiding the Council in its governance of partnerships.
- A member development programme and employee appraisal and competency frameworks, which identify the development needs in relation to their roles.
- Ensuring clear channels of communication with all sections of the community and other stakeholders.
- The ability for members of the public to ask questions at Cabinet and Scrutiny Committee meetings and meetings of Full Council.
- A highly regarded Internal Audit service run in partnership with other authorities – the South West Audit Partnership (SWAP)

### 3. Review of effectiveness

The 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 managers, the annual opinion from the Group Auditor (Head of Internal Audit), and also by comments made by the external auditors and other review agencies and inspectorates.

In carrying out the review, we have kept in mind the six CIPFA/SOLACE principles of governance:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

The Council's process for maintaining and reviewing the effectiveness of the governance framework involves:

- Service managers completing governance declarations, which provide appropriate management assurance that key elements of the system of internal control are in place and working effectively.
- The work of the Corporate Governance Group, chaired by the Monitoring Officer, particularly monitoring and progressing the Governance Action Plan.
- The Group Auditor (Head of Internal Audit) providing the Audit Committee, as the Committee charged with Governance, with an Annual Opinion on the control environment of the Council, which includes its governance arrangements.
- The Standards Committee reviewing its work to ensure it is fit for purpose in promoting and maintaining high standards of conduct by councillors and co-opted members.
- The Constitution Working Group's review of elements of the Constitution.
- Benchmarking and value for money studies to compare our performance with other authorities.

- The member development programme, led by the Member Development Group, and including an induction process for newly elected members.
- Achieving and maintaining the Investor in People Standard.
- Annual reports from the Standards Committee and the Scrutiny Committees.
- The corporate high level Improvement Plan and the Improvement Board which oversees its implementation and comprises representatives from the Government Office for the South West, the Improvement and Development Agency, the South West Regional Improvement and Efficiency Partnership and the Audit Commission, as well as members and officers.
- The Audit Commission's Annual Audit and Inspection Letter and follow up of management responses to issues raised in the report.
- Other explicit review/assurance mechanisms, such as the annual report from the Local Government Ombudsman and reports from any service or cross-cutting audits, assessments or inspections carried out by the Audit Commission.

#### 4. Significant governance issues

In preparing this statement and reviewing the effectiveness of our governance arrangements we have identified seven areas where we need to focus improvement work over the next year. These are set out in the table below.

No.	Improvement area	Planned action
1.	Maintain the direction of travel on improving governance	Continued work by the Corporate Governance Group throughout the year, overseeing an action plan covering these significant governance issues identified in this Annual Governance Statement.
2.	Procurement and Contract management	Work to embed good practice through: <ul style="list-style-type: none"> <li>• additional training for relevant officers;</li> <li>• maintaining an up to date procurement/ contracts register;</li> <li>• publicising the Council's upcoming contracts on the internet;</li> <li>• carrying out recommendations from Internal Audit review/s of procurement.</li> </ul>
3.	Community engagement.	Implement action plan arising from Communications and Engagement Strategy to ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.
4.	Data quality	Continue to strengthen data quality: <ul style="list-style-type: none"> <li>• Raise further awareness of the Council's data quality policy.</li> <li>• Ensure consistent application across the Council.</li> </ul>
5.	Risk management	Continue to strengthen risk management, in particular: <ul style="list-style-type: none"> <li>• Maintain a focus on the overall risk framework, reviewing the strategy as necessary.</li> <li>• Review operational risk management.</li> <li>• Review partnership risk management, in line with approved Partnership Protocol.</li> </ul>

6.	Business continuity	<p>Strengthen existing arrangements:</p> <ul style="list-style-type: none"> <li>• Completion of business continuity plans for all service areas.</li> <li>• Ensure all business continuity plans are up to date.</li> <li>• Robust testing of corporate recovery plan.</li> </ul>
7.	Value for Money	<p>To ensure that the authority makes best use of resources and that tax payers and service users receive good value for money:</p> <ul style="list-style-type: none"> <li>• make sure that the authority, or relevant partnership, has the information and guidance needed to review the value for money and performance of the services it provides.</li> </ul>

We propose to address these matters to improve our governance arrangements further over the coming year. The Corporate Governance Group and the Audit Committee will monitor progress regularly. All actions are assigned to a named officer as part of their 2010/2011 workplan. We are satisfied that these steps will address the needs identified in our review of effectiveness and we will report on their implementation throughout the coming year.

**Signed:**  .....  
**Leader of the Council**

**Signed:**  .....  
**Head of Paid Service**

on behalf of Forest of Dean District Council

10 June 2010

## **EXPLANATORY FOREWORD**

### **1. STATEMENT OF ACCOUNTS**

The Council's statement of accounts has been produced under the CIPFA/LASAAC Code of Practice on Local Authority Accounting (SORP) and complies with UK Generally Accepted Accounting Practice (UK GAAP).

The Council's statement of accounts for the financial year 2009/2010 is set out on pages 16 to 64 and consists of the following:

#### **(a) The Statement of Accounting Policies**

This explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. This includes changes in policy, the basis of charges to revenue and the calculation of balance sheet items.

#### **(b) The Income and Expenditure Account**

This shows the net cost for the current year of all the services for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together income and expenditure relating to all of the Council's services. Both income and expenditure are measured using essentially the same accounting conventions (UK GAAP) that a large company would use in preparing its audited annual financial statements.

#### **(c) The Statement of Movement on the General Fund Balance (SMGFB)**

This reconciles the outturn on the Income and Expenditure Account to the balance on the General Fund that is established by complying with the relevant statutory provisions. The SMGFB facilitates a full presentation of the financial performance of the Council during the year and the actual spending power carried forward to future years.

#### **(d) The Statement of Total Recognised Gains and Losses (STRGL)**

This brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and remeasurement of the net liability to cover the cost of retirement benefits.

#### **(e) The Balance Sheet**

This shows the Council's assets and liabilities at 31 March 2010.

#### **(f) The Cashflow Statement**

This summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purposes of this statement as cash in hand and deposits repayable on demand less overdrafts payable on demand.

#### **(g) The Collection Fund Account**

This shows the income and expenditure transactions relating to the collection of income from Non-Domestic Rates and Council Tax, and the subsequent disbursement of these to the Council's General Fund and various precepting bodies.

#### **(h) The Annual Governance Statement**

This is not part of the Statement of Accounts, but is required to be included alongside it in the same publication. This is an important distinction, as this Statement is not covered directly by the Chief Financial Officer's certification, or the Independent Auditor's Report (although it will be reviewed by the auditors as 'other information').

The statement relates to the system of internal control as it applied during the financial year for the accounts it accompanies.

## **2. IMPACT OF THE ECONOMIC CLIMATE**

The adverse economic climate continues to have an impact on the Council's finances. Once again, income related to the housing and property markets such as planning application fees, land searches etc., has been depressed. At the same time, the number of claims received for housing and council tax benefits continues to increase.

## **3. REVENUE ACCOUNT SUMMARY**

The Council's revenue account, known as the General Fund, bears the net cost of providing day-to-day services. In this section of the foreword we will:

- compare actual spending to budget;
- explain the big differences;
- explain where the money came from; and
- show where the money went.

### **Comparing actual spending to budget**

The Council's original financial plans for the year were supported by an increase in council tax of just 2.5%. This gave a band D council tax of £158.64.

Our net expenditure budget for the year was set at £12.742m. This represented the net cost of services taking into account:

- £0.623m of income from our investments;
- £3.258m of income from fees and charges for services provided; and
- £21.998m of specific government grants.

The total net expenditure budget for the year was financed by:

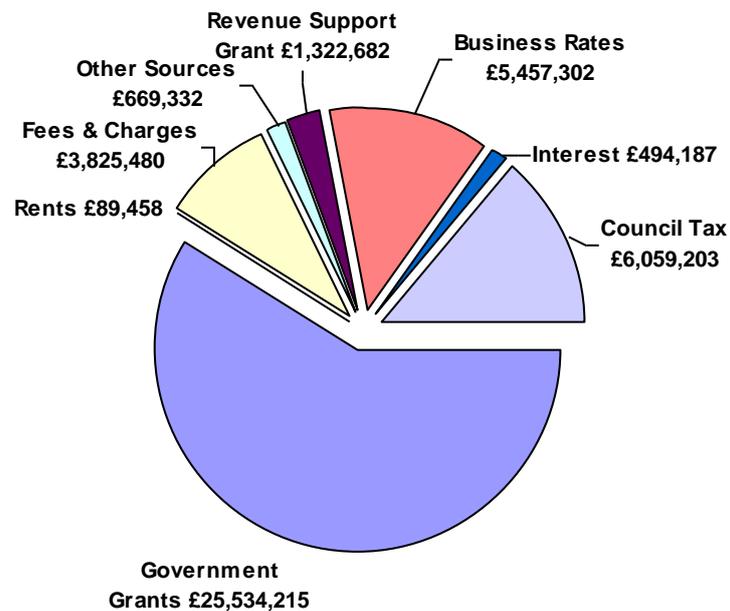
- £6.717m of business rates and general government grant (Formula Grant); and
- £4.691m of council tax income.

The net expenditure budget was revised during the course of the year to £12.792m to reflect the additional restructuring costs resulting from implementation of savings measures and the continued impact of the economic downturn on some of our major income streams.

The final outturn for the year was £12.842m, an overspend of £0.050m. However, additional grants of £0.063m and adjustments to Council Tax income of £0.005m were received, resulting in an overall underspend of £18,000 against revised budget.

## Where the money comes from

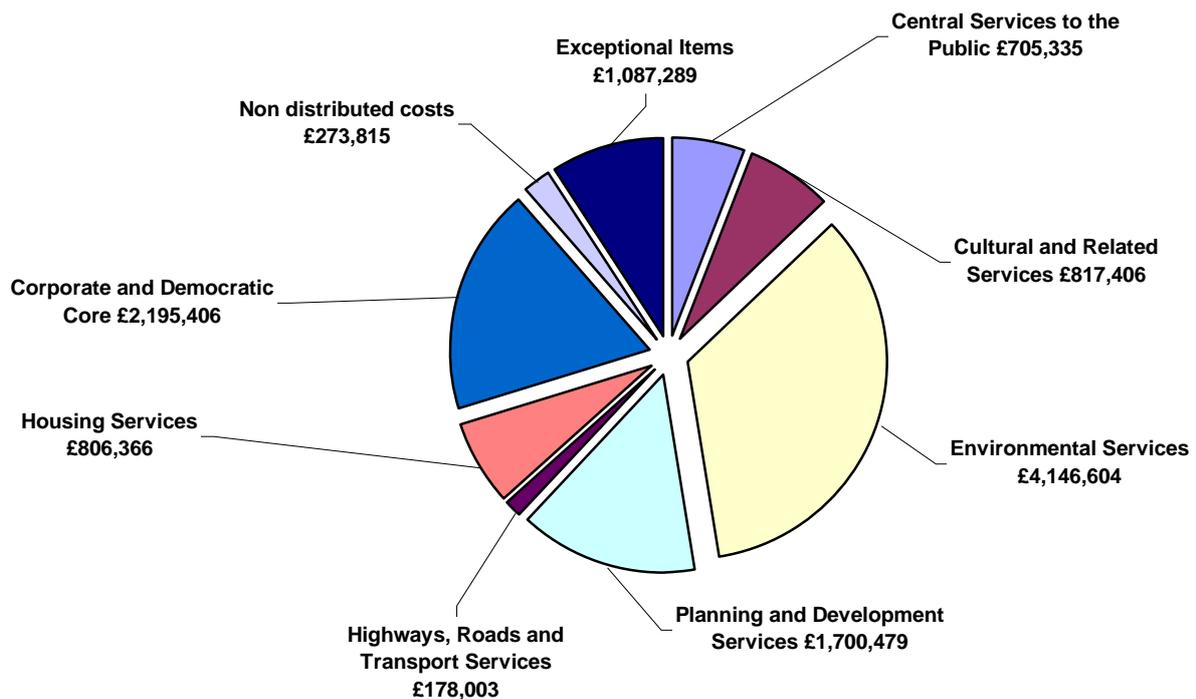
The following chart provides an analysis of our sources of income for the year.



The Government provides our main source of income in the form of general and specific grants. The Government also determines the amount of business rates we receive. Our council tax income grew by 2.5% during the year, in line with our financial strategy.

## Where the money went

The following table provides a high level summary of our net expenditure on Council services.



## GENERAL FUND - NET EXPENDITURE COMPARISON WITH ESTIMATES

2008/2009 Net Actual Expenditure £000		Original Estimate £000	2009/2010 Revised Estimate £000	Net Actual Expenditure £000
632	Central Services to the Public	654	593	705
1,358	Cultural and Related Services	1,023	1,013	818
3,919	Environmental Services	4,312	4,435	4,147
1,807	Planning and Development Services	2,135	2,402	1,700
731	Highways, Roads and Transport Services	647	481	178
1,581	General Fund Housing	1,397	1,534	806
2,599	Corporate and Democratic Core	2,649	2,656	2,195
1,247	Non Distributed Costs	53	216	(274)
57	Exceptional costs	518	499	1087
<b>13,933</b>	<b>Net Cost of Services</b>	<b>13,388</b>	<b>13,829</b>	<b>11,362</b>
(1,128)	Interest and Investment Income	(623)	(508)	(494)
(97)	Contribution to/(from) Revenue Reserves	(705)	(1,274)	21
394	Pensions adjustments	-	-	1,232
12	Interest Paid	12	12	11
23	Revenue financing of capital expenditure	-	-	-
(2,146)	Reversal of capital charges	(670)	(670)	(696)
21	West Glos IDB and other levies	23	23	23
36	Trading Account	(46)	17	15
-	Collection Fund share of surplus	-	-	(10)
<b>11,048</b>	<b>Net Revenue Expenditure</b>	<b>11,379</b>	<b>11,429</b>	<b>11,464</b>
1,290	Parish/Town Council Precepts	1,363	1,363	1,378
		<b>12,742</b>	<b>12,792</b>	<b>12,842</b>
	Less:			
(844)	General Government Grants	(1,260)	(1,260)	(1,323)
(5,780)	Redistributed NNDR	(5,457)	(5,457)	(5,457)
(5,916)	Demand on Collection Fund	(6,054)	(6,054)	(6,059)
<b>(201)</b>	<b>(Increase)/Decrease in Working Balances</b>	<b>(29)</b>	<b>21</b>	<b>3</b>

The reasons for the variation in Net Cost of Services between the revised estimate and the actual figures for 2009/2010 are:

### Overspends

	£000	
Planning	174	Unbudgeted planning appeal costs.
Various	147	Under budgeted restructuring costs.
Legal	160	Legal claim settled.
Development Control	26	Budget income not achieved.
Leisure	19	Under budgeted utility costs
Various	13	Other minor overspends.
	<u>539</u>	

## Underspends

	£000	
Transport	(395)	2008/2009 creditor written back.
Finance	(89)	Housing/Council tax benefits actual less than budget.
Legal	(37)	Additional income achieved.
Planning	(36)	Additional income achieved.
	<u>(557)</u>	

**Net Underspend (18)**

The following table looks at our expenditure in a different way to show the main types of costs we incur. Our service expenditure can be split between staffing costs and other running costs, including capital charges. Running costs include the costs of running our buildings, transport, the payments we make to suppliers, the payments we make to people receiving benefits and the cost of essential administrative and professional support services. Capital charges are made to cover the annual value of depreciation of our assets.

Categories of expenditure	2009/2010 £	2008/2009 £
Employees	9,095,778	9,978,112
Premises Related	865,095	738,281
Transport Related	247,963	290,968
Supplies and Services	3,397,551	3,996,395
Third Party Payments	3,222,353	2,903,033
Transfer Payments	24,182,031	20,339,394
Capital Charges	2,089,435	3,461,164
Income	(40,581,718)	(36,515,086)
Reserves and other balance sheet items	8,945,833	5,856,068
<b>Net Revenue Expenditure</b>	<b>11,464,321</b>	<b>11,048,309</b>

## 4. CAPITAL ACCOUNT SUMMARY

Our capital account shows the income and expenditure transactions we make when we:

- buy or sell land or property;
- build new property;
- improve our properties; and
- provide grants to others for the above.

In this section of the foreword we will:

- detail our actual capital spending by individual project; and
- explain where the money came from.

Our capital scheme spending included:

**Capital expenditure 2009/2010**

	<b>£000</b>
<b>Priority 1: Provide value for money services</b>	
Refurbishment of offices, car parks and other assets	407
Replacement of vehicles	5
Replacement IT software and hardware	107
<b>Priority 2: Promote thriving communities</b>	
Grants for social housing, disabled facilities and minor improvements	870
CCTV upgrades	34
<b>Priority 3: Encourage a thriving economy</b>	
Cinderford Business Plan	393
Refurbishment of industrial estate	10
Grants to businesses and community groups	48
<b>Priority 4: Protect and improve our environment</b>	
Flood alleviation schemes	34
<b>TOTAL ALL PRIORITIES</b>	<b><u>1,908</u></b>

**Where the money came from**

The table below shows how we paid for our capital spending:

	<b>£000</b>
Capital Receipts	891
Capital Grants	982
Revenue Account	-
Third Party contributions	35
	<b><u>1,908</u></b>

## STATEMENT OF ACCOUNTING POLICIES

### 1. GENERAL PRINCIPLES

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

The accounts are also prepared on the principle of Total Cost as defined in the Best Value Accounting Code of Practice (BVACOP). Total cost of a service includes all costs which relate to the provision of a service (directly or bought in) including employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. Net total cost is total cost less income other than specific grants.

### 2. SIGNIFICANT CHANGES IN ACCOUNTING POLICY

The SORP now provides specific guidance on accounting for local taxes (i.e. National Non-domestic Rates (NNDR) and Council Tax). A billing authority is now deemed to be acting as an agent of the major preceptors (in this case Gloucestershire County Council and Gloucestershire Police Authority). The billing authority and the major preceptors are now required to include in their balance sheets appropriate shares of the Council Tax debtors. Previously, the whole of the Council Tax debtor appeared in the billing authority balance sheet.

Billing authorities are now also deemed to be acting as an agent of the Government when collecting NNDR. Consequently, billing authorities are now required to include a creditor or a debtor for cash collected from NNDR debtors but not yet paid to the Government, or overpaid to the Government at the Balance Sheet date. Previously, the whole of the NNDR debtor appeared in the billing authority balance sheet.

These changes are being accounted for as a change of accounting policy, resulting in a restatement of 2008/2009 accounts. Note 2 shows the detail of this.

### 3. ACCOUNTING CONCEPTS

The following accounting concepts are adopted to ensure that the accounts present a true and fair view of the Council's financial affairs.

**Relevance:** To provide information about the financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.

**Reliability:** Financial information reflects the substance of the transactions and other events that have taken place, is free from deliberate or systematic or material bias and is appropriately prudent under conditions of uncertainty.

**Comparability:** Consistent policies are applied both within the accounts for a year and between years but do not impede the introduction of improved accounting practices and Codes which enable comparisons with other similar entities.

**Clarity:** The accounts require a reasonable knowledge of accounting and local government when reading the financial statements. However, all reasonable efforts are taken to ensure their widest possible comprehension.

**Materiality:** Strict compliance with the Code is not necessary where amounts involved are not material to the fair presentation of the financial position. This is a judgement made dependent on the size and nature of each item in question.

**Going Concern:** The accounts are prepared on the assumption that the Council will continue in operation and existence for the foreseeable future.

**Primacy of Legislation:** Local Authorities derive their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. It is a fundamental principle of local authority accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall apply.

#### **4. ACCRUALS OF INCOME AND EXPENDITURE**

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services,
- Supplies are recorded as expenditure when they are consumed,
- Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cashflows fixed or determined by the contract,
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to Revenue for the income that might not be collected.

#### **5. PROVISIONS**

Provisions are created when an event has taken place that gives the Council an obligation that will probably incur expenditure, but where the timing is uncertain. They are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Note 25 details the provisions held, and the purposes for which they are held, at 31 March 2010.

#### **6. RESERVES**

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

General Fund – this reserve has arisen due to an overall surplus on revenue activities over a number of years. It is not earmarked for any specific purpose but is available to support future expenditure.

Earmarked Revenue Reserves – the Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. The level and purpose of the reserves held is detailed in note 31.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits, those being the Revaluation Reserve, the Capital Adjustments Reserve and the Pension Reserve. These reserves are not available to support future expenditure.

#### **7. GOVERNMENT GRANTS AND CONTRIBUTIONS (REVENUE)**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant or contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

#### **8. VAT**

All income and expenditure transactions exclude VAT, whether capital or revenue, unless for some specific reason it is not recoverable. As is the case with all local authorities, the Council is normally able to recover all VAT incurred from HM Revenue and Customs. Any balance due to the Council is included within the debtors figure shown in the Balance Sheet.

## 9. INTANGIBLE FIXED ASSETS

Expenditure over £10,000 excluding VAT on assets that do not have physical substance but are identifiable and controlled by the Council, such as software licences, is capitalised when it will bring benefits to the Council for more than one financial year. They are valued in the accounts at cost and are amortised, or written out, to the relevant service revenue account over the economic life of the asset.

## 10. TANGIBLE FIXED ASSETS

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

Operational: Land and buildings used in the provision of services or to meet the strategic objectives of the Council.

Infrastructure: Land drainage schemes and cemetery roadways.

Community: Cemeteries and recreation areas.

Vehicles, Plant and Equipment: Information technology, vehicles, plant.

Non-operational: Investment properties, assets held for disposal.

**Recognition:** All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. A capitalisation threshold of £10,000 excluding VAT has been applied for all asset categories except for vehicles, where the capitalisation threshold is £5,000 excluding VAT. Expenditure that secures but does not extend the previously assessed standards of performance of an asset, such as repairs and maintenance, is charged to Revenue as it is incurred.

Operational assets have been included in the Balance Sheet at the lower of net current replacement cost or net realisable value in existing use net of depreciation, where appropriate.

Infrastructure assets and Vehicles, Plant and Equipment assets have been included in the Balance Sheet at historic cost net of depreciation.

Community assets have been included in the Balance Sheet at historic cost.

Non-operational assets have been included in the Balance Sheet at market value.

**Measurement:** Assets are initially measured at cost, comprising all expenditure directly attributable to bringing the asset into working condition for its intended use. Assets included in the Balance Sheet at current values are revalued when there have been material changes in the value, but as a minimum every five years. Increases in valuations are credited to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure account where they arise from a reversal of an impairment loss previously charged to a service revenue account.

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

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

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account;
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

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

**Disposals:** When an asset is disposed of or decommissioned, the net book value of the asset in the Balance Sheet is written off to the Income and Expenditure account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure account as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. The written-off value of disposals is not a charge against Council Tax as the cost of fixed assets is fully provided under separate arrangements for capital financing. Amounts representing the net gain or loss on disposal are appropriated to or from the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

**Depreciation:** Depreciation is provided for on all assets with a determinable finite life, except for investment properties, by allocating the value of the asset in the Balance Sheet over the accounting periods expected to benefit from their use.

Assets acquired during the year are depreciated from the start of the year following acquisition and assets under construction are not depreciated until the year following the year they are brought into use. Depreciation is charged in the year of disposal.

Depreciation is calculated using the straight line method over the following periods:

- Intangible 3 to 5 years
- Buildings 10 to 45 years
- Vehicles, Plant and Equipment 2 to 10 years
- Infrastructure 40 years
- Surplus 10 to 40 years

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

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

## 11. CHARGES TO REVENUE FOR FIXED ASSETS

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

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

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisation.

## 12. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue Expenditure Funded from Capital Under Statute charges relate to expenditure that qualifies as capital but does not result in the acquisition, creation or enhancement of a tangible fixed asset for the Council, such as improvement grants. They are written off to the revenue account in the year in which the expenditure is incurred on the basis that no long-term benefit accrues to the Council from that expenditure.

Net operating expenditure contains accounting entries that are not revenue-based and should not have an impact on Council Tax. Consequently, after the disclosure of net operation expenditure they are reversed out by an adjustment between the Capital Adjustment Account and the Statement of Movement on General Fund Balance.

### **13. FINANCIAL ASSETS**

Financial assets are classified into two types:

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

Loans and receivables are initially measured at fair value and carried in the Balance Sheet at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the amount receivable for the year in the loan agreement.

Available-for-sale assets are initially measured and carried at fair value. Where an asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income such as a dividend payment, is credited to the Income and Expenditure Account when it becomes receivable by the Council.

### **14. FINANCIAL INSTRUMENTS**

The Council entered into a number of financial guarantees before 1 April 2006 that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is required.

### **15. USABLE CAPITAL RECEIPTS**

Receipts from the sale of assets or repayments of amounts of capital expenditure are treated as capital receipts. A proportion of housing receipts (excluding the Council's share of the sale of our former houses) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve and is then used for new capital investment.

### **16. STOCKS AND WORK IN PROGRESS**

Stocks are included in the Balance Sheet at the lower of cost and net realisable value, in accordance with SSAP9 'Stocks and long-term Contracts'. Work in progress is valued at cost.

### **17. OPERATING LEASES**

Rentals payable or receivable on operation leases are charged or credited to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged or credited when they become payable.

### **18. RETIREMENT BENEFITS**

Employees of the Council are members of the Local Government Pension Scheme administered by Gloucestershire County Council. The scheme provides benefits to members (retirement lump sums and pensions) earned as employees of the Council.

The Local Government Pension Scheme is accounted for as a defined benefit 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 method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc., and projections of projected earnings for current employees.
- The liabilities are discounted to their value at current prices using a discount rate of 5.5%. This is based on the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities and is as advised by the actuaries.

- The assets of the Gloucestershire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value.
- The change in the net pension liability is analysed into seven components:
  - Current Service Cost – the increase in liabilities as a result of years of service earned this year allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
  - Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to service earned in earlier years, debited to Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
  - Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid, debited to Net Operating Expenditure in the Income and Expenditure Account.
  - Expected Return on Assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return, credited to Net Operating Expenditure in the Income and Expenditure Account.
  - Gains/Losses on Settlements and Curtailments – the result of actions to relieve the Council of liabilities or events that reduce the future service or accrual of benefits to employees, debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
  - Actuarial Gains and Losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, debited to the Statement of Total Recognised Gains and Losses.
  - Contributions paid – cash paid as employer's contributions to the Gloucestershire County Council pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end (see Note 16).

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 decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## **19. OVERHEADS AND SUPPORT SERVICES**

The costs of overheads and support services are charged to those than benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2009. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to 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 costs of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

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

## **20. LIQUID RESOURCES**

These are investments with less than one year to maturity that can be readily disposed of without disrupting or curtailing the Council's activities and which will realise a known amount of cash at or near the investment's carrying value. They are managed through the Investment Strategy and Treasury Management policies of the Council.

# **THE CORE FINANCIAL STATEMENTS**

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010**

2008/2009 Restated £	Service	2009/2010			Notes
		Gross Expenditure £	Income £	Net Expenditure £	
632,256	Central Services to the Public	6,622,774	5,917,439	705,335	
1,358,410	Cultural and Related Services	2,467,047	1,649,641	817,406	
3,919,459	Environmental Services	5,483,226	1,336,622	4,146,604	
1,807,206	Planning and Development Services	3,931,853	2,231,374	1,700,479	
731,399	Highways, Roads and Transport Services	385,100	207,097	178,003	
1,581,141	Housing Services	21,612,710	20,806,344	806,366	
2,598,834	Corporate and Democratic Core	2,984,231	788,825	2,195,406	
1,246,669	Non Distributed Costs	20,915	294,730	(273,815)	
	Exceptional Items:				
57,227	Redundancies and early retirement costs	752,945	-	752,945	1
-	Planning appeal costs	174,344	-	174,344	1
-	Settlement of legal claim	160,000	-	160,000	
<u>13,932,601</u>	Net Cost of Services	<u>44,595,145</u>	<u>33,232,072</u>	<u>11,363,073</u>	
(3,989)	(Gain)/Loss on disposal of fixed assets	352,332	-	352,332	
(282,152)	Other Income	-	314,873	(314,873)	
1,312,137	Parish council precepts	1,401,036	-	1,401,036	
36,126	(Surplus)/deficit on trading activities	14,536	-	14,536	3
11,843	Interest payable and similar charges	11,124	-	11,124	4
21,176	Contribution of housing capital receipts to Government Pool	12,356	-	12,356	
(1,128,130)	Interest and Investment Income	-	494,187	(494,187)	4
1,133,000	Pension interest cost and expected return on pensions assets	3,268,000	1,490,000	1,778,000	
<u>15,032,612</u>	Net Operating Expenditure	<u>49,654,529</u>	<u>35,531,132</u>	<u>14,123,397</u>	
(5,859,157)	Income from the Collection Fund			(6,059,203)	53
(843,579)	Government Grants			(1,322,682)	
(5,779,816)	Contribution from Non-Domestic Rate Pool			(5,457,302)	
<u><b>2,550,060</b></u>	<b>Deficit/(Surplus) for year</b>			<u><b>1,284,210</b></u>	

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

- Capital investment is accounted for as it is financed, rather than when the assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over or under spent against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

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

<b>2008/2009 Restated £</b>		<b>2009/2010 £</b>	<b>Note</b>
2,550,060	Deficit/(Surplus) for year on the Income and Expenditure Account	1,284,210	
<u>(2,750,678)</u>	<b>Net additional items required by Statute and Non Statutory proper practice to be taken into account in determining the General Fund surplus or deficit for the year</b>	<u>(1,280,917)</u>	16
(200,618)	Decrease/(increase) in General Fund Balance for the year	3,293	
(694,438)	General Fund Balance brought forward	(895,056)	
<u><b>(895,056)</b></u>	<b>General Fund Balance carried forward</b>	<u><b>(891,763)</b></u>	

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<b>2008/2009 Restated £</b>		<b>2009/2010 £</b>	<b>Note</b>
2,550,060	Deficit/(Surplus) on Income and Expenditure account for the year	1,284,210	
498,752	Deficit/(Surplus) arising on revaluation of fixed assets	(70,733)	28
5,214,508	Actuarial (gain)/loss on pension assets and liabilities	18,404,000	37
9,375	Other: Correction to Economic Loan written off 2007/2008	-	
<u><b>8,272,695</b></u>	<b>TOTAL RECOGNISED (GAINS) AND LOSSES FOR THE YEAR</b>	<u><b>19,617,477</b></u>	

There is no cumulative effect resulting from the restatement of 2008/09 accounts – see note 2.

**BALANCE SHEET AS AT 31 MARCH 2010**

2008/2009 Restated £		2009/2010 £	£	Note
	<b>Fixed Assets</b>			
282,248	Intangible Assets		232,223	17
	<b>Tangible Fixed Assets</b>			
	Operational Assets			
5,189,809	Other Land and Buildings		5,249,839	18
553,397	Vehicles, Plant & Equipment		393,888	
380,910	Infrastructure Assets		456,389	
107,258	Community Assets		41,159	
	Non Operational Assets			
1,813,801	Investment Properties		1,936,801	
2,417,672	Surplus Assets, held for disposal		1,911,033	
<b>10,745,095</b>	<b>Total Fixed Assets</b>		<b>10,221,332</b>	
2,074,315	Long Term Investments		2,000,000	19
100,486	Long Term Debtors		81,878	20
<b>12,919,896</b>	<b>Total Long Term Assets</b>		<b>12,303,210</b>	
	<b>Current Assets</b>			
68,978	Stocks and Work in Progress	70,144		21
13,370,806	Temporary Investments	10,267,655		19
3,299,976	Debtors and Payments in Advance	6,198,454	16,536,253	22
<b>29,659,656</b>	<b>Total Assets</b>		<b>28,839,463</b>	
	<b>Current Liabilities</b>			
(3,124,789)	Creditors	(2,423,123)		23
(14,365)	Bank Overdraft	(1,094,867)	(3,517,990)	
<b>26,520,502</b>	<b>Total Assets less Current Liabilities</b>		<b>25,321,473</b>	
(1,787,027)	Government Grants Deferred	(1,410,880)		24
(223,704)	Provisions	(68,506)		25
(22,627,000)	Liability related to defined benefit pension scheme	(41,576,793)	(43,056,179)	37
<b>1,882,771</b>	<b>Total Assets less Liabilities</b>		<b>(17,734,706)</b>	
	Financed by:			
7,713,794	Capital Adjustment Account		7,547,739	27
103,061	Collection Fund Adjustment Account		93,054	47
1,253,443	Revaluation Reserve		1,271,885	28
9,536,446	Useable Capital Receipts Reserve		9,027,690	29
100,486	Deferred Capital Receipts		81,878	30
(22,627,000)	Pensions Reserve		(41,576,793)	37
4,907,485	Earmarked Revenue Reserves		4,928,078	31
	Revenue Balances:			
895,056	General Fund		891,763	
<b>1,882,771</b>	<b>Net Worth</b>		<b>(17,734,706)</b>	

## CASHFLOW STATEMENT 2009/2010

2008/2009 £000		£000	£000
	<b>Revenue Activities:</b>		
	Cash Outflows		
8,886	Cash paid to and on behalf of Employees	9,221	
10,183	Other operating cash payments	11,221	
15,299	Housing Benefit paid out	18,573	
1,290	Parish Precepts	1,363	
17	Payments to Capital Receipts Pool	18	
35,675			40,396
	Cash Inflows		
(133)	Rents	(93)	
(5,188)	Council Tax receipts	(5,377)	
	National Non Domestic Rate receipts from National		
(5,780)	Pool	(5,457)	
(805)	Revenue Support Grant	(1,260)	
(19,343)	DWP grants for Housing Benefits	(19,255)	
(774)	Other Government Grants received	(606)	
(3,831)	Cash received for goods and services	(3,397)	
(490)	Other operating cash receipts	(974)	
(36,344)			(36,419)
(669)	Deficit/(Surplus) on Revenue Activities		3,977
	<b>Returns on Investment and Servicing of Finance</b>		
	Cash Outflows		
1	Interest Paid	-	
	Cash Inflows		
(1,284)	Interest Received	(709)	
(1,283)			(709)
	<b>Capital Activities</b>		
	Cash Outflows		
2,584	Purchase of fixed assets	1,675	
-	Increase in Long Term Investments	-	
2,584			1,675
	Cash Inflows		
(17)	Sale of fixed assets	(61)	
(854)	Capital Grants received	(846)	
(4,050)	Reduction in Long Term Investments	-	
(614)	Other capital cash receipts	(249)	
(5,535)			(1,156)
(2,951)	Deficit/(Surplus) on Capital Activities		519
(4,903)	Net Cash (Inflow)/Outflow before Financing		3,787
	<b>Management of Liquid Resources</b>		
714	Net increase/(decrease) in Short Term Investments	(2,937)	
4,187	Net increase/(decrease) in other liquid resources	231	
4,901			(2,706)
(2)	<b>(Increase)/Decrease in Cash and Cash Equivalents</b>		<b>1,081</b>

## **NOTES TO THE CORE FINANCIAL STATEMENTS**

### **1 EXCEPTIONAL AND EXTRAORDINARY 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 2009/2010 there were the following exceptional items:

- Savings measures implemented following approval of the 2009/2010 budget resulted in a number of redundancies and early retirements. In 2009/2010 costs of £752,945 (2008/2009 £57,227) were incurred and are shown as a separate item on the face of the Income and Expenditure Account.
- A number of appeals against planning decisions in respect of major developments within the district were defended by the Council during 2009/2010. Costs of £174,344 (2008/2009 nil) were incurred and are shown as a separate item on the face of the Income and Expenditure Account.
- Costs of £160,000 incurred as settlement of a legal claim from Two Rivers Housing in respect of breach of warranty regarding covenants in leases and conveyances.

Extraordinary items tend only to occur when an authority is deemed to have operated ultra vires (outside its legal powers). There were no such items in 2009/2010.

### **2 PRIOR PERIOD ADJUSTMENTS**

The 2010 SORP now provides specific guidance on accounting for local taxes (i.e. National Non-domestic Rates (NNDR) and Council Tax). A billing authority is now deemed to be acting as an agent of the major preceptors (in this case Gloucestershire County Council and Gloucestershire Police Authority). The billing authority and the major preceptors are now required to include in their balance sheets appropriate shares of the Council Tax debtors. Previously, the whole of the Council Tax debtor appeared in the billing authority balance sheet, i.e. the Council's balance sheet.

Billing authorities are now also deemed to be acting as an agent of the Government when collecting NNDR. Consequently, billing authorities are now required to include a creditor or a debtor for cash collected from NNDR debtors but not yet paid to the Government, or overpaid to the Government at the Balance Sheet date. Previously, the whole of the NNDR debtor appeared in the billing authority balance sheet.

These changes are being accounted for as a change of accounting policy, resulting in a restatement of 2008/2009 accounts.

The effect of these restatements on the published core financial statements for 2008/2009 is disclosed on the next pages.

## INCOME AND EXPENDITURE ACCOUNT

	2008/2009 Net Expenditure	Council Tax Adj	NNDR Adj	2008/2009 Restated Net Expenditure
	£	£	£	£
Central Services to the Public	632,256			632,256
Cultural and Related Services	1,358,410			1,358,410
Environmental Services	3,919,459			3,919,459
Planning and Development Services	1,807,206			1,807,206
Highways, Roads and Transport Services	731,399			731,399
Housing Services	1,581,141			1,581,141
Corporate and Democratic Core	2,598,834			2,598,834
Non Distributed Costs	1,246,669			1,246,669
Exceptional Costs	57,227			57,227
<b>Net Cost of Services</b>	<b>13,932,601</b>	-	-	<b>13,932,601</b>
Gain on disposal of fixed assets	(3,989)			(3,989)
Other income	(282,152)			(282,152)
Parish Council precepts	1,312,137			1,312,137
(Surplus)/Deficit on trading activities	36,126			36,126
Interest payable and similar charges	11,843			11,843
Contribution of housing capital receipts to Govt Pool	21,176			21,176
Interest and investment income	(1,128,130)			(1,128,130)
Pension interest cost and expected return on pension assets	1,133,000			1,133,000
<b>Net Operating Expenditure</b>	<b>15,032,612</b>	-	-	<b>15,032,612</b>
Income from the Collection Fund	(5,915,964)	56,807		(5,859,157)
Government grants	(843,579)			(843,579)
Contribution from Non Domestic Rate Pool	(5,779,816)			(5,779,816)
<b>Deficit for year</b>	<b>2,493,253</b>	<b>56,807</b>	-	<b>2,550,060</b>

### STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

	2008/2009 £	Council Tax Adj £	NDR Adj £	2008/2009 Restated £
Deficit/(Surplus) on income and expenditure account	2,493,253	56,807		2,550,060
Net additional items	(2,693,871)	(56,807)		(2,750,678)
Decrease/(increase) in GF balance for the year	(200,618)			(200,618)
GF balance brought forward	(694,438)			(694,438)
<b>GF balance carried forward</b>	<b>(895,056)</b>	-	-	<b>(895,056)</b>

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2008/2009 £	Council Tax Adj £	NDR Adj £	2008/2009 Restated £
Deficit/(Surplus) on income and expenditure account	2,493,253	56,807		2,550,060
Deficit/(Surplus) arising on revaluation of fixed assets	498,752			498,752
Actuarial (gain)/loss on pension assets and liabilities	5,214,508			5,214,508
Decrease in share of Collection Fund	56,807	(56,807)		-
Other: Write off of Economic Loan	9,375			9,375
<b>Total recognised gains and losses for the year</b>	<b>8,272,695</b>	-	-	<b>8,272,695</b>

**BALANCE SHEET AS AT 31 MARCH 2009**

	31 March 2009	Council Tax Adj	NDR Adj	31 March 2009 Restated
	£	£	£	£
<b>Fixed Assets</b>				
Intangible Assets	282,248			282,248
<b>Tangible Fixed Assets</b>				
Operational Assets				
Other Land and Buildings	5,189,809			5,189,809
Vehicles, Plant & Equipment	553,397			553,397
Infrastructure Assets	380,910			380,910
Community Assets	107,258			107,258
Non Operational Assets				
Investment Properties	1,813,801			1,813,801
Surplus Assets, held for disposal	2,417,672			2,417,672
<b>Total Fixed Assets</b>	10,745,095			10,745,095
Long Term Investments	2,074,315			2,074,315
Long Term Debtors	100,486			100,486
<b>Total Long Term Assets</b>	12,919,896			12,919,896
<b>Current Assets</b>				
Stocks and Work in Progress	68,978			68,978
Temporary Investments	13,370,806			13,370,806
Debtors and Payments in Advance	4,478,597	(810,682)	(367,939)	3,299,976
<b>Total Assets</b>	30,838,277			29,659,656
<b>Current Liabilities</b>				
Creditors and Receipts in Advance	(4,303,410)	810,682	367,939	(3,124,789)
Bank Overdraft	(14,365)			(14,365)
<b>Total Assets less Current Liabilities</b>	26,520,502			26,520,502
Government Grants Deferred	(1,787,027)			(1,787,027)
Provisions	(223,704)			(223,704)
Liability related to defined benefit pension scheme	(22,627,000)			(22,627,000)
<b>Total Assets less Liabilities</b>	1,882,771			1,882,771
Financed By:				
Capital Adjustment Account	(7,713,794)			(7,713,794)
Collection Fund Adjustment Account	-	(103,061)		(103,061)
Revaluation Reserve	(1,253,443)			(1,253,443)
Useable Capital Receipts Reserve	(9,536,446)			(9,536,446)
Deferred Capital Receipts	(100,486)			(100,486)
Pensions Reserve	22,627,000			22,627,000
Earmarked Revenue Reserves	(4,907,485)			(4,907,485)
Revenue Balances:				
Collection Fund	(103,061)	103,061		-
General Fund	(895,056)			(895,056)
<b>Net Worth</b>	<b>(1,882,771)</b>	<b>-</b>	<b>-</b>	<b>(1,882,771)</b>

**REVISED CASHFLOW STATEMENT 2008/2009**

	2008/2009 £000	Council Tax Adj £000	NDR Adj £000	2008/2009 Restated £000
<b>Revenue Activities:</b>				
Cash Outflows				
Cash paid to and on behalf of Employees	8,886			8,886
Other operating cash payments	10,183			10,183
Housing Benefit paid out	15,299			15,299
National Non Domestic Rate payments to National Pool	10,531		(10,531)	-
Precepts – Gloucestershire County Council	30,736	(30,736)		-
Precepts – Gloucestershire Police Authority	5,589	(5,589)		-
Parish Precepts	1,290			1,290
Payments to Capital Receipts Pool	17			17
	<hr/> 82,531			<hr/> 35,675
Cash Inflows				
Rents	(133)			(133)
Council Tax receipts	(37,055)	31,867		(5,188)
National Non Domestic Rate receipts	(10,802)		10,802	-
National Non Domestic Rate receipts from National Pool	(5,780)			(5,780)
Revenue Support Grant	(805)			(805)
DWP grants for Housing Benefits	(19,343)			(19,343)
Other Government Grants received	(774)			(774)
Cash received for goods and services	(3,831)			(3,831)
Other operating cash receipts	(490)			(490)
	<hr/> (79,013)			<hr/> (36,344)
Deficit/(Surplus) on Revenue Activities	3,518			(669)
<b>Returns on Investment and Servicing of Finance</b>				
Cash Outflows				
Interest Paid	1			1
Cash Inflows				
Interest Received	(1,284)			(1,284)
	<hr/> (1,283)			<hr/> (1,283)
<b>Capital Activities</b>				
Cash Outflows				
Purchase of fixed assets	2,584			2,584
Increase in Long Term Investments	-			-
	<hr/> 2,584			<hr/> 2,584
Cash Inflows				
Sale of fixed assets	(17)			(17)
Capital Grants received	(854)			(854)
Reduction in Long Term Investments	(4,050)			(4,050)
Other capital cash receipts	(614)			(614)
	<hr/> (5,535)			<hr/> (5,535)
Deficit/(Surplus) on Capital Activities	(2,951)			(2,951)
Net Cash (Inflow)/Outflow before Financing	<hr/> (716)			<hr/> (4,903)
<b>Management of Liquid Resources</b>				
Net increase/(decrease) in Short Term Investments	714			714
Net increase/(decrease) in other liquid resources	-	4,458	(271)	4,187
	<hr/> 714			<hr/> 4,901
<b>(Increase)/Decrease in Cash and Cash Equivalents</b>	<hr/> (2)	-	-	<hr/> (2)

### 3 TRADING ACCOUNTS

The Council lets a number of industrial units at Forest Vale industrial estate. Market rents are normally charged for these units, which are expected to contribute a revenue trading surplus annually. Note 36 shows information on the capital value of the assets involved. During 2009/2010 a number of the units remained vacant due to the adverse economic conditions, resulting in a trading loss. The vacant units are being actively marketed for reletting.

	2009/2010	2008/2009
	£	£
Expenditure	90,370	189,192
Income	(75,834)	(153,066)
<b>(Surplus)/Deficit</b>	<b>14,536</b>	<b>36,126</b>

This is shown as a separate item in the Income and Expenditure Account.

### 4 GAINS AND LOSSES RECOGNISED IN RELATION TO FINANCIAL INSTRUMENTS

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments is made up as follows:

	Financial Liabilities Liabilities measured at amortised cost £000	Financial Assets Loans and receivables £000	Total £000
Interest expense	11	-	11
Losses on derecognition	-	-	-
Impairment losses	-	-	-
<b>Interest payable and similar charges</b>	<b>11</b>	<b>-</b>	<b>11</b>
Interest income	-	(494)	(494)
Gains on derecognition	-	-	-
<b>Interest and investment income</b>	<b>-</b>	<b>(494)</b>	<b>(494)</b>
<b>Net (gain)/loss for the year</b>	<b>11</b>	<b>(494)</b>	<b>(483)</b>

### 5 ACQUIRED OR DISCONTINUED OPERATIONS

Acquired operations are ones that have transferred to the Council during the year, such as new geographical areas due to the reorganisation of local government or significant services acquired from another public entity as a consequence of legislation. Discontinued operations are ones that the Council has transferred during the year to another public entity.

During 2009/2010 there have been no such transfers.

### 6 UNDISCHARGED OBLIGATIONS ARISING FROM LONG TERM CONTRACTS

The Accounting Code of Practice requires disclosure of any material sums committed through long term contracts including Private Finance Initiatives.

The Council has several long term contracts which cover future periods and commit material revenue resources. The following table provides details of the outstanding obligations under these contracts. The Council is not involved in any Private Finance Initiatives.

<b>Service Provided</b>	<b>Contract Start</b>	<b>Contract Finish</b>	<b>Annual Value £000</b>	<b>Outstanding Obligation £000</b>	<b>Notes</b>
Insurance	Oct 2007	Sept 2011	90	135	A
Kerbside Recycling, Refuse, Recycling and Street Sweeping	July 2006	July 2018	2,534	20,871	B
Vending Services at Leisure Centres	July 2007	June 2010	(20)	(4)	
<b>Total</b>			<u>2,604</u>	<u>21,002</u>	

Notes: A Reviewed annually.

B Reviewed every three years.

## **7 AGENCY INCOME AND EXPENDITURE**

Under various statutory powers, an authority may agree with other local authorities, water companies and government departments to do work on their behalf. Expenditure and income related to these activities must be disclosed.

The Council did not undertake any significant agency work in 2009/2010.

## **8 SCHEMES UNDER THE TRANSPORT ACT 2000**

The Transport Act 2000 requires that expenditure and income in respect of road charging and workplace charging levies should be disclosed.

The Council did not participate in any such schemes during 2009/2010.

## **9 HEALTH ACT 1999 POOLED FUNDS**

Section 31 of the Health Act 1999 enabled establishment of joint working arrangements between Local Authorities and NHS bodies with pooled funding arrangements. Such arrangements must be disclosed.

The Council is a participant in the Forest of Dean Local Strategic Partnership – this partnership involving a range of public and voluntary bodies has sought to align rather than pool budgets.

The partners include: The Forest of Dean District council, The Primary Care Trust, Gloucestershire Rural Community Council, Age Concern, Crossroads, Gloucestershire Carers and other voluntary groups.

In 2009/2010 the Primary Care Trust provided £22,000 funding (2008/2009 £23,500) to the partnership on a grant basis, and SW Wellbeing Partnership provided £nil funding (2008/2009 £5,200) also on a grant basis. These were administered by this Council and included the following significant items:

- £16,000 to support a physical activity facilitator post.
- £ 6,000 exercise referral funding.

The Council currently makes no direct financial contribution to any pooled budget.

## **10 MEMBERS' ALLOWANCES**

The allowances paid to Members in 2009/2010 under The Local Authorities (Members Allowances) Amendment Regulations totalled £297,541 (£277,793 in 2008/2009).

## 11 STAFF REMUNERATION

The number of employees whose remuneration, excluding employer pension contributions, was £50,000 or more in bands of £5,000:

<b>Remuneration band</b>	<b>2009/2010 Number of employees</b>	<b>2008/2009 Number of employees</b>
£50,000 to £54,999	3	2
£55,000 to £59,999	3	5
£60,000 to £64,999	1	1
£65,000 to £69,999		
£70,000 to £74,999		
£75,000 to £79,999		
£80,000 to £84,999	2	
£85,000 to £89,999		1
£90,000 to £94,999		
£95,000 to £99,999		
£100,000 to £104,999		1

Remuneration of senior employees during 2009/2010 and 2008/2009 is as shown in the table overleaf. For the purposes of this disclosure, the term senior employee is deemed to be the Chief Executive, their direct reports (excluding administrative staff) and statutory chief officers.

Senior employee remuneration – salary is between £50,000 and £150,000 p.a.

Post Title	2009/2010						
	Salary inc Fees and Allowances £	Expense Allowances £	Compensation for loss of office £	Benefits-in-kind £	Total Remuneration excl pension contributions £	Pension contributions £	Total Remuneration incl pension contributions £
Chief Executive	-	-	-	-	-	-	-
Deputy Chief Executive	-	-	-	-	-	-	-
Strategic Director 1	81,555	1,077	-	-	82,632	21,141	103,773
Strategic Director 2	80,899	233	-	-	81,132	20,968	102,100
S151 Officer	59,575	586	-	-	60,161	15,295	75,456
Monitoring Officer	56,883	606	-	-	57,489	14,587	72,076
	<u>278,912</u>	<u>2,502</u>	<u>-</u>	<u>-</u>	<u>281,414</u>	<u>71,991</u>	<u>353,405</u>
	<b>2008/2009</b>						
Chief Executive	94,726	69	5,871	-	100,666	21,442	122,108
Deputy Chief Executive	6,659	22	82,687	-	89,368	1,504	90,872
Strategic Director 1	67,825	1,077	-	-	68,902	15,300	84,202
Strategic Director 2	57,793	183	-	-	57,976	12,420	70,396
S151 Officer	57,667	641	-	-	58,308	12,955	71,263
Monitoring Officer	54,599	236	-	-	54,835	12,273	67,108
	<u>339,269</u>	<u>2,228</u>	<u>88,558</u>	<u>-</u>	<u>430,055</u>	<u>75,894</u>	<u>505,949</u>

Notes:

- a) For the purposes of this disclosure, senior employee means Chief Executive, his direct reports and statutory chief officers whose salary is between £50,000 and £150,000.
- b) The post of Deputy Chief Executive was deleted after April 2008.
- c) The posts of Strategic Director 1 and 2 were created in May 2008.
- d) The post of Chief Executive was vacant throughout the whole of 2009/2010.
- e) The Council does not operate a Performance Pay System and does not pay bonuses to any member of staff.

## 12 LOCAL AREA AGREEMENTS

The Council is a participant in a Local Area Agreement (LAA), a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2009/2010 the LAA has completed the third year of its three year agreement.

The purpose of the Gloucestershire LAA is:

- To make services more effective and efficient by promoting agencies working together, streamlining funding arrangements, simplifying inspection and reducing bureaucracy.
- The agreement is built around five blocks. The development of each has been led by a countywide thematic partnership. The five blocks and the associated levels of government funding via the Area Based Grant are:

- Safer and Stronger Communities	£1,439,216.
- Healthier Communities and Older People	£6,991,420
- Children and Young People	£12,050,199
- Economic Development and Enterprise	£0
- Natural and Built Environment	£2,918,993

Gloucestershire County Council is the accountable body for the LAA and its partners are the six District Councils, Gloucestershire NHS PCT, Learning & Skills Council, Gloucestershire Assembly, South West Regional Development Agency.

The Council has signed up to 27 of the LAA indicators and contributes to the delivery of all the theme blocks. In 2009/2010 £22,500 of grant funding was received for Climate Change (Planning Policy Statement) work.

## 13 LOCAL STRATEGIC PARTNERSHIP

The Forest of Dean Local Strategic Partnership (LSP) successfully secured £2.6m from the Rural Development Programme for England (RDPE) at the end of July 2008. This is European funding administered by the Department of the Environment, Food and Rural Affairs (DEFRA) via the South West Regional Development Agency (SWRDA). The Council is the accountable body for this funding.

A Local Action Group (LAG) has been formed to administer the funding and this group includes members of the Forest of Dean LSP as well as other partners brought in to strengthen engagement with the wider community and to provide specific expertise across the public, private and voluntary sectors within the Forest. The LAG membership includes the Council, the Forestry Commission and Primary Care Trust in the public sector; it has a wide range of voluntary and community partners such as Gloucestershire Wildlife Trust, Forest Voluntary Action Forum, Forest Education Business Partnership, Forest Youth Forum, Gloucestershire Rural Community Council and Gloucestershire Association of Parish and Town Councils; in the private sector the organisations currently involved are Severn Wye Energy Association, Two Rivers Housing, the National Farmers' Union and the Chair of the Federation of Small Businesses.

A detailed Operating Manual and Contract has been agreed with SWRDA, and the first project was approved by the Local Action Group in March 2010 and signed off by SWRDA in April 2010. A Programme Manager has been appointed, and during May/June 2010 a further 1.5 administrative posts will be appointed to manage the programme and its financial implications.

The current approved Year 2 delivery plan envisages some £230,000 of RDPE funding being drawn down by December 2010. This will fund both project activity and administration costs. The programme, which runs until December 2013 will depend upon a detailed Annual Delivery Plan being signed off by SWERDA in each of the years 2011, 2012 and 2013.

During 2009/2010 administrative costs of £30,700 were incurred and claimed from SWRDA.

## 14 RELATED PARTY TRANSACTIONS

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

Central Government has effective control over the general operations of the Council; it is responsible for providing the statutory framework within which the Council operates, for providing the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg housing benefits). Details of transactions with government departments are shown in the Cashflow Statement.

Members of the Council have direct control over the Council's financial and operating policies. Details of individual members' interests are recorded in the Register of Interests, which is available for inspection. Officers of the Council have control over the operational management of service delivery. Senior officers are required to complete a declaration of related parties to ensure full disclosure.

### Other public bodies

The Council collects precepts on behalf of Gloucestershire County Council, Gloucestershire Police Authority and the Town and Parish Councils within the district's area. Precepts for the County and Police Authority are shown in the Collection Fund at note 47. Parish Precepts are shown in the Income and Expenditure Account.

Some Forest of Dean members and officers have declared an interest in these public bodies and other general related parties; declarations made by members and officers are shown below, together with payments made to the respective bodies (excluding precepts, payroll deductions and pensions).

Public Bodies	No. of Members	No. of Officers	Payments for Services	Grants	Total
			£	£	£
Gloucestershire County Council	5	-	534,634	69,654	604,288
Gloucestershire NHS Trust	1	-	797	-	797
Town and Parish Councils:					
Churcham	-	1	500	-	500
Cinderford	5	-	2,957	-	2,957
Lydney	1	-	69	-	69
Mitcheldean	1	-	2,692	-	2,692
Newent	1	-	37,663	3,000	40,663
Newnham on Severn	1	-	3,465	-	3,465
Ruardean	1	-	2,376	-	2,376
Ruspidge and Soudley	2	-	2,742	-	2,742
West Dean	1	-	1,103	-	1,103
Lower Severn Drainage Board	1	-	22,877	-	22,877
University of West of England	1	-	6,870	-	6,870
			618,745	72,654	691,399

General Related Parties	No. of Members	No. of Officers	Payments for Services	Grants	Total
			£	£	£
James Bevan Ltd			7,963	-	7,963
CANDI	4	-	-	17,237	17,237
Dean Heritage Museum	2	-	35	25,000	25,035
Forest Equipment Svcs Ltd	-	1	232,303	-	232,303
Forest Voluntary Action Forum	1	-	1,766	20,290	22,056
Forge	1	-	776	-	776
Gloucestershire Wildlife Trust	1	-	-	11,500	11,500
Great Oaks Hospice	1	-	843	-	843
Lydney Dial a Ride	1	-	8,810	-	8,810
Lydney Town Hall Trust	1	-	1,017	-	1,017
Malvern AONB	1	-	-	872	872
Royal Forest of Dean College	1	-	52,724	64,889	117,613
Two Rivers Housing Assoc	5	1	869	238,224	239,093
Wyedean Housing Assoc	2	-	7,884	-	7,884
Wye Valley AONB	1	-	46	6,326	6,372
Xerox UK Ltd	1	-	122,741	-	122,741
			<b>437,777</b>	<b>384,338</b>	<b>822,115</b>

The grants relating to Two Rivers Housing Association are for Disabled Facilities. Those for the County Council are for their element of section 106 development grants.

The grants paid to organisations were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decisions relating to the grants.

## 15 AUDIT COSTS

The following fees are payable by the Council in respect of external audit and inspection costs.

	2009/2010 £	2008/2009 £
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	105,000	124,930
Fees payable to the Audit Commission in respect of statutory inspection	8,320	11,960
Fees payable to the Audit Commission for the certification of grant claims and returns	25,000	29,750
Fees payable in respect of other services provided by the appointed auditor	26,500	4,100
	<b>164,820</b>	<b>170,740</b>

Note: other services provided included £25,400 in respect of an audit of the Waste contract

**16 NET ADDITIONAL ITEMS REQUIRED BY STATUTE AND NON-STATUTORY PRACTICE TO BE TAKEN INTO ACCOUNT IN DETERMINING THE GENERAL FUND SURPLUS OR DEFICIT FOR THE YEAR**

<b>2008/2009</b>	<b>Amounts in Income and Expenditure account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>	<b>2009/2010</b>
<b>£</b>		<b>£</b>
(119,613)	Amortisation of intangible fixed assets	(102,528)
(1,475,806)	Depreciation and impairment of fixed assets	(638,135)
517,340	Government Grants Deferred amortisation	1,393,540
(1,067,735)	Revenue Expenditure Funded from Capital under Statute	(1,348,771)
3,989	Net profit/loss on disposal of fixed assets	(352,332)
(2,414,000)	Net charges made for retirement benefits in accordance with FRS17	(2,557,000)
(56,807)	Collection Fund share of residual surplus	(10,007)
<b>Amounts not included in the Income and Expenditure account but required to be included by statute when determining the Movement on the General Fund Balance</b>		
22,920	Capital expenditure charged in year to the General Fund	-
(21,176)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(12,356)
1,675,503	Employers contributions payable to Gloucestershire County Council Pension Fund and retirement benefits payable direct to pensioners	2,011,207
<b>Transfers to and from the General Fund Balance that are required to be taken into account when determining the Movement on the General fund Balance for the year</b>		
184,707	Net transfers to/(from) reserves	335,465
<b>(2,750,678)</b>	<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<b>(1,280,917)</b>

**17 INTANGIBLE ASSETS**

**MOVEMENT OF INTANGIBLE ASSETS**

	<b>Software</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
Original Cost 1 April 2009	632,838	632,838
Additions in year	68,379	68,379
Retirements/disposals in year	-	-
Reclassifications	(39,689)	(39,689)
Original Cost 31 March 2010	661,528	661,528
Accumulated Amortisation 1 April 2009	(350,590)	(350,590)
Charged to revenue in year	(102,528)	(102,528)
Retirements/disposals in year	-	-
Reclassifications	23,813	23,813
Accumulated Amortisation 31 March 2010	(429,305)	(429,305)
Net Book Value 31 March 2010	232,223	232,223
Net Book Value 1 April 2009	282,248	282,248

Software licences are held for the following systems:

- Document Imaging system which cost £121,000 and is being amortised over 5 years.
- Customer Relationship Management systems which cost £136,000 and is being amortised over 4 and 5 years.
- Revenues system which cost £46,000 and is being amortised over 5 years.
- Council Website system which cost £16,000 and is being amortised over 5 years.
- HR/Payroll system which cost £55,000 and is being amortised over 4 years.
- Electoral Register system which cost £12,000 and is being amortised over 5 years.
- Leisure Management system which cost £32,000 and is being amortised over 4 years.
- Cash Receipting system which cost £48,000 and is being amortised over 4 years.
- Government Connect software which cost £29,000 and is being amortised over 4 years.
- Modern Government software which cost £15,000 and is being amortised over 4 years.
- Other software which cost £88,000 and is being amortised over 4 and 5 years.

## 18 TANGIBLE FIXED ASSETS

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. On 31 March 2010 certain property assets were revalued by internal valuer Paul Smith FRICS, IRRV. Following an impairment review, the values of the remaining property assets are not believed to have significantly changed during the year and these have not been revalued. During 2009/2010 one asset was transferred from operational to surplus property and three assets were transferred from operational assets to investment properties. The basis for valuation is set out in the statement of accounting policies.

Valued at	Land and Buildings £	Vehicles Plant and Equipment £	Infra-structure £	Community Assets £	Investment Properties £	Surplus Assets £	Total Assets £
Historic Cost		1,373,849	586,898	41,159			2,001,906
Current Cost in:							
2007/08	591,000					45,000	636,000
2008/09	3,380,000				1,791,800	1,551,000	6,722,800
2009/10	1,203,350				145,000	190,000	1,538,350
<b>Total</b>	<b>5,174,350</b>	<b>1,373,849</b>	<b>586,898</b>	<b>41,159</b>	<b>1,936,800</b>	<b>1,786,000</b>	<b>10,899,056</b>

**MOVEMENT OF TANGIBLE FIXED ASSETS**

	Operational Assets				Non Operational Assets		Total £
	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure	Community	Investment Properties	Surplus Assets	
	£	£	£	£	£	£	
Cost or Valuation as at 1 April 2009	5,305,481	1,298,447	480,761	107,258	1,813,801	2,438,125	11,443,873
Additions	373,259	43,878	63,533	-	10,204	-	490,874
Disposals	-	(8,165)	(15,604)	-	-	(494,010)	(517,779)
Revaluations	44,369	-	-	-	780	30,472	75,621
Impairments	(55,200)	-	(913)	(6,978)	(2,989)	(135,000)	(201,080)
Reclassifications	(220,318)	39,689	59,121	(59,121)	120,019	100,299	39,689
Valuation as at 31 March 2010	5,447,591	1,373,849	586,898	41,159	1,941,815	1,939,886	11,331,198
Accumulated Depreciation as at 1 April 2009	(115,672)	(745,050)	(99,851)	-	-	(20,453)	(981,026)
Depreciation in year	(95,198)	(219,263)	(46,362)	-	-	(83,324)	(444,147)
Disposals	-	8,165	15,604	-	-	80,927	104,696
Revaluations	-	-	-	-	-	(4,889)	(4,889)
Impairments	-	-	100	-	-	6,990	7,090
Reclassifications	13,118	(23,813)	-	-	(5,014)	(8,104)	(23,813)
Accumulated depreciation as at 31 March 2010	(197,752)	(979,961)	(130,509)	-	(5,014)	(28,853)	(1,342,089)
Balance Sheet Amount 31 March 2010	5,249,839	393,888	456,389	41,159	1,936,801	1,911,033	9,989,109
Balance Sheet Amount 1 April 2009	5,189,809	553,397	380,910	107,258	1,813,801	2,417,672	10,462,847
Nature of asset holding:							
Owned	5,249,839	393,888	456,389	41,159	1,936,801	1,911,033	9,989,109
Finance Leased	-	-	-	-	-	-	-
	<b>5,249,839</b>	<b>393,888</b>	<b>456,389</b>	<b>41,159</b>	<b>1,936,801</b>	<b>1,911,033</b>	<b>9,989,109</b>

Tangible fixed assets owned by the Council include the following:

	<b>Number as at:</b>	
	<b>31.3.2010</b>	<b>31.3.2009</b>
Other Land and Buildings:		
Off Street Parking	16	14
Lorry Parks	2	3
Office Buildings	1	3
Public Conveniences	19	20
Cemetery Buildings	1	1
Swimming Pools	1	1
Vehicles, Plant & Equipment	47	45
Non-Operational Assets:		
Surplus Property	24	26
Investment Properties	18	13

The following Community Assets are owned by the Council and included in the Balance Sheet at a nominal value:

#### **Amenity Land**

Broadwell	Woodville Avenue
Cinderford	Greenway Road, Miner's Welfare Field, Triangle, Linear Park
Coleford	Cycle track
Dymock	Rear of The Crypt, Orchard Cottage
Lydney	Footpath off Highfield Hill
Mile End	Cedar Way/Edge End Road
Mitcheldean	Deansway
Newent	Court Road, Cleeve Mill Lane, Johnstone Road, Knights Way/Crescent, Cleeve Rise
Sedbury	Allotments
Soudley	Dean Heritage Museum
Tibberton	Orchard Rise
Tidenham	Meadowend, Netherhope Lane
Woolaston	Picnic Area

#### **Cemeteries**

Cinderford	Yew Tree Brake
Coleford	Mile End

#### **Slipway**

Beachley

## **19 INVESTMENTS**

The investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	<b>Long Term</b>		<b>Current</b>	
	<b>31 March 2010</b>	<b>31 March 2009</b>	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Loans and receivables	2,000,000	2,000,000	10,036,000	12,973,000
Accrued interest	-	74,315	231,655	397,806
	<b>2,000,000</b>	<b>2,074,315</b>	<b>10,267,655</b>	<b>13,370,806</b>

The Council's long term investments comprise:

	<b>Amount £</b>	<b>Date Repayable</b>
Barclays Bank plc	2,000,000	21 May 2012
<b>Total Long Term Investments</b>	<b><u>2,000,000</u></b>	

The Council's short term investments comprise:

	<b>Amount £</b>	<b>Date Repayable</b>
Coventry Building Society	2,009,020	Fixed to 07 April 2010
Coventry Building Society	2,007,496	Fixed to 30 April 2010
Lloyds TSB Bank plc	2,003,773	Fixed to 09 August 2010
Barclays Bank plc	2,199,315	Fixed to 26 August 2010
Barclays Bank plc	5,068	Fixed to 12 May 2012
Standard Life	1,036,472	On Demand
Abbey Call Account	1,005,113	On Demand
Clydesdale Bank Call Account	1,398	On Demand
<b>Total Current Investments</b>	<b><u>10,267,655</u></b>	

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

- Discount rates applicable to each loan at 31 March 2010 are dependent on the period to maturity
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the 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 less any provision for bad debts.

The fair values of long term investments calculated are as follows:

	<b>31 March 2010 Carrying Amount £</b>	<b>31 March 2010 Fair Value £</b>	<b>31 March 2009 Carrying Amount £</b>	<b>31 March 2009 Fair Value £</b>
<b>Loans and receivables</b>				
Principal	2,000,000	2,000,000	2,000,000	2,000,000
Accrued interest/Fair Value adjustment	5,068	5,068	74,315	189,398
	<b><u>2,005,068</u></b>	<b><u>2,005,068</u></b>	<b><u>2,074,315</u></b>	<b><u>2,189,398</u></b>

The fair value for the loans and receivables is higher when the interest rates available for similar loans at the Balance Sheet date are lower, and vice-versa. This provides an indication of the premium or discount appropriate for early repayment at the year end.

### Key Risks

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous rates or terms.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

## **Overall Procedures for Managing Risk**

The Council's overall risk management procedures focus on the unpredictability of financial markets, and on implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk by:

- Formally adopting the requirements of the Code of Practice;
- Approving annually in advance prudential indicators for the following three years that limit:
  - the Council's overall borrowing;
  - its maximum and minimum exposures to fixed and variable rates;
  - its maximum and minimum exposures to the maturity structure of its debt;
  - its maximum annual exposures to investments maturing beyond one year; and
- Approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. The Treasury Management Strategy for 2009/2010, which outlined the detailed approach to managing risk in relation to the Council's financial instrument exposure, was approved by Council on 26 February 2009. Actual performance is also reported regularly to Members.

The Council's Treasury Officer implements these policies. The Council maintains 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. These written policies are a requirement of the Code of Practice and are regularly reviewed.

The Council's treasury portfolio is not of a significant size to provide significant treasury risk.

### **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with banks and financial institutions unless they meet identified minimum credit criteria in accordance with Fitch, Moody's and Standard and Poors ratings services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. The full Investment Strategy for 2009/2010 was approved by Council on 26 February 2009 and is available on the Council's website.

The following analysis summarises the Council's potential maximum exposure to credit risk (using investments outstanding and arranged at 31 March 2010), based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

	<b>Amount at 31 March 2010 £ (a)</b>	<b>Historical experience of default % (b)</b>	<b>Adjustment for market conditions at 31 March 2010 % (c)</b>	<b>Estimated maximum exposure to Default £ (a*c)</b>
<b>Deposits with banks and financial institutions</b>				
AAA rated counterparties	-	-	-	-
AA rated counterparties	8,251,139	0.0000	0.000000	-
A rated counterparties	4,016,516	0.0300	0.030000	1,204.95
Other counterparties	-	-	-	-
	<b><u>12,267,655</u></b>			<b><u>1,204.95</u></b>

The historical experience of default has been taken from Moody's, a credit rating organisation used by the Council, and applies to the period 1982-2005. Whilst current economic conditions have raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, we have maintained historical default rates as a good indicator under current conditions.

The Council also uses non-credit rated institutions, such as smaller building societies or bank subsidiaries where the parent has a satisfactory rating. In these circumstances, these investments are classified as Other Counterparties.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for its trade debtors as payment is due immediately. This means that all of the £578,000 trade debtor balance is technically past its due date for payment. The past due amount can be analysed by age as follows:

	<b>31 March 2010 £000</b>	<b>31 March 2009 £000</b>
Less than three months	331	257
Three to six months	84	51
Six months to one year	16	58
More than one year	147	105
	<b><u>578</u></b>	<b><u>471</u></b>

During the reporting period the Council held no collateral as security.

### **Liquidity risk**

The Council manages its liquidity position through the risk management procedures outlined above, as well as through a comprehensive cash flow management system as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and whilst the Public Works Loans Board (PWLB) provides access to longer term funds, it also acts as a lender of last resort to Councils although it will not provide funds to a Council whose actions are unlawful. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures that sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

## Refinancing and Maturity risk

The Council maintains a significant investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer term financial assets.

The approved Prudential Indicator limits for the maturity structure of debt and the limits placed on investments made for more than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the Treasury Officer addresses the operational risks within the approved parameters. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the long term cash flow needs.

The maturity analysis of financial assets is as follows:

	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£</b>	<b>£</b>
Less than one year	10,267,655	13,370,806
Between one and two years	2,000,000	2,074,315
	<u><b>12,267,655</b></u>	<u><b>15,445,121</b></u>

All trade and other payables (£1,398,617) are due to be paid in less than one year and are not included in the table above.

## Market risk

Interest rate risk – the Council has limited exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates will have the following impacts:

- Investments at variable rates will have higher interest income credited to the Income and Expenditure account; and
- Investments at fixed rates will experience a fall in the fair values of the assets.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations and includes an expectation of interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Treasury Officer monitors market and forecast interest rates within the year to adjust exposures appropriately.

If all interest rates had been 1% higher, with all other variables held constant, the financial effect would be:

	<b>£</b>
Increase in interest receivable on variable rate investments	35,699
Impact on Income and Expenditure account	<u>35,699</u>
Decrease in fair value of fixed rate investments	-
Impact on Statement of Total Recognised Gains and Losses	<u>-</u>

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the calculation of the fair values of the Council's long term investments.

Price risk – the Council, excluding the pension fund, does not generally invest in instruments with this type of risk.

Foreign exchange risk – the Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in interest rates.

## 20 LONG TERM DEBTORS

	Balance 31 March 2009 £	During 2009/2010		Balance 31 March 2010 £
		Advances £	Repayments £	
Mortgages	100,486	-	18,608	81,878
<b>Total Long Term Debtors</b>	<b>100,486</b>	<b>-</b>	<b>18,608</b>	<b>81,878</b>

## 21 STOCKS AND WORK IN PROGRESS

	31 March 2010 £	31 March 2009 £
Sports Centre stocks for resale	15,470	12,668
Central Services (Stationery)	5,360	12,126
Rechargeable works	16,287	34,482
Green Waste wheeled bins	7,287	9,702
Other stocks	25,740	-
<b>Total Stocks and Work in Progress</b>	<b>70,144</b>	<b>68,978</b>

## 22 DEBTORS AND PAYMENTS IN ADVANCE

	31 March 2010 £	31 March 2009 Restated £
Debtors falling due within one year:		
Government Departments	3,998,645	1,541,430
Business Ratepayers	7,380	6,354
Council Taxpayers	271,413	283,846
Sundry Debtors	2,210,531	1,935,186
<b>Total Debtors</b>	<b>6,487,969</b>	<b>3,766,816</b>
Payments in Advance	200,025	29,540
<b>Total Debtors and Payments in Advance</b>	<b>6,687,994</b>	<b>3,796,356</b>
Less Provision for Bad Debts:		
Sundry Debtors	(450,270)	(463,842)
Collection Fund	(39,270)	(32,538)
<b>Total Provisions for Bad Debts</b>	<b>(489,540)</b>	<b>(496,380)</b>
<b>Total Net Debtors and Payments in Advance</b>	<b>6,198,454</b>	<b>3,299,976</b>

## 23 CREDITORS AND RECEIPTS IN ADVANCE

	31 March 2010 £	31 March 2009 Restated £
Creditors due to:		
Government Departments	344	245
Sundry Creditors	893,540	2,116,686
<b>Total Creditors</b>	<b>893,884</b>	<b>2,116,931</b>
Receipts in advance	1,529,239	1,007,858
<b>Total Creditors and Receipts in Advance</b>	<b>2,423,123</b>	<b>3,124,789</b>

## 24 GOVERNMENT GRANTS AND CONTRIBUTIONS DEFERRED

	31 March 2010 £	31 March 2009 £
<b>Balance at 1 April</b>	(1,787,027)	(2,223,167)
Contributions received in year	(32,401)	(81,200)
Grants and contributions utilised in year	408,548	517,340
<b>Balance at 31 March</b>	<b>(1,410,880)</b>	<b>(1,787,027)</b>

## 25 PROVISIONS

	Balance 31 March 2009 £	Additions £	Payments £	Balance 31 March 2010 £
Redundancy/Compensation	19,704	41,802		61,506
Insurance	4,000	3,000		7,000
Ill Health Retirement	200,000		(200,000)	-
<b>Total Provisions</b>	<b>223,704</b>	<b>44,802</b>	<b>(200,000)</b>	<b>68,506</b>

The redundancy/compensation provision is intended to cover payments due as a result of staffing restructures within the authority that had been agreed by 31 March 2008 and 31 March 2010 but not yet paid.

The Insurance provision is to cover outstanding excesses on liability and property claims as at 31 March 2010, based on information provided by the Council's insurer.

The Ill Health Retirement provision was to cover the expected costs to the pension scheme following the early retirement of a member of staff on health grounds. The costs were settled in 2009/2010.

**26 SUMMARY RESERVES MOVEMENTS**

	<b>Balance at 31 March 2009 £</b>	<b>Movement in year £</b>	<b>Balance at 31 March 2010 £</b>	<b>Purpose</b>	<b>Further details</b>
Capital Adjustment Account	7,713,794	(166,055)	7,547,739	Store of capital resources set aside to meet past expenditure.	Note 27.
Collection Fund Adjustment Account	103,061	(10,007)	93,054	Balance of Collection Fund surplus to the Council.	Note 47
Revaluation Reserve	1,253,443	18,442	1,271,885	Store of gains on revaluation of fixed assets not yet realised through sales.	Note 28.
Useable Capital Receipts Reserve	9,536,446	(508,756)	9,027,690	Proceeds of fixed asset sales available to meet future capital investment.	Note 29.
Deferred Capital Receipts	100,486	(18,608)	81,878	Proceeds of home loan repayments.	Note 30.
Pensions Reserve	(22,627,000)	(18,949,793)	(41,576,793)	Balancing account to allow inclusion of Pensions Liability in Balance Sheet.	Note 37.
Earmarked Revenue Reserves	4,907,485	20,593	4,928,078	Reserves established for specific purposes.	Note 31
General Fund	895,056	(3,293)	891,763	Resources available for day to day cash flow management and future running costs.	Statement of Movement on General Fund Balance
	<b>1,882,771</b>	<b>(19,617,477)</b>	<b>(17,734,706)</b>		

## 27 CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital control system

	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£</b>	<b>£</b>
<b>Balance at 1 April</b>	7,713,794	8,360,663
Depreciation of tangible assets	(444,147)	(352,052)
Amortisation of intangible assets	(102,528)	(119,613)
Impairment of fixed assets	(193,988)	(1,123,754)
Disposal of fixed assets	(413,083)	(10,000)
Revaluation gain on disposal of assets	36,683	-
Revenue expenditure funded from capital	(1,348,771)	(1,865,741)
DBC Debenture repaid	-	(50,000)
Economic Loan written off	-	(9,375)
Historic cost/Current value depreciation adjustment	15,608	18,559
Capital financing:		
Capital Receipts	890,631	1,526,846
Transfer from Revenue	-	22,920
Government Grants Deferred amortisation	1,393,540	1,315,341
<b>Balance at 31 March</b>	<b>7,547,739</b>	<b>7,713,794</b>

## 28 REVALUATION RESERVE

This reserve records unrealised revaluation gains arising on fixed assets since 1 April 2007

	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£</b>	<b>£</b>
<b>Balance at 1 April</b>	1,253,443	1,770,754
Revaluations	70,733	(498,752)
Realised in year	(15,608)	(18,559)
Realised on disposals	(36,683)	-
<b>Balance at 31 March</b>	<b>1,271,885</b>	<b>1,253,443</b>

## 29 USEABLE CAPITAL RECEIPTS RESERVE

This reserve represents the accumulated value of past fixed asset sales that have not yet been used to finance new capital spending.

	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£</b>	<b>£</b>
<b>Balance at 1 April</b>	9,536,446	10,700,972
Amounts received in year	394,231	383,497
Pooling of Housing receipts	(12,356)	(21,176)
Amounts applied to finance capital investment	(890,631)	(1,526,847)
<b>Balance at 31 March</b>	<b>9,027,690</b>	<b>9,536,446</b>

### 30 DEFERRED CAPITAL RECEIPTS

This reserve represents the outstanding receipts due in respect of mortgages provided by the Council in the past.

	31 March 2010	31 March 2009
	£	£
<b>Balance at 1 April</b>	100,486	137,842
Payment received in year	(18,608)	(37,356)
<b>Balance at 31 March</b>	<b>81,878</b>	<b>100,486</b>

### 31 EARMARKED REVENUE RESERVES

	Balance 31 March 2009	Additions	Payments	Balance 31 March 2010
	£	£	£	£
BOWS Project	14,430	-	14,430	-
Council Initiatives	1,106,734	10,000	205,751	910,983
Forest of Dean Partnership Projects	169,908	79,209	119,726	129,391
Economic Development	41,169	-	41,169	-
Development of Financial Systems	32,883	-	10,000	22,883
Consultation	21,746	-	8,000	13,746
ICT Strategy	105,550	-	84,000	21,550
Subsidy Losses	210,918	68,355	6,985	272,288
Restructuring	784,022	631,580	639,923	775,679
Acorn Fund	2,153	-	2,153	-
Unforeseen items	158,475	9,401	45,550	122,326
Finance Office alterations	2,503	-	2,503	-
CPA Improvement Plan	50,000	-	50,000	-
Regeneration	16,326	-	4,750	11,576
Business Finance Grants	40,304	-	7,000	33,304
Devolved Budgetary Control	158,627	146,250	103,627	201,250
Planning Delivery Grant	235,974	156,524	98,820	293,678
Electoral Registration	4,538	-	-	4,538
Central HQ Refurbishment	132,124	10,000	112,120	30,004
SW Members' Charter	5,000	-	-	5,000
Insurance Reserve	43,144	-	-	43,144
Lydney Pitch	89,159	-	-	89,159
Falls Prevention	1,400	2,150	3,550	-
Mortgage Rescue Scheme	-	28,500	-	28,500
District Elections	66,000	27,500	-	93,500
SW RIEP	-	183,950	-	183,950
Choice Based Letting	-	104,807	-	104,807
Student Post (Env Health)	5,911	-	5,911	-
Historic Buildings	30,209	14,998	19,478	25,729
Local Development Framework	185,970	-	24,990	160,980
Sports Development	16,519	125,118	1,438	140,199
Climate Change	22,500	-	22,500	-
Repairs and Renewals	-	110,000	110,000	-
Capital Reserve	964,024	112,120	100,000	976,144
Regeneration Capital	107,423	-	-	107,423
Public Conveniences Refurbishment	44,542	-	-	44,542
Vehicle Replacement Reserve	37,300	50,000	5,495	81,805
	<b>4,907,485</b>	<b>1,870,462</b>	<b>1,849,869</b>	<b>4,928,078</b>

The purpose for holding the individual reserves is as follows:

- BOWS Project – this reserve covers the costs of projects under the Building on Whats Special Scheme.
- Council Initiatives – this reserve is used to meet the initial cost of invest-to-save initiatives and one-off projects supporting the Council's Corporate Plan objectives.
- Forest of Dean Partnership Projects – funds project bids.
- Development of Financial Systems – to be used for a new HR/Finance/Procurement IT system.
- Consultation – to be used to meet the costs of consultation on the community's priorities to feed into the review of the Community Plan and Corporate Plan, as well as the Best Value User Satisfaction Survey.
- ICT Strategy – to implement new procedures and projects in ICT.
- Subsidy Losses – to be used to cover shortfalls in subsidy due to the authority.
- Restructuring – to be used to meet costs arising from staff restructuring including redundancy costs, pension lump sums and capitalised pension costs.
- Unforeseen items – unbudgeted costs which cannot be met from savings or virements.
- Regeneration – to meet the Council's contribution to regeneration projects.
- Business Finance Grants – future capital grants.
- Devolved Budgetary Control – carry forward, within financial regulations, of unspent budgets.
- Planning Delivery Grant – to be used to improve Planning services.
- Electoral Registration – to fund additional staff costs relating to updating the electoral register.
- Central HQ Refurbishment – potential repairs of plant and equipment.
- SW Members' Charter – costs relating to applying for the Charter.
- Insurance – used to meet minor claims arising from uninsured sundry risks.
- Lydney Pitch – contribution from Lydney Leisure Trust for upkeep of the artificial pitch.
- Mortgage Rescue Scheme – funds received from Government to support vulnerable homeowners in danger of losing their homes to repossession.
- District Elections – to meet the cost of future elections.
- SW RIEP – funding received from South West Regional Improvement and Efficiency Partnership to meet the additional costs of the Council's Improvement Plan.
- Choice Based Letting – funds from Gloucestershire districts held to manage the Gloucestershire Homeseekers service.
- Historic Buildings – used to make grants towards the cost of building conservation.
- Local Development Framework – used to meet the costs of the Framework including consultation and public enquiries.
- Sports Development – to fund future sports development initiatives.
- Capital – used to finance capital expenditure.
- Regeneration Capital – to fund unforeseen regeneration initiatives not budgeted for that have the ability to help the Council meet the Corporate Plan objectives.
- Public Convenience Refurbishment – to meet the costs of refurbishing public conveniences.
- Vehicle Replacement – used to meet the costs of replacing vehicles.

### 32 CAPITAL EXPENDITURE AND FINANCING

	31 March 2010 £	31 March 2009 £
Opening Capital Financing Requirement	(9,173)	(9,173)
Capital Investment:		
Intangible assets	68,379	115,371
Operational assets	417,136	169,879
Infrastructure assets	63,533	172,828
Community assets	-	4,875
Investment Properties	10,204	85,220
Surplus assets	-	15,059
Revenue expenditure funded from capital	1,348,771	1,865,741
<b>Total Capital Investment</b>	<b>1,908,023</b>	<b>2,428,973</b>
Sources of Finance:		
Capital Receipts	(890,631)	(1,526,846)
Government Grants	(982,491)	(725,507)
Financed from Revenue	-	(22,920)
Other Contributions	(34,901)	(153,700)
<b>Total Capital Finance available</b>	<b>(1,908,023)</b>	<b>(2,428,973)</b>
<b>Closing Capital Financing Requirement</b>	<b>(9,173)</b>	<b>(9,173)</b>

### 33 CAPITAL COMMITMENTS

During 2009/2010, contracts were agreed to purchase 7 free-standing tourist information kiosks to enhance dissemination of tourism information in the district. At the year end, there were outstanding commitments of £12,100 on this capital contract.

### 34 ASSETS HELD UNDER LEASE

	Paid 2009/2010 £	Payable in 2010/2011 where lease expires in		Total £
		< 1 year £	1 to 5 years £	
Land and Building	22,645	7,925	-	7,925
Vehicles	3,713	5,826	9,710	15,536
Equipment	53,430	63,624	173,257	236,881
	<b>79,788</b>	<b>77,375</b>	<b>182,967</b>	<b>260,342</b>

### 35 ASSETS HELD FOR LEASE

	Annual rentals £	Capital value of assets employed £
Industrial Units	81,330	1,410,800
Other Property	24,214	568,000
	<b>105,544</b>	<b>1,978,800</b>

The Council holds a number of assets it leases to other organisations. All leases are provided on an operating lease basis.

All the assets are held as investment properties and therefore do not attract depreciation. Further information on the trading position of the industrial units can be found in note 3. A number of the properties are currently unoccupied and are being actively marketed for re-letting. The annual rentals figure shown above does not include the vacant properties.

### 36 ANALYSIS OF NET ASSETS EMPLOYED

	31 March 2010	31 March 2009
	£	£
General Fund	(19,145,506)	689,771
Trading Operations	1,410,800	1,193,000
<b>Total Equity</b>	<b>(17,734,706)</b>	<b>1,882,771</b>

### 37 RETIREMENT BENEFITS SCHEME

#### Participation in the pension scheme

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

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

#### Transactions relating to Retirement Benefits

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

	2009/2010	2008/2009
	£000	£000
<b>Income and Expenditure Account</b>		
Net Cost of Services:		
Current service cost	(550)	(694)
Past service cost	-	(482)
Curtailments	(229)	(105)
Net Operating Expenditure:		
Interest cost	(3,268)	(3,374)
Expected return on assets	1,490	2,241
Net charge to Income and Expenditure Account	<u>(2,557)</u>	<u>(2,414)</u>
<b>Statement of Movement in General Fund Balance</b>		
Reversal of net charges made for retirement benefits in accordance with FRS17	2,557	2,414
<b>Actual amount charged against General Fund Balance in the year</b>		
Employers' contributions payable	2,011	1,676

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £18,404,000 (2008/2009 losses of £5,215,000) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £26,383,000.

### Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	<b>Funded Liabilities Local</b>	
	<b>Government Pension Scheme</b>	
	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£000</b>	<b>£000</b>
<b>1 April</b>	47,864	49,106
Current service cost	550	694
Interest cost	3,268	3,374
Contributions by members	351	368
Actuarial (gains)/losses	27,042	(4,189)
(Gains)/losses on curtailments	229	105
Benefits paid	(2,022)	(1,954)
Unfunded benefits paid	(122)	(122)
Past service costs	-	482
<b>31 March</b>	<b>77,160</b>	<b>47,864</b>

Reconciliation of fair value of the scheme assets:

	<b>Funded Assets Local</b>	
	<b>Government Pension Scheme</b>	
	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£000</b>	<b>£000</b>
<b>1 April</b>	25,113	32,432
Expected rate of return	1,490	2,241
Contributions by members	351	368
Contributions by employer	1,970	1,430
Contributions re unfunded benefits	122	122
Actuarial gains/(losses)	8,638	(9,404)
Unfunded benefits paid	(122)	(122)
Benefits paid	(2,022)	(1,954)
<b>31 March</b>	<b>35,540</b>	<b>25,113</b>

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 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 £10,127,000 (2008/2009 loss £7,190,000).

## Scheme History

	2009/2010	2008/2009	2007/2008 Restated	2006/2007 Restated	2005/2006
	£000	£000	£000	£000	£000
Present value of liabilities	(77,160)	(47,864)	(49,106)	(57,304)	(57,176)
Fair value of assets	35,540	25,113	32,432	36,239	33,927
Creditors **	43	124	-	339	-
<b>Surplus/(deficit)</b>	<b>(41,577)</b>	<b>(22,627)</b>	<b>(16,674)</b>	<b>(20,726)</b>	<b>(23,249)</b>

\*\* At 31 March 2010 actual liabilities recorded by the actuary were £41.620m calculated per the requirements of FRS17. This figure does not include creditors accrued in the Forest of Dean District Council accounts of £43k in accordance with SORP 2009.

The Council has elected not to restate fair value of scheme assets for 2005/2006 as permitted by FRS17.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £41.577m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £17.735m.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2011 is £1.550m.

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels etc.

The Gloucestershire County Council pension fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 1 April 2007.

The main assumptions used in their calculations have been:

	<b>Local Government Pension Scheme</b>	
	<b>31 March 2010</b>	<b>31 March 2009</b>
<b>Long term expected rate of return on assets in the scheme:</b>		
Equity investments	7.8%	7.0%
Bonds	5.0%	5.4%
Property	5.8%	4.9%
Cash	4.8%	4.0%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners		
Men	22.7 years	20.4 years
Women	26.1 years	23.4 years
Longevity at 65 for future pensioners		
Men	24.8 years	22.6 years
Women	28.3 years	25.5 years
<b>Rate of inflation/pension increase</b>	3.8%	3.1%
<b>Rate of increase in salaries</b>	5.3%	4.6%
<b>Expected return on assets</b>	6.9%	5.9%
<b>Rate for discounting scheme liabilities</b>	5.5%	6.9%
<b>Take up of option to convert annual pension into retirement grant</b>	50%	50%

The Local Government Pension Scheme's assets consist of the following categories by proportion of the total assets held:

	<b>31 March 2010</b>	<b>31 March 2009</b>
	%	%
Equity investments	67	50
Bonds	24	25
Property	6	8
Cash	3	17
<b>Total</b>	<b>100</b>	<b>100</b>

### History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/2010 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010.

	<b>2009/2010</b>	<b>2008/2009</b>	<b>2007/2008</b>	<b>2006/2007</b>	<b>2005/2006</b>
	%	%	Restated %	Restated %	%
Differences between the expected and actual return on assets	24.3	(37.55)	(13.00)	(0.12)	13.44
Experience gains and losses on liabilities	(0.02)	(0.14)	3.35	0.59	(0.23)

## **38 CONTINGENT LIABILITIES**

The Council transferred its housing stock to Two Rivers Housing on 31 March 2003. As part of the transfer arrangements the Council provided a ten year warranty to Two Rivers Housing covering future liabilities or claims that may occur in respect of land transferred to them. The warranty covers potential liabilities such as contamination caused by previous land use which could give rise to a potential risk to the occupants of houses built on the land. The Council decided to self-fund the liability instead of paying for insurance cover following an environmental study that concluded that the risk of contamination of the land is very low. A minimum sum of £5m will be retained within Useable Capital Receipts to cover this potential liability. These arrangements will be reviewed in 2013.

In addition to the warranty in respect of contaminated land outlined above, the Council also provided warranties to Two Rivers Housing that all the freehold conveyances contained provisions that would enable Two Rivers Housing to recover contributions from future owners for maintenance, insurance etc relating to adjoining properties and common parts. Although notice of a breach of warranty was received from Two Rivers Housing in March 2009, no claim has been received. Any claim received will be defended.

The council's former insurers Municipal Mutual Insurance Ltd ceased trading in 1992; the Council became a party to the scheme of administration for liabilities outstanding at that time. Whilst there is currently a very low risk that the assets of the company will not meet the liabilities from insurance claims, the scheme guarantees that the Council will reimburse the total of payments made in respect of claims less £50,000. At 31 March 2010 this equated to £91,919. This potential liability is kept under review annually to ensure that a solvent run-off of the company's business is still anticipated.

The Council has now commenced its single status pay review, and is expected to complete this by 31 March 2011. This will result in changes to both pay and conditions of service. However, pay protection and potential arrears will mean a net cost to the Council; although at this moment it is impossible to estimate the full cost of the exercise, similar exercises in other councils have produced cost increases of anything up to 10% of the annual payroll costs.

## **39 CONTINGENT ASSETS**

The Council is contractually due a 25% share of up to £7.5m to be generated from a VAT shelter arrangement between the Council and Two Rivers Housing. This income accrues to the Council over the ten years commencing 1 April 2003. As part of this arrangement, the Council was entitled to £222,406 from Two Rivers Housing for the financial year to 31 March 2010. A capital debtor has been included in the accounts for this sum.

## **40 POST BALANCE SHEET EVENTS**

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer process index rather than the retail prices index will be the basis for future public sector pension increases, and that public sector pay would be frozen for 2 years. In accordance with paragraph 21 of Financial Reporting Standard 21 (FRS21) (Events after the balance sheet date), the budget announcement is deemed to be a non-adjusting post balance sheet event. It is estimated that this will reduce the value of the employer's net pension scheme liabilities by around 6% or £2.5m, and the overall balance sheet total by around 14%.

**41 RECONCILIATION OF DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT TO NET CASHFLOW DEFICIT ON REVENUE ACTIVITIES**

	<b>2009/2010 £000</b>	<b>2008/2009 £000</b>
Income and Expenditure Account deficit for year	1,243	2,550
Non cash related movements:		
Amortisation of intangible assets	(103)	(119)
Depreciation and impairment of tangible assets	(638)	(1,475)
Govt Grants Deferred amortisation	1,394	517
Revenue expenditure funded from Capital	(1,349)	(1,067)
Net profit/(loss) on disposal of fixed assets	(311)	4
Net charges for retirement benefits in accordance with FRS17	(2,557)	(2,414)
Housing Capital Receipts Pool debtors increase	(12)	21
Employers contributions to GCC pension scheme	2,011	1,676
Net transfers to Reserves	335	185
Collection Fund surplus attributable to Council	(10)	1
Increase/(decrease) in Debtors	2,638	1,316
(Increase)/decrease in Creditors	729	(3,187)
Increase/(decrease) in Stocks	1	2
Correction of loan written off 2008/2009	-	9
Interest accrued	(239)	(173)
Contribution from Provisions	155	239
Revenue Long Term Debtors	(19)	(37)
Servicing of Financing	709	1,283
<b>Deficit on Revenue Activities</b>	<b>3,977</b>	<b>(669)</b>

## 42 ANALYSIS OF GOVERNMENT GRANTS RECEIVED

	£000	£000
<b>Revenue grants not allocated to services:</b>		
DCLG Revenue Support Grant		1,260
DCLG LABGI		40
DCLG ABG – Climate Change		23
		1,323
<b>Revenue Grants allocated to services:</b>		
DWP Housing Benefit Grant	19,255	
DCLG Planning Delivery Grant	156	
DCLG Homelessness Grant and Mortgage Rescue Scheme	60	
DWP Discretionary Housing Payments	15	
DFT Concessionary Fares Special Grant	173	
DWP Additional Grant	83	
DCLG Additional Grant	4	
MOJ Electoral Register Grant	1	
HO Building Safer Communities Grants	51	19,798
	51	19,798
<b>Capital grants:</b>		
DCLG Regional Housing Pot	501	
Disabled Facilities Grant	288	
DCLG Efficiency Information Grant	5	
HCA Cinderford Regeneration Grant	52	846
	52	846
		<b>21,967</b>

DWP = Department for Work and Pensions

DCLG = Department for Communities and Local Government

DFT = Department for Transport

HO = Home Office

MOJ = Ministry of Justice

HCA = Homes & Communities Agency

## 43 LONG TERM INVESTMENTS

	Investments at 31 March 2010 £000	Investments at 31 March 2009 £000	Net Movement £000
Balance Sheet value	2,000	2,074	(74)
Accrued interest	-	(74)	74
<b>Net increase/(decrease) in long term investments</b>	<b>2,000</b>	<b>2,000</b>	<b>-</b>

## 44 SHORT TERM INVESTMENTS

	Investments at 31 March 2010 £000	Investments at 31 March 2009 £000	Net Movement £000
Balance Sheet value	10,268	13,371	(3,103)
Accrued interest	(231)	(397)	166
<b>Net increase/(decrease) in short term investments</b>	<b>10,037</b>	<b>12,974</b>	<b>(2,937)</b>

#### 45 INCREASE/DECREASE IN OTHER LIQUID RESOURCES

	<b>Other Liquid Resources at 31 March 2010 £000</b>	<b>Other Liquid Resources at 31 March 2009 £000</b>
National Non Domestic Rate receipts	10,896	10,802
National Non Domestic Rate payments to National Pool	(11,860)	(10,531)
Gloucestershire County Council and Police Authority receipts	37,843	31,867
Gloucestershire County Council and Police Authority precepts paid	(37,110)	(36,325)
<b>Net increase/(decrease) in Other Liquid Resources</b>	<b>(231)</b>	<b>(4,187)</b>

#### 46 STATEMENT OF ACCOUNTS ISSUE DATE

The Statement of Accounts was issued to Audit Committee members on 11 June 2010 for the Audit Committee to approve on 24 June 2010.

47 COLLECTION FUND 2009/2010

INCOME AND EXPENDITURE ACCOUNT

2008/2009 £		2009/2010		Note
		£	£	
	<b>INCOME</b>			
36,890,095	Council Tax		37,592,130	49
	Transfers from General Fund:			
5,041,994	Council Tax Benefits	5,675,141		
10,893,983	Income collectable from Business Ratepayers	10,381,580		50
<u>52,826,072</u>	<b>Total Income</b>		<u>16,056,721</u> <u>53,648,851</u>	
	<b>EXPENDITURE</b>			
41,157,796	Precepts and Demands – County, Police and District		42,577,289	51
	Business Rates:			
10,726,844	Payment to National Pool	9,998,123		
120,744	Cost of Collection allowance	121,092		
4,629	Interest on repayments	20,640		
			10,139,855	
	Bad and doubtful debts/appeals			
	Write offs:			
40,759	Council Tax	113,429		
31,765	Business Rates	74,725		
	Provision for bad debts:			
26,000	Council Tax	48,000		
10,000	Business Rates	167,000		
			403,154	
14,150	Adjustments to previous year expenditure		15,465	53
1,083,000	Contribution towards previous year estimated surplus		587,000	51
<u>53,215,687</u>	<b>Total Expenditure</b>		<u>53,722,763</u>	
(389,615)	Surplus/(deficit) for the year		(73,912)	
1,127,055	Fund Balance brought forward		737,440	
<u>737,440</u>	<b>Fund Balance</b>		<u>663,528</u>	
	<b>Allocation of fund balance:</b>			
(536,473)	Gloucestershire County Council		(482,633)	52
(97,906)	Gloucestershire Police Authority		(87,841)	52
<u>103,061</u>	<b>Forest of Dean Council Balance at 31 March 2010</b>		<u>93,054</u>	

## NOTES TO THE COLLECTION FUND

### 48 GENERAL

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund. It shows the transactions in relation to Business Rates and Council Tax. It illustrates how these have been distributed to preceptors or the General Fund. The Collection Fund is consolidated with other accounts of the Council.

### 49 COUNCIL TAX AND TRANSFERS FROM GENERAL FUND

Council Tax is levied as an amount per property.

Each property is allocated to a tax band depending on its assessed value, with Z being the lowest value and H being the highest. For the purposes of creating a tax base, each band is defined as a proportion of a band D property. For example a band B property is defined as 7/9ths of a band D property.

The tax base is calculated in terms of band D equivalent properties and reflects a projected collection rate (98%) which anticipates changes during the year arising from successful appeals against valuation banding, new properties, demolition, disabled persons relief and exemptions.

The tax rate, expressed as an amount per band D property, is calculated by aggregating demands on the Collection Fund from Forest of Dean District Council, Gloucestershire County Council, Gloucestershire Police Authority and the various parish councils throughout the district and dividing it by the tax base.

The tax base for 2009/2010 was as follows:

Band	Number of Chargeable Dwellings	Proportion To Band D	Band D Equivalent	Tax Base
Z	13.50	5/9	7.5	7.35
A	5,176.85	6/9	3,451.23	3,382.21
B	8,136.70	7/9	6,328.54	6,201.97
C	7,120.70	8/9	6,329.51	6,202.92
D	4,902.65	1	4,902.65	4,804.60
E	3,556.20	11/9	4,346.47	4,259.54
F	1,768.50	13/9	2,554.50	2,503.41
G	889.50	15/9	1,482.50	1,452.85
H	61.20	2	122.40	119.95
Armed Forces Class O contribution in lieu of Council Tax			170.33	166.92
Council Tax base at 31 March 2010				29,101.72
Council Tax collectable (excl Parish Precepts)				£41,282.831
Parish Precepts collectable				£1,378,159
<b>Total Collectable</b>				<b>£42,660,990</b>
Band D tax for 2009/10 (excl Parish Precepts)				£1,418.57

### 50 BUSINESS RATES

The Council collects National Non Domestic Rates (business rates) for its area. These are based on local rateable values (£ 28,540,105 at 31 March 2010) multiplied by a rate in the pound set by central government (48.1p for 2009/2010). The total amount less certain reliefs 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 the local adult population.

Amounts credited to the Collection Fund are as follows:

	<b>£</b>
Amounts due from Business Ratepayers	13,841,951
Add Adjustment for part year occupations	658,909
Less Allowances and other adjustments	(4,119,280)
<b>Total Income from Business Rates</b>	<b><u>10,381,580</u></b>

## 51 PRECEPTS AND DEMANDS

Significant precepts on the fund for 2009/2010 are as follows:

	<b>Precept £</b>	<b>Surplus £</b>	<b>Total £</b>
Gloucestershire County Council	30,969,305	427,000	31,396,305
Gloucestershire Police Authority	5,636,239	78,000	5,714,239
Forest of Dean District Council	5,971,745	82,000	6,053,745
	<b><u>42,577,289</u></b>	<b><u>587,000</u></b>	<b><u>43,164,289</u></b>

## 52 FUND BALANCE

The balance of the Collection Fund is analysed between the precepting/demanding authorities in the ratio of their latest precepts/demands. The balance at 31 March 2010 is the amount estimated to be receivable by the Council.

## 53 AMOUNTS CREDITED TO INCOME AND EXPENDITURE

In addition to its own precept, Forest of Dean District Council collects special precepts on behalf of Lydbrook and Newent Parish Councils in respect of closed churchyards. These sum are collected annually in arrears.

	<b>£</b>
Forest of Dean District Council precept	6,053,745
Special Precepts	15,465
Movement in Collection Fund estimates	(10,007)
Amount credited to Income and Expenditure Account	<b><u>6,059,203</u></b>

## **GLOSSARY OF FINANCIAL TERMS**

### **ACCOUNTING CODE OF PRACTICE**

Although the preparation and control of accounting is regulated, there is no statutory basis for accounting entries. Instead, Local Authorities have to comply with the CIPFA/LASAAC Code of Practice.

### **ACCOUNTING PERIOD**

This is the length of time covered by the accounts. It is normally a period of 12 months commencing on 1 April. The end of the accounting period is the balance sheet date.

### **ACCOUNTING POLICIES**

The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its financial statements.

### **ACCRUAL**

This is one of the main accounting concepts and ensures that income and expenditure are disclosed in the accounting period in which they are earned or incurred, not when cash is received or paid.

### **ACTUARIAL BASIS**

The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.

### **ACTUARIAL GAINS AND LOSSES**

These may arise on both defined benefit pension scheme liabilities and assets. A gain represents a positive difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were lower than estimated). A loss represents a negative difference between the actuarial assumptions and actual experience (e.g. liabilities during the period were higher than expected).

### **ASSETS**

An asset is something owned by an organisation that has a monetary value. Assets are either current or fixed:

- a current asset is one that will be used, or cease to have a material value, by the end of the next financial year (eg stocks or debtors); and
- a fixed asset provides the organisation with benefits over more than one year.

### **AUDIT COMMISSION**

An independent body whose objectives are to appoint external auditors to local authorities and to help bring about improvements in efficiency, directly through the auditing process and through the Value for Money studies which the Commission carries out.

### **AUDIT OF ACCOUNTS**

An audit is an examination by an independent expert of an organisation's financial affairs to check that the relevant legal obligations and codes of practice have been followed.

### **BALANCE SHEET**

A financial statement that summarises the organisation's assets, liabilities and other balances at the end of each accounting period.

### **BILLING AUTHORITY**

The authority that sets Council Tax and collects it from Council Tax payers.

## **BUDGET**

A financial plan that expresses an organisation's service delivery plans and capital programmes in monetary terms.

## **BUDGET STRATEGY**

A document setting out how an organisation is going to meet its policies and priorities, taking into account the resources available to the organisation. This will include proposals for efficiency savings and possible service changes or reductions, which may free up resources for use on other policies or priorities.

## **CAPITAL EXPENDITURE**

This is expenditure on items providing benefits to the organisation over more than one year, such as land, buildings or vehicles.

## **CAPITAL FINANCING**

This describes the various sources of finance used to pay for capital expenditure. There are various options available and used by the Council: capital receipts, capital grants, capital contributions and revenue financing.

## **CAPITAL PROGRAMME**

This is a financial plan of the capital expenditure projects that the organisation intends to carry out over a specified time period.

## **CAPITAL RECEIPT**

This is income resulting from the sale of assets such as land or property. The Government decides what proportion of each capital receipt can be used by the Council to finance new capital expenditure. Capital receipts cannot be used to fund revenue expenditure.

## **CASHFLOW STATEMENT**

The financial statement that summarises the Council's inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

## **CIPFA**

The Chartered Institute of Public Finance and Accountancy. This is the professional body for accountants working in local government and other public bodies. The Institute provides financial and statistical information services for local government and advises central Government and other bodies on local government and public finance matters.

## **COLLECTION FUND**

A separate statutory fund maintained by district councils (the billing authorities) which records income and expenditure relating to Council Tax and Non Domestic Rates.

## **COMMUNITY ASSETS**

Assets that generally have no determinable useful life, there often being restrictions regarding their sale.

## **CONSISTENCY**

One of the fundamental accounting concepts, it requires accountants to treat similar items of income and expenditure in the same way both within an accounting period and from one accounting period to the next.

## **CONTINGENT LIABILITY**

Potential costs that the organisation may incur in the future because of something that happened in the past.

## **COUNCIL TAX**

A local tax levied on dwellings within the local authority area. The level of taxation is based on the capital value of the property, which is categorised into one of eight bands from A to H, and the number of people living in the dwelling.

## **CORPORATE AND DEMOCRATIC CORE**

Comprises two service divisions:

- Democratic Representation and Management (DRM) – this includes all aspects of member activities including policy making and the representation of local interests.
- Corporate Management (CM) – the activities and costs that provide the infrastructure that allow services to be provided, whether by the authority or not and the information required for public accountability.

## **CREDITOR**

The amount of money the organisation owes to others for goods and services that have been received in the accounting period but not yet paid for.

## **DEBTOR**

The amount of money owed to the organisation for goods and services provided in the accounting period but not yet paid for.

## **DEPRECIATION**

A charge made to the revenue account each year that reflects the reduction in value of assets used to deliver services.

## **EMOLUMENTS**

The cash payments or payments in kind an employee is entitled to. Employer pension contributions are not an emolument.

## **ESTIMATE**

**Original estimate:** the estimate for the new year approved before the start of the financial year, usually at the previous November's price levels.

**Revised estimate:** the original estimate for the year updated by price changes since it was prepared and by supplementary estimates and virements.

**Supplementary estimate:** an amount approved by the Council to be spent in excess of the original estimate.

## **FINANCE LEASE**

A lease where substantially all of the risks and rewards associated with ownership of an asset, other than transfer of legal title, are transferred from the lessor to the lessee.

## **FINANCIAL REPORTING STANDARDS**

Provide the required accounting treatment and disclosure of transactions so that an organisation's financial statements present fairly the financial position of the organisation.

## **FINANCIAL REGULATIONS**

A formal code of the policy and procedures to be followed in the financial management of the Council.

## **GOVERNMENT GRANTS**

Grants made by the Government towards either revenue or capital expenditure to help with the cost of providing services and capital projects. Some Government grants have restrictions on how they may be used, whilst others are general purpose.

## **HOUSING BENEFITS**

Introduced in the Social Security and Housing Benefits Act 1982, this is a system of financial assistance towards the rent and Council Tax of those in financial need. Costs incurred by Councils are partly reimbursed by direct grant from central Government.

## **IMPAIRMENT**

Impairment of an asset is caused by a consumption of economic benefits (e.g. physical damage such as an office fire) or a deterioration in the quality of service provided by the asset (e.g. an industrial unit closing and becoming a storage facility), or by a general fall in prices of that particular asset or class of assets.

## **INCOME**

The money the Council receives or expects to receive from any source, including fees, charges, sales, grants and interest.

## **INCOME AND EXPENDITURE ACCOUNT**

This is the Council's main revenue account. It records the income received from Council Tax and Business Rate payments, grants and other fees and charges. It also records the expenditure made as services are provided.

## **LIABILITY**

The Council has a liability that must be included in its financial statements when it owes money to others. There are different types of liability:

- A current liability is a sum of money that will or might be payable during the next accounting period, such as trade creditors or bank overdraft.
- A deferred liability is a sum of money that is not payable until some point after the next accounting period, or is paid over a number of accounting periods.

## **LIQUID RESOURCES**

Resources that the organisation can easily access and use such as cash or investments of less than 365 days.

## **MATERIALITY**

One of the main accounting concepts, it ensures that the statement of accounts includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.

## **NATIONAL NON-DOMESTIC RATES**

This is a national scheme for collecting contributions from businesses towards the cost of local government services. Each business property has a rateable value. The Government determines how much a business has to pay per £ of rateable value each year.

## **NET BOOK VALUE**

The amount at which fixed assets are included in the Balance Sheet, it represents historic cost or current value less the cumulative amounts provided for depreciation and impairment.

## **NON OPERATIONAL ASSETS**

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non operational assets are investment properties and assets that are surplus to requirements pending sale or redevelopment.

## **OPERATING LEASE**

A lease where substantially all of the risks and rewards associated with ownership of an asset, including transfer of legal title, are not transferred from the lessor to the lessee. The rentals payable by the lessee are usually over a period of time which is substantially less than the useful economic life of the asset.

## **OPERATIONAL ASSETS**

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

## **OUTTURN**

Actual income and expenditure.

## **PRECEPT**

The levy made by a precepting authority (County Council, Police Authority, Parish Council) on the billing authority, requiring it to collect income from Council Taxpayers on their behalf.

## **PROVISION**

A sum of money set aside in the accounts for liabilities or losses that are due but where the amount due or the timing of the payment is not known with certainty.

## **PRUDENCE**

One of the fundamental accounting concepts, it ensures the organisation only includes income in its accounts if it is sure it will receive the money.

## **RATEABLE VALUE**

The annual assumed rental value of a property that is used for business purposes.

## **RELATED PARTIES**

Two or more parties are related parties when at any time during the accounting period:

- One party has direct or indirect control of the other party.
- The parties are subject to common control from the same source.
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing its own interest.
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own interest.

The Council's related parties include:

- Central Government.
- The local authorities, police authority and other bodies that precept or levy demands on the Council Tax.
- Its members.
- Its chief officers.

For individuals identified as related parties, the following are also assumed to be related parties:

- Members of close family or household.
- Partnerships, companies, trusts or other entities that the individual or a member of close family or household has a controlling interest in.

## **RELATED PARTY TRANSACTIONS**

A related party transaction is the transfer of assets, liabilities or services between the Council and its related party, irrespective of whether a charge is made.

Examples of related party transactions include:

- The purchase, sale, lease, rental or hire of assets between related parties
- The provision of a guarantee to a third party in relation to a liability or obligation of a related party
- The provision of services to a related party
- The transactions with individuals who are related parties of the organisation, except those that are also made to other members of the community such as Council Tax, rents and payment of benefits.

The materiality of related party transactions is judged both in terms of their significant to the Council and its related party.

## **RESERVES**

Reserves result from the accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the Council's discretion.

## **RESIDUAL VALUE**

This is the net realisable value of an asset at the end of its useful life.

## **REVENUE EXPENDITURE**

Expenditure on the day to day running costs of the Council such as wages and salaries, utility costs, repairs and maintenance.

## **REVENUE EXPENDITURE FUNDED FROM CAPITAL**

Expenditure such as home improvement grants or improvements to joint use leisure centres which is classified as capital expenditure for funding purposes but which does not result in the creation of assets for the Council.

## **REVENUE SUPPORT GRANT**

An amount of money that central Government makes available to local authorities to provide the services that it is responsible for delivering.

## **STATEMENT OF RECOMMENDED PRACTICE (SORP)**

A CIPFA publication that provides comprehensive guidance on the content of a Council's statement of accounts.

## **STOCKS**

Items of raw materials and stores that the Council has bought to use on a continuing basis but has not yet used, such as consumable stores, wheeled bins and sports equipment for resale.

## **TEMPORARY BORROWING**

A sum of money borrowed for a period of less than one year.

## **WORK IN PROGRESS**

The value of work completed or partially completed at the end of the accounting period that should be included in the financial statements.