STATEMENT OF ACCOUNTS 2011/2012

Audited

Forest of Dean
DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/2012

CONTENTS

EXPLANATORY FOREWORD

1. STATEMENT OF ACCOUNTS

The Council's statement of accounts has been produced under the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom 2011/2012 (the Code) and complies with International Financial Reporting Standards (IFRS).

The Council's statement of accounts for the financial year 2011/2012 is set out on pages 18 to 82 and consists of the following:

A. Statement of Accounting Policies

This explains the basis for 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 items in the Balance Sheet. This is contained within note 1 to the Core Financial Statements.

B. Comprehensive Income and Expenditure Statement (CIES)

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

C. Balance Sheet

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

D. Movement in Reserves Statement (MIRS)

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

E. Cash Flow Statement

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

F. Collection Fund Statement

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

G. 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 is 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 challenging economic climate continues to have an impact on the Council's finances. Income related to the housing and property markets such as planning application fees, land searches, etc., continues to be depressed. In addition, the historically low Bank of England base rate continues to dampen the level of interest earned by the Council's cash investments.

The Council has successfully managed the £1.7m reduction in financial support announced as part of the Comprehensive Spending Review in 2010. The continuing uncertainties within the Eurozone has caused the government to ask spending departments to prepare contingency saving plans of 5%. It is not clear whether this demand will reduce future funding levels, however, this Council has an expenditure reduction plan that anticipates cuts in grant support until 2015.

3. RESULTS FOR THE YEAR

The net General Fund working balance decreased in the year by £5,000 (2010/2011 increased by £104,080).

Earmarked Reserves decreased by £194,860 (2010/2011 increased by £745,443) to £5,860,099.

The Council has many earmarked reserves, which are subject to annual review for relevance and adequacy. For financial reporting, the reserves have been grouped into six categories that make up the earmarked reserves figure. The categories are reported below together with the movement in the balance between 1 April 2011 and 31 March 2012.

Reserve category	Purpose	Movement Increase/ decrease £	Closing Balance £
Council Third Party Funds	Funds from third parties that the Council may utilise at its discretion, within the services for which they are included e.g. Mortgage Rescue Scheme, Sports Development Fund.	116,499	892,868
Forward Management Funds	Funds for use in financial planning e.g. use of reserves to support revenue or capital expenditure as part of a longer-term plan.	165,986	3,061,118
Smoothing Funds	Funds accumulated over several years to pay for specific, regularly occurring events e.g. elections fund, local development framework fund.	(61,943)	278,797
Housing and Planning Delivery Grant Funds	The Council's Housing and Planning Delivery Grant is allocated to fund a number of projects each year.	(88,150)	121,138
Service Specific Funds	The funds are established to help finance specific services e.g. Business Finance grants. These funds may be established for one off purposes or for on-going use.	(303,667)	320,826
Council Initiatives Fund	The Council Initiatives Fund has been established for allocation to projects that help the Council implement new initiatives in service delivery.	(23,585)	1,185,352
Earmarked Reserves		**(194,860)**	**5,860,099**

4. SERVICE EXPENDITURE

Net service expenditure, including that funded from earmarked reserves, compared with budgeted expenditure for 2011/2012 is set out below. This table is produced to allow comparison of the outturn figures with the revised budget. The figures exclude items such as impairment of assets and deferred charges as these are not included in the budget estimates.

	2011/2012 Budget £	2011/2012 Outturn £	Difference £
STATEMENT OF NET EXPENDITURE			
Cultural, Environmental and Planning Services	6,623,460	6,367,520	255,940
Highways and Transport Services	130,380	217,741	(87,361)
Housing Services	1,129,880	1,333,972	(204,092)
Non Distributed Costs	1,018,480	88,980	929,500
Central Services to the Public	2,578,590	2,434,909	143,681
Exceptional Item – contract termination costs	30,000	200,000	(170,000)
NET COST OF SERVICES	**11,510,790**	**10,643,122**	**867,668**
Trading Account	45,450	(41,235)	86,685
IAS19 pensions adjustment	-	811,208	(811,208)
Reversal of depreciation charges	-	5,701	(5,701)
Interest Payable and similar charges	38,920	108,570	(69,650)
Interest and Investment Income	(265,000)	(312,664)	47,664
NET OPERATING EXPENDITURE	**11,330,160**	**11,214,702**	**115,458**
Transfers to/from Reserves	(354,600)	(194,860)	(159,740)
AMOUNT TO BE MET FROM GOVERNMENT GRANTS			
Funding:			
Council Tax Payers	(4,747,130)	(4,747,130)	-
Collection Fund surplus/deficit	(71,200)	(71,200)	-
Revenue Support Grant	(1,381,260)	(1,381,263)	3
Non Domestic Rates redistributed	(4,468,620)	(4,468,618)	(2)
Other Grants and contributions	(286,680)	(346,631)	59,951
(SURPLUS)/DEFICIT FOR YEAR	**20,670**	**5,000**	**15,670**

The reasons for major variances are detailed in the table below:

UNDERSPENDS	**£000**
Salary savings from vacancy management	91.5
Printing savings	56.8
Waste contract savings and additional income received	421.0
Leisure Centres increased income	46.5
Housing and Council Tax Benefit subsidies additional income received	74.6
Cinderford Regeneration Grant received	714.5
Single Status project costs delayed	91.3
12/13 New Homes Bonus Grant received	35.4
Cemetery fee income more than anticipated	29.8
Investment Income more than anticipated	47.8
	1,609.2
OVERSPENDS	**£000**
Settlement of onerous contract	(170.0)
Revenue Contributions to Capital Expenditure (Grant and Reserve Funded)	(668.2)
Planning Fee income lower than anticipated	(67.0)
Building Control income lower than anticipated	(72.3)
Pest Control income lower than anticipated	(42.7)
New mobile phone contract	(22.2)
Linkline income lower than anticipated	(39.8)
Bad debt provisions	(241.5)
Cinderford regeneration expenditure not budgeted for (Grant funded)	(106.0)
Increased cost of Insurance	(6.2)
Other minor overspends	(5.5)
	(1,441.4)
RESERVE TRANSFERS	**£000**
Carry forward of expenditure	(602.7)
Use of subsidy losses reserve	328.5
Capital spending on Lydney pitch	122.1
	(152.1)
TOTAL VARIANCES	**15.7**

5. MAJOR INFLUENCES AFFECTING INCOME AND EXPENDITURE

The most significant influences on the Council's revenue income and expenditure are as follows:

Description	**2011/2012 £**	**2010/2011 £**
Expenditure:		
Employee Costs – Salaries, NI, Pension	6,946,349	8,502,312
Housing Benefit Payments	20,454,208	19,527,773
Council Tax Benefit Payments	5,922,699	6,016,048
Waste Collection/Recycling Contract	2,190,295	2,308,272
Income:		
Government Grants:		
Housing Benefit Subsidy	(20,631,001)	(20,050,939)
Council Tax Benefit Subsidy	(6,235,085)	(6,313,550)
Revenue Support Grant	(1,381,263)	(868,174)
Non-Domestic Rates Allocation	(4,468,618)	(5,978,779)
Council Tax	(4,780,898)	(4,839,169)

6. CAPITAL EXPENDITURE

In 2011/2012 the Council spent £1.497m on capital projects (2010/2011 £3.533m). Spending by Council priority was as follows:

CAPITAL SCHEME EXPENDITURE 2011/2012	£000
Priority 1: Provide Value for Money services	
Replacement vehicles	16
Replacement Finance/Procurement/HR/Payroll system	105
Priority 2: Promote thriving communities	
Grants for social housing, disabled facilities and minor improvements	408
Refurbishment of leisure facilities	157
Priority 3: Encourage a thriving economy	
Cinderford Business Plan	293
Refurbishment of industrial estate	188
Grants to business and community groups	47
Town Centre Improvements	208
Priority 4: Protect and improve our environment	
Flood alleviation schemes	75
TOTAL ALL PRIORITIES	**1,497**

17% of the capital expenditure was financed from capital resources (2010/2011 15%).

7. MAJOR INFLUENCES ON CASH FLOW

The key influences on cash flow in 2011/2012, besides those already mentioned elsewhere have been:

- Disabled Facilities Grant £345,680
- New Homes Bonus £203,814
- Council Tax Freeze Grant £118,817
- Regeneration Grants and Contributions £861,874

8. MATERIAL ASSETS ACQUIRED OR LIABILITIES INCURRED

In the latter half of the financial year the Council implemented a new HR/Payroll/Finance/Procurement system in conjunction with its partners. Total costs to date of £267,142 have been capitalised in the fixed asset register.

In late 2011, the Council were made aware that Gloucestershire County Council was seeking to dispose of the Cinders site in the Linear Park, Cinderford on the open market as part of its 2011/2012 Land and Property Disposal Strategy. In seeking to progress the delivery of the Cinderford Area Action Plan (AAP) and wider regeneration activity within the town, the Council has been liaising with public and private sector partners to identify opportunities to enhance the green corridors and public open space connections between the AAP area, Linear Park and the town centre. The Council purchased this site for £60,000 and is working with partners to facilitate future environmental improvements along the established walking and cycling routes. There may also be scope to attract new tourism or leisure activity related investment in this location which would provide welcome new facilities for the local community and visitors to the town. This site may also provide a suitable location for any biodiversity.

Other assets added to the fixed asset register during the year included a community asset in Newent valued at £24,000 acquired under the terms of a S106 agreement with a developer and two investment properties valued at £66,175 capitalised following resolution of legal disputes regarding ownership.

9. PENSION FUND

The estimated pension fund deficit has increased from £22m to £27m. This reflects the actuary's assessment of pensions liabilities at 31 March 2012. This increased deficit includes a loss of £2.57m arising from a revision to the assumptions used by the actuary, which is detailed in note 58.

This pensions' liability represents the best estimate of the current value of pension benefits that will have to be funded by the Council. The liabilities relate to benefits earned by existing or previous employees up to 31 March 2012.

These benefits are expressed in current value terms rather than the cash amount that will actually be paid out. This is to allow for the 'time value of money', whereby the value of cash received now is regarded as higher than cash received in, say, ten years time since the money received now could be invested and would earn interest or returns during the ten years.

10. MATERIAL CHARGES OR CREDITS TO THE ACCOUNTS

Once again the accounting for the local government pension scheme has had a material impact on the Council's accounts. The actuary is now estimating that the Council's net liability has increased from £22m at the previous balance sheet date to £27m in the current balance sheet. The pension scheme accounting entries feed into the CIES in the Financing and Investment Income and Expenditure line and the Actuarial Gains and Losses line of the CIES.

During the year, the Council terminated a long-term contract in cultural and related services that was no longer providing value for money. A payment of £200,000 to the supplier on termination is disclosed in Exceptional Items.

Included in Planning Services is a £747,836 grant received from Homes and Communities Agency in respect of Regeneration of the Cinderford Northern Quarter.

11. MAJOR CHANGES IN STATUTORY FUNCTIONS

On 1 April 2011, the Council's statutory responsibility for providing concessionary travel transferred to Gloucestershire County Council. In the 2011/2012 accounts, this function is disclosed as a transferred service.

12. IMPACT OF PLANNED LEGISLATION

2013/2014 will see a major reform in local government funding. The localisation of National Non-Domestic Rates (NNDR) will mean a move to a variable funding stream as the replacement for, a fixed, formula grant. At the time of signing the statement of accounts the proposed legislation was still under consultation. This change brings an opportunity to benefit from economic growth in the district. The Council has an agreed expenditure reduction plan that should allow it to successfully manage any adverse change in resources.

In the Spending Review 2010, the Government announced that it would localise financial support for council tax from 2013/2014 at the same time reducing expenditure by 10%. This reform, coupled with the changes to NNDR above, is part of a wider policy of decentralisation, aimed at giving councils increased financial autonomy and a greater stake in the economic future of their local area. At June 2012 this change was still under consultation, however, it is clear that government support will come as a fixed grant. Councils have been given the freedom to manage this change in a manner that suits the needs of the local community.

13. FUTURE DEVELOPMENTS IN SERVICE DELIVERY

The impact of the adverse economic conditions continued to impact on the Council's finances during 2011/2012. Income from services such as land charges, planning fees and building control fees continued to decline. In addition, the low interest rates available for the Council's investments reduced investment income.

The Council has agreed a partnership with Cheltenham Borough Council, Cotswold District Council and West Oxfordshire District Council to provide shared transactional, professional and advisory finance, HR, payroll and procurement services to the four partners using a common IT platform. The new IT platform has been implemented by the Council, and the remaining partners will be implementing this in the early part of 2012/2013.

Once all partners have the new IT platform, the Shared Service will take on the role of providing services to the 4 partner councils and significant savings are expected in these back office functions.

The Council is developing a Leisure Services strategy with the aim of reducing the costs of the service whilst retaining equivalent provision for our communities. This is expected to be approved by Cabinet in the autumn of 2012.

The Council is working with other councils in Gloucestershire to produce a county-wide Community Infrastructure Levy scheme. The intention is that the draft scheme will be ready by the autumn of 2013 for implementation from April 2014.

The Council is also examining all opportunities to share delivery of services with other public sector bodies, or the private sector where appropriate, to provide services at best value for taxpayers.

14. DEBT FREE STATUS

The Council transferred its housing stock to a housing association in 2003 in a large-scale voluntary transfer arrangement. Part of the proceeds raised from the transfer was used to redeem the Council’s long term borrowing and consequently the Council is now a debt-free Council. The Council’s current plans, endorsed within the Medium Term Financial Plan, are to remain debt free.

15. CAPITAL FINANCING AVAILABILITY

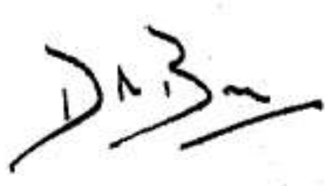
Capital receipts amounting to £9.272m are available as at 31 March 2012 to fund capital expenditure and commitments (2010/2011 £9.109m). The Medium Term Financial Plan for the next five years includes a capital spending programme that is projected to be funded from current and new capital receipts.

16. RESERVES

The reserves and provisions are set out in the Balance Sheet on page 20 and detailed in notes 41 to 48.

17. FURTHER INFORMATION

Further information about the accounts is available from the Accountancy Team, Council Offices, High Street, Coleford, GL16 8HG.



Derek Broom FCCA
Chief Financial Officer

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 Council Accounting in the United Kingdom (the Code).

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 Council 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 18 to 22 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 2012.

Chief Financial Officer
17 September 2012

COMMITTEE APPROVAL OF THE STATEMENT OF ACCOUNTS

This statement of accounts was approved by the Audit Committee at its meeting on 27 September 2012.

Audit Committee Chairman
27 September 2012

FOREST OF DEAN DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2011/2012

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
- public money is safeguarded and properly accounted for
- public money is used economically, efficiently and effectively
- there is a sound system of governance, incorporating the system of internal control

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, facilitating the effective exercise of its functions and 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 as set out in the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". A copy of the code can be obtained on request. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (Amendment) (England) Regulations 2011 in relation to the publication of a statement on annual governance.

In addition to this, CIPFA has issued its "Statement on the Role of the Chief Financial Officer in Local Government (2010)". The Annual Governance Statement reflects compliance of this statement for reporting purposes. The Council's Chief Financial Officer is the Group Manager – Finance and Property, who is also the Statutory Section 151 Officer (S151 Officer).

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
- evaluate the likelihood of those risks occurring
- assess the impact should those risks occur
- manage the risks efficiently, effectively and economically

The governance framework has been in place at the Forest of Dean District Council for the year ended 31 March 2012 and up to the date of approval of the annual statement of accounts.

3. The Governance Environment

The key elements of the Council's governance arrangements are outlined in the Local Code of Corporate Governance. The governance framework includes arrangements for:

- Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users.
- Reviewing the authority's vision and its implications for the authority's governance arrangements.
- Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources.
- Defining and documenting the roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.
- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.
- Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.
- Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010).
- Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities.
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
- Whistle blowing and for receiving and investigating complaints from the public.
- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- Incorporating good governance arrangements in respect of partnerships and other group working, and reflecting these in the authority's overall governance arrangements.

The main areas of the Council's governance framework and the key evidence of delivery are set out below, under the headings of 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
• A community and corporate planning process, including 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, corporate priorities and objectives (as set out in the Corporate Plan), legislation and government guidance – which 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. • Performance management to measure the quality of service for users to ensure services are delivered in accordance with the Council's objectives and represent best use of resources. • A Partnership Protocol guiding the Council in its governance of partnerships. • Annual accounts published on a timely basis to help communicate the Council's financial position and performance. • An Annual Report published each year, which summarises financial and other performance over the previous financial year and sets out the Corporate Plan for the current year. • All reports clearly outline their purpose, so the community can understand what is trying to be achieved. Reports also address financial, legal, equalities, risk and sustainability implications to aid understanding of the potential impact of their recommendations.

Members and officers working together to achieve a common purpose with clearly defined functions and roles
• The roles and responsibilities of the executive (Cabinet), non-executive, scrutiny and officer functions are defined in the Council's Constitution. • A clear scheme of delegation for officers is included within the Constitution. • Defined codes of conduct are included in the Constitution for elected members and Council employees, along with a specific code for dealing with planning matters. • The three statutory officers (Head of Paid Service, Monitoring Officer and S151 Officer) regularly meet with other officers in the Corporate Governance Group. • The Monitoring Officer and S151 Officer report directly to the Head of Paid Service and are members of the Corporate Leadership Team. • Monthly meetings are held between the Leader, Deputy Leader, Head of Paid Service and Strategic Director to maintain a shared understanding of roles and objectives. • The Constitution includes a protocol on member/officer relations, to ensure effective communication and work between members and officers. • The S151 Officer leads the promotion and delivery of good financial management through the Corporate Leadership Team, Performance Management meetings, attendance at Cabinet and Committee meetings and specialist workshops and training for officers and members. Prior to 1 April 2012, the 151 Officer had line management responsibility for finance staff. (From 1 April 2012, the S151 Officer is the Client officer, responsible for the GO Shared Services, ensuring the Council continues to receive good financial, procurement and human resources advice and services.) • The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
• A strong Standards Committee, with independent members, fostering a strong ethical culture and monitoring the application of codes of conduct. • 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 highly regarded internal audit service run in partnership with other authorities – the South West Audit Partnership (SWAP). • The financial management of the Council is conducted in accordance with up to date financial procedure rules set out in Part IV of the Constitution. • Budget delegation letters are formally signed and accepted by all budget holders. • Communication channels with staff include face-to-face staff briefings, a monthly email corporate briefing (copied to members), an intranet site, a staff forum and New Leaf – a staff and member newsletter.
Making informed and transparent decisions which are subject to effective scrutiny and managing risk
• An up to date Constitution, 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 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. • All Cabinet, Committee and full Council meetings are open to the public, except where personal or confidential matters are discussed. • The Council publishes a Forward Plan providing details of key decisions to be made by the Cabinet. • The Strategic Overview and Scrutiny Committee publishes a workplan that is reviewed at each Committee meeting. • The Audit Committee has approved a Risk Management Strategy that identifies how risks are managed.

- Responsible officers are required to maintain operational risk registers and senior officers review the Strategic Risk Register on a quarterly basis. The Strategic Risk Register is reported to the Audit Committee and the Cabinet on a regular basis.

- Any overdue internal audit (SWAP) recommendations with a score of 4 (medium/high priority) or 5 (high priority) are reported to the Audit Committee. The Corporate Governance Group reviews all overdue SWAP recommendations at its meetings.

Developing the capacity and capability of members and officers to be effective

- A comprehensive member training and development programme – including a full induction programme for new members – recognised through attainment of the South West "Charter for Member Development".
- A corporate training programme for employees, and support for continuous professional development.
- Personal Development Appraisals for employees, identifying the development needs in relation to their roles.
- Investors in People accreditation held for the whole authority.
- An induction programme for all new staff.
- Clear job descriptions and person specifications for all employee roles.

Engaging the local people and other stakeholders to ensure robust public accountability

- A Customer Feedback policy for handling comments, compliments and complaints.
- A Communications and Engagement Strategy and associated action plan.
- 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 summarised Statement of Accounts published on the website and summary financial information included in the Council Tax leaflet sent to every household, explaining the key financial areas to the public.

4. 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 South West Audit Partnership (SWAP) Group Audit Manager (Head of Internal Audit), the officer Corporate Governance Group and also by comments made by the external auditors and other review agencies and inspectorates.

The Council's process for maintaining and reviewing the effectiveness of the governance framework has included the following:

- Senior managers and section heads completing managers' assurance statements at the end of the financial year. These governance declarations, 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 (CGG), chaired by the Monitoring Officer, particularly monitoring and progressing an annual Governance Action Plan, linked to the key areas of focus in the Annual Governance Statement. CGG meetings are reported to the Corporate Leadership Team (CLT) meetings, where governance is a standing agenda item.
- Corporate Leadership Team (including the s151 Officer) reviewing the Strategic Risk Register on a quarterly basis and operational risk registers being maintained by each Group Manager.
- 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 and considering future changes as a result of the Localism Act 2011.
- The Monitoring Officer working with the Constitution Working Group to review elements of the Constitution, ensuring the Constitution is kept up to date.

The member development programme, led by the Member Development Group, including an induction process for newly elected members after the May 2011 district elections.

- The S151 Officer ensuring training and awareness sessions are carried out for the Audit Committee.
- The Standards Committee giving an annual report to the full Council.
- The Audit Commission's Annual Governance Report and Annual Audit Letter and follow-up of management responses to issues raised in the report – overseen by the Audit Committee.
- Quarterly performance reports, including the Strategic Risk Register and budget position, being presented to the Cabinet and the Scrutiny Panel for Performance and Value for Money, demonstrating performance management against agreed service plans and performance indicators.
- The Cabinet and the Audit Committee reviewing the Annual Governance Statement.
- Reports on the progress made against the governance action plan (arising from the previous Annual Governance Statement and the Annual Audit Letter) being presented to the Audit Committee.
- The Strategic Overview and Scrutiny Committee addressing any key decisions made by the Cabinet that are 'called-in' by other members before implementation. Pre-decision scrutiny evolving to aid the decision-making process. Four standing Panels of the Strategic Overview and Scrutiny Committee being in place since May 2011.
- The Audit Committee reviewing the Annual Statement of Accounts, the Treasury Management Strategy, the Review of the Effectiveness of Internal Audit and reports from both internal audit (SWAP) and external audit (the Audit Commission), including quarterly progress reports.
- Full Council approving the annual budget and the Treasury Management Strategy, after receiving recommendations from the Cabinet.
- SWAP monitoring the quality and effectiveness of systems of internal control. SWAP audit reports including an opinion that provides management with an independent judgement on the adequacy and effectiveness of internal controls. Reports including recommendations for improvement are detailed in an action plan agreed with the relevant service manager. All agreed recommendations being entered on the Council's performance management system to facilitate progress monitoring.
- The SWAP Group Audit Manager offered "Reasonable Assurance" in respect of the areas reviewed during the year, as most were found to be adequately controlled with risks generally well managed.
- The Council's Financial Procedure Rules and Contract Procedure Rules being kept under review and revised periodically.
- Other explicit review/assurance mechanisms, such as the annual report from the Local Government Ombudsman and reports from SWAP or the Audit Commission.

5. Governance: Key Areas of Focus

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

No.	Key Area of Focus	Planned actions
1	Procurement and Contract Management	Continue work to embed good practice through: • Maintaining an up to date procurement/ contracts register • Training and awareness sessions • Keeping guidance and other procurement documentation up to date

No.	Key Area of Focus	Planned actions
2	Business Continuity	Continue to strengthen existing arrangements, to include: • Updating and testing the Corporate Business Continuity Plan and Disaster Recovery Plan • Carrying out recommendations from Internal Audit review of business continuity
3	Shared Services	Oversee the performance of shared services to ensure value for money is delivered to the Council and that appropriate governance arrangements are in place: • GO Shared Services • Other shared service arrangements entered into by the Council
4	Corporate Capacity	Focus on risk and resource management as the Council goes through a transitional period where senior management and staff numbers have reduced but there is a large number of corporate projects to complete over the next few years. • The Corporate Leadership Team will continue to keep a strong focus on budget and project management to ensure resources are focused on agreed priorities
5	Localism Act	Prepare for and respond to new duties and guidance arising from the Localism Act 2011, including: • Localisation of the Standards regime • Support the work of the Governance Options Group • Community right to challenge (to run services) and Community right to bid (for assets of community value)
6	Information Security	Continue to improve information security, with a focus on: • Any necessary changes resulting from sharing the office building with other public sector bodies

We propose to address these matters to improve our governance arrangements further over the coming year. A governance action plan to address these key areas of focus will be drawn up and managed by the Corporate Governance Group. The Corporate Governance Group and the Audit Committee will monitor progress regularly. All actions will be assigned to a named officer as part of their 2012/2013 workplan.

We are satisfied that these steps will address the needs identified in our review of effectiveness and further improve governance arrangements at the Forest of Dean District Council.

Signed on behalf of Forest of Dean District Council:

………………………………………	………………………………………
Councillor Patrick Molyneux Leader of the Council	Sue Pangbourne Head of Paid Service
Date: 27th September 2012	Date: 27th September 2012

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

Opinion on the Authority financial statements

I have audited the financial statements of Forest of Dean District Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of 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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Forest of Dean District Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Forest of Dean District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Forest of Dean District Council 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

Westward House
Lime Kiln Close
Stoke Gifford
Bristol
BS34 8SU

27 September 2012

CORE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

Service	2011/2012 Gross Expenditure £	2011/2012 Income £	2011/2012 Net Expenditure £	2010/2011 Gross Expenditure £	2010/2011 Income £	2010/2011 Net Expenditure £	Notes
Continuing Services							
Central Services to the Public	9,920,582	7,396,693	2,523,889	9,680,073	7,363,089	2,316,984	
Cultural and Related Services	2,702,353	1,782,105	920,248	2,881,939	1,753,453	1,128,486	
Environmental and Regulatory Services	5,587,929	1,419,778	4,168,151	5,298,423	1,226,139	4,072,284	
Highways and Transport Services	244,910	31,256	213,654	194,733	51,264	143,469	
Housing Services	23,162,854	21,828,882	1,333,972	22,355,478	21,455,939	899,539	
Planning Services	4,354,037	3,074,916	1,279,121	4,173,246	2,109,631	2,063,615	
Exceptional Items:							
Pension scheme past service costs gain	-	-	-	-	6,908,000	(6,908,000)	6
Termination of contract	200,000	-	200,000	-	-	-	
Net Cost of Continuing Services	**46,172,665**	**35,533,630**	**10,639,035**	**44,583,892**	**40,867,515**	**3,716,377**	
Services transferred to Gloucestershire County Council							
Transport Services	5,837	1,750	4,087	467,641	178,298	289,343	15
Net Cost of All Services	**46,178,502**	**35,535,380**	**10,643,122**	**45,051,533**	**41,045,813**	**4,005,720**	
Other Operating Income and Expenditure	1,572,281	404,026	1,168,255	1,198,775	611,844	586,931	10
Financing and Investment Income and Expenditure	3,304,484	2,815,163	489,321	4,018,786	2,689,549	1,329,237	11
Taxation and Non Specific Grant Income	-	12,575,318	(12,575,318)	-	15,198,423	(15,198,423)	12
(Surplus)/Deficit on Provision of Services	**51,055,267**	**51,329,887**	**(274,620)**	**50,269,094**	**59,545,629**	**(9,276,535)**	
(Surplus)/Deficit on revaluation of non-current assets			(246,050)			(126,306)	13
Actuarial (gains)/losses on pension assets and liabilities			4,813,000			(12,927,000)	13
Other Comprehensive Income and Expenditure			(66,175)			-	13
Total Comprehensive Income and Expenditure			**4,226,155**			**(22,329,841)**	

BALANCE SHEET AS AT 31 MARCH 2012

	2011/2012		2010/2011		Note
	£	£	£	£	
Non-Current Assets					
Property, Plant and Equipment		9,581,255		9,864,670	26
Investment Property		3,638,425		3,164,752	27
Intangible Assets		305,252		199,881	28
Long Term Investments		2,026,521		4,010,556	29
Long Term Debtors		48,188		65,649	31
Long Term Assets		**15,599,641**		**17,305,508**	
Short Term Investments	10,061,882		8,055,138		29
Inventories and Work in Progress	42,242		33,690		32
Short Term Debtors	3,267,095		3,353,886		33
Cash and Cash Equivalents	4,166,016		3,696,798		34
Assets Held for Sale < 1 year	302,000		302,000		35
Current Assets		**17,839,235**		**15,441,512**	
Total Assets		**33,438,876**		**32,747,020**	
Finance Lease Liability	(330,040)		(320,962)		36
Short Term Creditors	(3,096,625)		(2,649,644)		37
Provisions	(5,000)		(4,000)		38
Current Liabilities		**(3,431,665)**		**(2,974,606)**	
Finance Lease Liability	(497,791)		(827,831)		39
Long Term Liability related to defined benefit pension scheme	(27,456,985)		(22,665,993)		58
Capital Grants Receipts in Advance	(163,869)		(163,869)		40
Long Term Liabilities		**(28,118,645)**		**(23,657,693)**	
Total Liabilities		**(31,550,310)**		**(26,632,299)**	
Net Assets/(Liabilities)		**1,888,566**		**6,114,721**	
Usable Reserves		16,269,426		16,387,384	41
Unusable Reserves		(14,380,860)		(10,272,663)	42
Total Reserves		**1,888,566**		**6,114,721**	

MOVEMENT IN RESERVES STATEMENT
FOR THE YEARS ENDING 31 MARCH 2011 AND 31 MARCH 2012

	Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 31 March 2010	**15,268,938**	**(31,484,058)**	**(16,215,120)**
Movement in reserves during 2010/2011:			
Surplus/(Deficit) on provision of services	9,276,535	-	9,276,535
Other Comprehensive Expenditure and Income	-	13,053,306	13,053,306
Total Comprehensive Expenditure and Income	**9,276,535**	**13,053,306**	**22,329,841**
Adjustments between accounting basis and funding basis under regulations:			
Reversal of items debited or credited to CIES (Amounts included in I&E to be removed for determining movement in general fund)	(5,439,157)	5,439,157	-
Insertion of items not debited or credited to CIES (Amounts excluded from I&E to be included for determining movement in General Fund)	(2,190,526)	2,190,526	-
Other adjustments	(528,406)	528,406	-
	(8,158,089)	8,158,089	-
Net increase/(decrease) before transfers to Earmarked Reserves	**1,118,446**	**21,211,395**	**22,329,841**
Transfers to/(from) Earmarked Reserves	-	-	-
Movement in Year	**1,118,446**	**21,211,395**	**22,329,841**
Balance at 31 March 2011	**16,387,384**	**(10,272,663)**	**6,114,721**
Movement in reserves during 2011/2012:			
Surplus/(Deficit) on provision of services	274,620		274,620
Other Comprehensive Expenditure and Income		(4,500,775)	(4,500,775)
Total Comprehensive Expenditure and Income	**274,620**	**(4,500,775)**	**(4,226,155)**
Adjustments between accounting basis and funding basis under regulations:			
Reversal of items debited or credited to CIES (Amounts included in I&E to be removed for determining movement in general fund)	2,542,652	(2,542,652)	-
Insertion of items not debited or credited to CIES (Amounts excluded from I&E to be included for determining movement in General Fund)	(2,701,399)	2,701,399	-
Other adjustments	(233,831)	233,831	-
	(392,578)	392,578	-
Net increase/(decrease) before transfers to Earmarked Reserves	**(117,958)**	**(4,108,197)**	**(4,226,155)**
Transfers to/(from) Earmarked Reserves	-	-	-
Movement in Year	**(117,958)**	**(4,108,197)**	**(4,226,155)**
Balance at 31 March 2012	**16,269,426**	**(14,380,860)**	**1,888,566**
Note	**41**	**42-48**	

CASHFLOW STATEMENT
AS AT 31 MARCH 2012

	2011/2012 £000	2010/2011 £000	Note
Operating Activities			
Net (Surplus)/Deficit on the provision of services	**(275)**	**(9,276)**	
Adjust Net (Surplus)/Deficit on the provision of services for non-cash movements	(1,053)	1,961	52
Adjust for items included in the Net (Surplus)/Deficit on the provision of services that are investing and financing activities	228	145	49
Net Cash Flows from Operating Activities	**1,100**	**(7,170)**	
Investing Activities	310	4,121	50
Financing Activities	321	300	51
Net (increase)/decrease in Cash and Cash Equivalents	**(469)**	**(2,749)**	
Cash and Cash Equivalents at 1 April	**3,697**	**948**	
Cash and Cash Equivalents at 31 March	**4,166**	**3,697**	

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2011/2012 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which those Regulations require to be prepared in accordance with proper accounting practice. These practices primarily comprise the Code of Practice on Local Government Accounting in the United Kingdom 2011/12 (The Code) and the Service Reporting Code of Practice 2010/11 (SERCOP), supported by International Financial Reporting Standards (IFRS).

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

The accounting policies of the Council as far as possible have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable. A glossary of terms can be found on pages 83 - 89.

1.2 SIGNIFICANT CHANGES IN ACCOUNTING POLICY

Where there is a known future change in accounting policy required by the CIPFA Code, the Council will disclose in the notes to the accounts:

- The nature of the change in accounting policy;
- The reasons why applying the new accounting policy provides reliable and more relevant information;
- For both the current reporting period, and the previous year comparatives reported, the extent to which the change in accounting policy would have impacted on the financial statements if it had been adopted in that year;
- The amount of adjustment relating to years previous to those reported in the set of financial statements, had the proposed policy been adopted retrospectively;
- If retrospective application is impracticable for a particular period, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

The Council will also disclose information relating to an accounting standard which has been issued but not yet adopted.

1.3 ACCRUALS OF INCOME AND EXPENDITURE

The Council accounts for income and expenditure in the period to which the service to which it relates has taken place, rather than when cash payments are received or made. In particular:

- Income from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchases and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Income from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the dated supplies are received and their consumption, they are carried as inventories on the Balance Sheet if these are material amounts.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet respectively. Equally, where cash has been received or paid which is not yet recognised as income or expenditure, a creditor (income in advance) or debtor (payment in advance) is recorded in the Balance Sheet respectively and the CIES adjusted accordingly. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.4 OVERHEADS AND SUPPORT SERVICES

The costs of overhead and support services are charged to those that benefit from the supply or service in accordance with the costing principles of SERCOP. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

These two cost categories are defined in SERCOP and accounted for under the heading Central services to the Public in the CIES, as part of Net Expenditure on Continuing Services.

1.5 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

1.6 VAT

Income and expenditure treated as either capital or revenue, excludes any amounts related to VAT. All VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it. Any amounts outstanding (payment or receipt) at the year end date is held as a creditor or debtor after netting off the amounts due and owed.

1.7 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

1.8 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

1.9 EXCEPTIONAL ITEMS

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

1.10 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

1.11 RECOGNITION OF CAPITAL EXPENDITURE (DE MINIMIS POLICY)

In accordance with International Accounting Standard 16 (IAS 16), the Council recognises non-current assets when all of the following tests are met:

- Assets held for use in the production or supply of goods or services, rental to others, or for administrative purposes.
- Assets expected to be used for more than one financial period.
- Assets where it is expected that future economic benefit will flow to the Council.
- Assets where the cost can be measured reliably.

The initial cost of an asset is recognised to be:

- Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner required by management.
- Initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, the obligation for which the Council incurred either when the asset was acquired or as a consequence of having used the asset during a particular period for purposes other than producing inventories during that period.

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

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

Subsequent enhancement expenditure is treated as capital when:

- The expenditure will substantially increase the market value of the asset.
- The expenditure will substantially increase the extent to which the Council can use the asset for the purpose, or in conjunction with the functions of the Council.

The Council has two levels of de-minimis for recognition of capital expenditure:

- Vehicles over £5,000 (excl. VAT) are treated as capital expenditure.
- For all other assets, expenditure below £10,000 (excl. VAT) is not treated as capital where the sum of the assets is significant, such as waste collection bins and caddies.

Capital assets are held on the balance sheet as non-current assets, unless otherwise stated.

1.12 NON-CURRENT ASSET CLASSIFICATION

The Council manages its assets in the following categories:

A. Intangible Assets

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

B. Property, Plant and Equipment Assets

Property Plant and Equipment Assets are subcategorised into Operational Land and Buildings, Community Assets, Vehicles Plant and Equipment, Infrastructure Assets, Assets Under Construction, Heritage Assets and Non-Operational Assets.

- Land and/or Buildings assets, in line with IAS 16, are recorded, valued and accounted for based on their significant components.
- Community Assets are assets that have no determinable useful life and which may, in addition, have restrictions on their disposal. There is little prospect for sale or change of use. If the asset is used for a specific operational purpose, it does not qualify as a community asset and should be valued accordingly.
- Infrastructure Assets include all tangible (physical) assets constructed for land drainage, and cemetery roadways. There is no prospect for sale of infrastructure assets; expenditure is only recoverable through continued use of the asset.
- Vehicles, Plant and Equipment Assets and Assets Under Construction are also classified as Property Plant and Equipment where they do not meet the criteria for Investment Property Assets or Assets Held for Sale.
- Heritage Assets are assets held by the Council principally for their contribution to knowledge or culture. The Council does not own any heritage assets.
- Surplus Assets are assets which the Council no longer operates from; however, they do not meet the definition of held for sale. All surplus assets are treated in the same way as operational assets of the same type (valuation, depreciation, recognition, etc.).

C. Investment Property Assets

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

D. Assets Held for Sale

The Council will classify assets as held for sale where:

- The asset is in the condition required for sale and is vacant.
- The assets sale is highly probable.
- The asset has been advertised for sale and a buyer sought.
- The completion of the sale is expected within 12 months.

Assets which become non-operational or surplus which do not meet all of the requirements set out as assets held for sale continue to be classified and accounted for as their previous category. In addition, if the asset later no longer meets the criteria, it is restored to its previous classification and all transactions that would have occurred shall be retrospectively applied as though the asset had never been held for sale. Investment properties that become available for sale remain as Investment Properties.

Assets meeting the criteria as held for sale are held as current assets on the balance sheet as income is expected within 12 months.

It is possible that assets meet the criteria to be held for sale; however a change in circumstance beyond the control of the Council means that the sale is delayed beyond 12 months. In these instances the Council follows the policies outlined for assets held for sale; however disclosure of the value for these assets is within non-current assets.

1.13 COMPONENTISATION OF PROPERTY, PLANT AND EQUIPMENT

IAS 16 requires that the Council break down capital expenditure of an individual asset into components which have a significant cost in relation to the total cost of the asset. Where components have similar estimated useful lives, they can be aggregated.

The following policy applies to the various different categories:

Investment properties	These are held at fair value, and are not depreciated, therefore there is no need to split the asset into components.
Assets held for sale	These are held at fair value, and are not depreciated, therefore there is no need to split the asset into components.
Car parks	There are deemed to be only two components in a car park, land and buildings.
Public conveniences	There are deemed to be only two components in a Public Convenience, land and buildings.
Other land and buildings/ surplus properties	*New Build* Land is a separate component. Each Item of expenditure with a value greater than £50,000 or 20% of the cost, whichever is higher will be treated as a separate component. All other items below this de-minimis level will be aggregated into a single component. *Additions to Existing assets* Land is a separate component. Each item of expenditure with a value greater than £50,000 will be treated as a separate component. All other items below this de-minimis level will be aggregated into a single component. *Revaluation* Land is a separate component. Assets held as at March 31 2010 will be broken into components where the current net book value of a component is deemed to be in excess of £250,000 or 20% of the cost, whichever is higher
Other assets	Each item of expenditure with a value greater than £50,000 will be treated as a separate component. All other items below this de-minimis level will be aggregated into a single component.

1.14 NON-CURRENT ASSET VALUATION METHODOLOGY

The various classifications of assets are valued on differing bases. Where not explicitly stated otherwise, property revaluations are completed by an RICS qualified valuer, on a five year rolling programme i.e. approximately 20% of the Council's assets are re-valued each year.

Where there is an upward revaluation, the carrying value is increased and the associated credit charged directly to the revaluation reserve. This is then reflected in the CIES as a revaluation gain. Where there is a revaluation that results in a lower than carrying amount valuation, this is treated in line with accounting policy 1.15 Impairment of Assets.

Valuations are completed as follows:

- **Intangible Assets -** the Council recognises Intangible Assets at cost. The Council will revalue intangible assets annually where there is determinable market value for the asset.
- **Property Plant and Equipment (PPE) -** Property Assets are held at fair value which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of existing use value (EUV) in accordance with UKPS 1.3 of the RICS Valuation Standards. As a matter of last resort, where no other valuation method can be used, depreciated replacement cost is used. Vehicles and Assets under construction within PPE are held at historic cost (not re-valued).
- **Infrastructure Assets -** the Council recognises Infrastructure Assets at historic cost (not re-valued).
- **Investment Property Assets -** Investment Properties are annually re-valued at fair value which is to be interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value. This includes investment property under construction. The fair value of investment property held under a lease is the lease interest.
- **Community Assets -** the Council recognises Community Assets at historic cost (not re-valued).
- **Assets Held for Sale -** Assets held for sale are held at the value of expected proceeds less the costs of achieving the sale.

1.15 IMPAIRMENT OF NON-CURRENT ASSETS

In accordance with IAS 36, impairment is the amount to which the carrying amount of an asset exceeds the recoverable amount. At the end of each reporting period the Council assesses whether there is any indication that an asset may be impaired.

The Council recognises impairment as:

- A significant decline (i.e. more than expected as a result of the passage of time or normal use) in an assets market value during the period;
- Evidence of obsolescence or physical damage of an asset;
- A commitment by the Council to undertake a significant reorganisation; and
- A significant adverse change in the statutory or other regulatory environment in which the Council operates.

Where there has been a previous revaluation taken to the revaluation reserve, an impairment up to that value would reverse the previous revaluation. Any further impairment, or if there has been no previous revaluation, is charged to revenue. This is then reversed through the MIRS and charged to the Capital Adjustment Account.

1.16 DISPOSAL OF NON-CURRENT ASSETS

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Sale proceeds are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are transferred to the Reserve from the MIRS. The value of the asset is transferred to the Capital Adjustment Account via the MIRS.

1.17 DEPRECIATION AND AMORTISATION METHODOLOGY

The economic lives of assets are:

- Intangible Assets between 3 to 5 years.
- Property Plant and Equipment
    - Buildings between 10 – 45 years

- Land not depreciated
- Infrastructure 40 years
- Fixtures and Fittings over 10 years.
- Vehicles, Plant and Equipment between 2 – 10 years
- Heritage assets between 2-10 years (unless the assets are buildings when between 10-45 years)
- Surplus Assets between 10 – 40 years

- Investment Property Assets are not depreciated.
- Community Assets are depreciated in line with the normal policy for assets of that nature (i.e. and assets are not depreciated).
- Assets Held for Sale are not depreciated.

The Council does not depreciate assets in the year of acquisition, and charges a full year's depreciation in the year of disposal.

1.18 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.19 LEASES

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey the right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

1.20 DEFINING A FINANCE LEASE

A finance lease is where substantially all of the risks and rewards incidental to ownership of an asset transfer to the lessee.

Tests to give an indication of the transfer of risk and reward are:

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. hire purchase).
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised.
- If the lease term is for the major part of the economic life of the asset even if title is not transferred. The economic life of the asset is deemed to be that which is consistent with the class of asset in the depreciation policy. The Council recognises the major part to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease. If this rate cannot be determined the incremental borrowing rate applicable for that year is used. The Council recognises "substantially all" to

mean 90% of the value of the asset. In some circumstances, a level of 75% can be used if the Council believes that using this level will give a result that better reflects the underlying transaction.

- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.
- If the lessee cancels the lease, the losses of the lessor, associated with the cancellation are borne by the lessee.
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

A suitably experienced accountant, with assistance from qualified valuers, will make a judgement based on the level of risk and reward held by the Council as to whether a lease is an operating or finance lease.

1.21 LESSEE ACCOUNTING FOR A FINANCE LEASE

Where the Council is tenant in a property, or is, by definition of IFRIC 4, leasing an asset that is deemed under IAS 17 to be a finance lease, the Council will recognise that asset within the asset register, and account for that asset as though it were an owned asset.

The initial recognition of the asset is at the fair value of the asset, or if lower, the present value of the minimum lease payments. A liability is also recognised at this value, which is reduced as lease payments are made. Lease payments made to the lessor, are split between the repayment of borrowings, and interest, which is charged to the CIES.

1.22 LESSOR ACCOUNTING FOR A FINANCE LEASE

Where the Council is the lessor for a finance lease, the asset is not recognised in the asset register; however a long term debtor at the present value of minimum lease payments is recognised. Income received is split between capital, which is credited against the debtor, and interest income credited to the CIES as interest receivable.

1.23 LESSOR ACCOUNTING FOR AN OPERATING LEASE

Where the Council is the lessor for an operating lease, normally the asset is classified as an investment property. Any rental income is credited to the relevant service income line in the CIES.

1.24 LESSEE ACCOUNTING FOR OPERATING LEASES

Costs associated with operating leased assets where the Council is the lessee are charged immediately to the relevant revenue service expenditure within the Net Cost of Services on an accruals basis.

1.25 SERVICE CONCESSION ARRANGEMENTS (PFI CONTRACTS AND SIMILAR CONTRACTS)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. PFI and similar contracts are assessed against criteria within IFRIC 12 Service Concession Arrangements to determine whether the risks and rewards incidental to ownership of the assets lie with the Council or the contractor.

For those which lie with the contractor, all payments made during the life of the contract are chargeable to revenue as incurred. For those which lie with the Council, the Council recognises an asset in the Balance Sheet for the costs of the asset. Once recognised, the asset is treated in line with all capital assets. A corresponding long-term liability is also recognised at the same value. Payments made during the life of the contract are split into finance costs, capital costs and service costs. Determining the split of payments is calculated at the inception of the contract and is based on the inherent interest rate within the original agreement. Finance costs are chargeable to the CIES as Interest payable. Capital costs reduce the level of liability in the Balance Sheet. Service costs are chargeable to the relevant revenue service expenditure. Pre-payments or dowry payments reduce the level of liability at the start of the contract. PFI Credits are treated as general revenue government grants.

The Council has no Service concession arrangements.

1.26 GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with any conditions attached to the payment and the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the CIES until any conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefit or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants or contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non–ringfenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to CIES they are reversed out of the General Fund Balance in the MIRS. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.27 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions or that is capital in nature but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the MIRS so there is no impact on the level of council tax.

1.28 MINIMUM REVENUE PROVISION (MRP)

As a result of the changes introduced by IFRS, some contracts are now classified as finance leases and assets are being brought onto the balance sheet. As a result, the Council has adopted the policy of charging MRP for these assets at the value of the associated loan liability repayment each year, thus mitigating the impact to the General Fund.

1.29 RESERVES

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

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

1.30 EMPLOYEE BENEFITS

In accordance with IAS 19, the Council accounts for the total benefit earned by employees during the financial year. Employee Costs are split into three categories; short term benefits, termination benefits and pensions costs.

Benefits payable during employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the CIES when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the MIRS appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment 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 a defined benefit scheme. The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.

Pension liabilities are measured using the projected unit method and discounted at the balance sheet date rate of return on high quality corporate bonds of equivalent term to the liabilities. The discount rate is the single average gilt yield plus the median 'credit spread' applying to AA-rated corporate bonds within the iBoxx Over 15 Years Index.

Pension assets attributable to the Council are included in the balance sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property - market value.

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

- current service cost - the increase in liabilities as result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years is charged to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid is charged to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
- expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return is credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.
- gains/losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees is charged to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions is charged to the Comprehensive Income and Expenditure Statement.
- contributions paid to the Gloucestershire County Council Pension Fund - cash paid as employers contributions to the Pension Fund.

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

Discretionary Benefits

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

1.31 FINANCIAL INSTRUMENTS

Financial Liabilities

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

The Council has no borrowings.

Financial Assets

Financial Assets are classified into two types:

- loans and receivables – assets that have fixed or determinate 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 determinate payments

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

The Council has no ‘Available for Sale’ financial assets.

Instruments entered into before 1 April 2006

The Council entered into a number of financial guarantees 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 needed under the policies set out in the section Provisions, Contingent Liabilities and Contingent Assets.

1.32 COUNCIL TAX RECOGNITION

Council tax income included in the CIES for the year shall be the accrued income for the year. The Council’s share of the accrued council tax income is obtained from the information that is required by billing authorities in the production of the Collection Fund Statements.

If the net cash paid to the Council in the year is more than its proportionate share of net cash collected from council tax debtors in the year the Council will recognise a credit adjustment for the same amount in creditors after adjusting for the previous year brought forward and vice versa if net cash paid is less than the proportionate share.

The Cash Flow Statement includes within operating activities the net council tax cash received from the Collection Fund in the year (i.e. the precept for the year plus its share of Collection Fund surplus for the previous year, or less the amount paid to the Collection Fund in respect of its share of the previous years Collection Fund deficit). The difference between the net cash received from the Collection Fund and the Council’s share of cash collected from council tax debtors by the billing Council in the year is included within financing activities in the Cash Flow Statement. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

1.33 INVENTORIES AND WORK IN PROGRESS

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

1.34 PROVISIONS FOR BAD AND DOUBTFUL DEBTS

In order to suitably reflect the varied nature of debtors within the Council, the basis for providing for bad debts is specific to the circumstances in each individual department. The general policy followed is;

- No public sector debt is provided for (other Local Authorities, NHS or Central Government).
- Aged debt is reviewed and a reasonable percentage provided for.

Significant individual invoices are reviewed and wholly provided for where it is thought to be necessary.

1.35 ACQUISITIONS AND DISCONTINUED OPERATIONS

On 1 April 2011, the Council’s statutory responsibility for providing concessionary travel transferred to Gloucestershire County Council. In the 2011/2012 accounts, this function is disclosed as a transferred service.

1.36 FOREIGN CURRENCY TRANSLATION

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

1.37 JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities it incurs and debits and credits the CIES with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant and equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

2. IFRS 7 FINANCIAL INSTRUMENTS - DISCLOSURES: IMPACT OF THE ADOPTION OF THE NEW STANDARD ON THE 2011/2012 FINANCIAL STATEMENTS

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council, in this case Financial Instruments Disclosures. As required by the Code, full adoption of the standard will be required for the 2012/2013 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2011/2012) financial statements.

The amendments to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets) are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Council's financial position. The Council does not transfer financial assets, therefore there is no impact on the financial statements.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about the future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council is deemed to control the services provided under the Domestic refuse and garden waste collection contract with Biffa Waste Services Ltd. The accounting policies for finance leases have been applied to the arrangement and assets valued at £1.814m at 1 April 2009 were recognised as Property Plant and Equipment on the Council's Balance Sheet.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of assets falls. It is estimated that the annual depreciation charge for buildings would increase by £3,870 for every year that useful lives had to be reduced.
Provisions Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions' liability of changes in individual assumptions can be measured. For example, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of approximately 9%, and a one year increase in member life expectancy would increase the pension liability by approximately 3%.

Item	Uncertainties	Effect if actual results differ from assumptions
Arrears	At 31 March 2012, the Council has a balance of sundry debtors of £458k. A review of significant balances suggested that an impairment of doubtful debts of 40% was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the impairment of doubtful debts would require an additional £181,000 to be set aside as an allowance.

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

5. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Group Manager – Finance and Property on 29th June 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. EXCEPTIONAL ITEMS

Exceptional items are ones not expected to occur frequently. They can for example include items such as large-scale redundancies, emergency expenditure and costs of industrial action.

During the year, the Council terminated a long-term contract within cultural and related services which was no longer providing value for money. A payment of £200,000 to the supplier on termination is disclosed in Exceptional Items.

A past service gain of £6,908,000 in respect of the Council's liabilities in the Local Government Pension Scheme resulting from the change to the way public sector pensions would be indexed was included in Exceptional Items in 2010/2011.

7. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the CIES is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed by Group Manager responsibilities. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the CIES.
- The cost of retirement benefits is based on cash flows (payment of employer pensions contributions) rather than current service cost of benefits accrued in the year.
- Expenditure on some support services is budgeted for centrally and not charged to services.

A reconciliation of the information reported in the budget reports to the CIES, for the years ending 31 March 2012 and 31 March 2011 is provided in the tables below. As a result of changes to Group Manager responsibilities, the Sustainable Development group no longer exists. The income and expenditure for 2010/11 allocations by group have been restated so that like for like comparisons can be made.

In the following table, the Finance and Property Group employee expenses amount for 2010/2011 includes the exceptional credit of £6.908m in respect of pension scheme past service gains, see note 6 for further details.

ANALYSIS BY GROUP 31st MARCH 2012

	Customer Services £	Environmental Services £	Legal and Democratic Services £	Finance and Property £	Planning and Housing £	Strategic £	Total £
Fees and Charges	1,376,008	995,960	232,115	807,377	1,333,091	591,238	5,335,789
Grants and contributions	-	24,239	-	26,942,472	827,836	-	27,794,547
Total Income	**1,376,008**	**1,020,199**	**232,115**	**27,749,849**	**2,160,927**	**591,238**	**33,130,336**
Employee Expenses	1,866,550	1,016,739	703,210	1,915,871	1,704,030	499,069	7,705,469
Premises Expenses	314,621	892	-	478,656	66	69	794,304
Transport Expenses	22,566	39,541	28,093	55,912	39,298	1,512	186,922
Supplies and Services	578,989	633,232	628,226	1,182,774	609,420	565,700	4,198,341
Third Party Payments	19,105	2,587,212	5,455	26,559,819	13,000	-	29,184,591
Total Expenditure	**2,801,831**	**4,277,616**	**1,364,984**	**30,193,032**	**2,365,814**	**1,066,350**	**42,069,627**
Net Cost of Services	**1,425,823**	**3,257,417**	**1,132,869**	**2,443,183**	**204,887**	**475,112**	**8,939,291**
Reconciliation to Net Cost of Services in CIES							
Cost of Services in Group analysis							8,939,291
Add amounts not reported to management							1,703,831
Net Cost of Services in CIES							**10,643,122**

RECONCILIATION TO SUBJECTIVE ANALYSIS 31st MARCH 2012

	Group Analysis £	Not reported to Management £	Not included in CIES £	Allocation of Recharges £	Net Cost of Services £	Corporate Amounts £	Total £
Fees, charges and other service income	5,335,789	-	-	-	5,335,789	404,026	5,739,815
Interest and investment income	-	-	-	-	-	382,163	382,163
Income from council tax	-	-	-	-	-	6,378,807	6,378,807
Income from NNDR	-	-	-	-	-	4,468,618	4,468,618
Grants and contributions	27,794,547	-	-	-	27,794,547	1,727,894	29,522,441
Trading Account Surplus/(Deficit)	-	-	-	-	-	41,235	41,235
Expected return on pension scheme assets	-	-	-	-	-	2,433,000	2,433,000
Total Income	**33,130,336**	**-**	**-**	**-**	**33,130,336**	**15,835,743**	**48,966,079**
Employee expenses	7,705,469	-	-	-	7,705,469	-	7,705,469
Other service expenses	34,364,158	975,342	-	-	35,339,500	-	35,339,500
Depreciation, amortisation and impairment	-	728,489	-	-	728,489	-	728,489
Interest payments	-	-	-	-	-	82,285	82,285
Precepts and levies	-	-	-	-	-	1,552,994	1,552,994
Payments to Housing Capital Receipts Pool	-	-	-	-	-	13,521	13,521
(Gain)/Loss on disposal of fixed assets	-	-	-	-	-	47,001	47,001
Pension scheme interest costs	-	-	-	-	-	3,222,200	3,222,200
Total Operating Expenses	**42,069,627**	**1,703,831**	**-**	**-**	**43,773,458**	**4,918,001**	**48,691,459**
(Surplus)/Deficit on provision of services	**8,939,291**	**1,703,831**	**-**	**-**	**10,643,122**	**(10,917,742)**	**(274,620)**

ANALYSIS BY GROUP 31st MARCH 2011

	Customer Services £	Environmental Services £	Legal and Democratic Services £	Finance and Property £	Planning and Housing £	Strategic £	Total £
Fees and Charges	1,771,175	640,070	177,855	581,361	1,147,494	175,826	4,493,781
Grants and contributions	-	28,623	34,356	26,579,448	1,081,094	-	27,723,521
Total Income	**1,771,175**	**668,693**	**212,211**	**27,160,809**	**2,228,588**	**175,826**	**32,217,302**
Employee Expenses	2,270,580	1,000,373	1,016,444	(5,274,720)	1,812,575	558,524	1,383,776
Premises Expenses	301,723	-	-	373,247	-	-	674,970
Transport Expenses	25,845	37,184	30,519	43,688	42,849	1,976	182,061
Supplies and Services	99,162	901,446	356,123	806,035	2,081,502	60,707	4,304,975
Third Party Payments	81,812	2,602,919	50,792	25,729,302	54,187	254,691	28,773,703
Total Expenditure	**2,779,122**	**4,541,922**	**1,453,878**	**21,677,552**	**3,991,113**	**875,898**	**35,319,485**
Net Cost of Services	**1,007,947**	**3,873,229**	**1,241,667**	**(5,483,257)**	**1,762,525**	**700,072**	**3,102,183**
Reconciliation to Net Cost of Services in CIES							
Cost of Services in Group analysis							3,102,183
Add amounts not reported to management							903,537
Net Cost of Services in CIES							**4,005,720**

RECONCILIATION TO SUBJECTIVE ANALYSIS 31st MARCH 2011

	Group Analysis £	Not reported to Management £	Not included in CIES £	Allocation of Recharges £	Net Cost of Services £	Corporate Amounts £	Total £
Fees, charges and other service income	4,493,782	-	-	-	4,493,782	611,845	5,105,627
Interest and investment income	-	-	-	-	-	251,549	251,549
Income from council tax	-	-	-	-	-	6,250,776	6,250,776
Income from NNDR	-	-	-	-	-	5,978,779	5,978,779
Grants and contributions	27,723,520	-	-	-	27,723,520	2,968,868	30,692,388
Trading Account Surplus/(Deficit)	-	-	-	-	-	335,921	335,921
Expected return on pension scheme assets	-	-	-	-	-	2,438,000	2,438,000
Total Income	**32,217,302**	**-**	**-**	**-**	**32,217,302**	**18,835,738**	**51,053,040**
Employee expenses	1,383,776	-	-	-	1,383,776	-	1,383,776
Other service expenses	33,935,709	139,593	-	-	34,075,302	-	34,075,302
Depreciation, amortisation and impairment	-	763,944	-	-	763,944	-	763,944
Interest payments	-	-	-	-	-	95,787	95,787
Precepts and levies	-	-	-	-	-	1,436,900	1,436,900
Payments to Housing Capital Receipts Pool	-	-	-	-	-	13,165	13,165
(Gain)/Loss on disposal of fixed assets	-	-	-	-	-	84,631	84,631
Pension scheme interest costs	-	-	-	-	-	3,923,000	3,923,000
Total Operating Expenses	**35,319,485**	**903,537**	**-**	**-**	**36,223,022**	**5,553,483**	**41,776,505**
(Surplus)/Deficit on provision of services	**3,102,183**	**903,537**	**-**	**-**	**4,005,720**	**(13,282,255)**	**(9,276,535)**

8. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2011/2012	General Fund Balance £	Capital Receipts Reserve £	Capital Grants Unapplied £	Movement in Unusable Reserves £
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the CIES:				
Charges for depreciation and impairment of non-current assets	582,107	-	-	582,107
Revaluation losses on Property Plant & Equipment	-	-	-	-
Movements in the market value of Investment Properties	(166,331)	-	-	(166,331)
Amortisation of Intangible Assets	93,157	-	-	93,157
Capital Grants and Contributions applied	(520,398)	-	(80,899)	(601,297)
Revenue expenditure funded from capital under statute	975,342	-	-	975,342
Amounts of non-current assets written off on disposal or sale to the CIES	23,011	23,990	-	47,001
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	(320,962)	-	-	(320,962)
Capital expenditure charged against the General Fund balance	(668,229)	-	-	(668,229)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the CIES	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of loss/profit on disposal to the CIES	-	-	-	-
Right to Buy and VAT Shelter receipts	(386,163)	386,163	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	(251,193)	-	(251,193)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	13,521	(13,521)	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Mortgage Income received	-	17,362	-	17,362
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to CIES	1,690,200	-	-	1,690,200
Employer's pension contributions	(1,712,208)	-	-	(1,712,208)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to CIES is different from council tax income calculated for the year in accordance with statute	(33,768)	-	-	(33,768)
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to CIES on an accruals basis is different from remuneration chargeable in year in accordance with statute	(43,759)	-	-	(43,759)
TOTAL ADJUSTMENTS	**(474,480)**	**162,801**	**(80,899)**	**(392,578)**

2010/2011	General Fund Balance £	Capital Receipts Reserve £	Capital Grants Unapplied £	Movement in Unusable Reserves £
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the CIES:				
Charges for depreciation and impairment of non-current assets	640,539	-	-	640,539
Revaluation losses on Property Plant & Equipment	-	-	-	-
Movements in the market value of Investment Properties	(286,693)	-	-	(286,693)
Amortisation of Intangible Assets	123,405	-	-	123,405
Capital Grants and Contributions applied	(3,000,596)	-	187,246	(2,813,350)
Revenue expenditure funded from capital under statute	1,093,329	-	-	1,093,329
Amounts of non-current assets written off on disposal or sale to the CIES	96,035	-	-	96,035
Insertion of items not debited or credited to the CIES:				
Statutory provision for the financing of capital investment	(300,281)	-	-	(300,281)
Capital expenditure charged against the General Fund balance	(174,445)	-	-	(174,445)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the CIES	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of loss/profit on disposal to the CIES	(11,404)	11,404	-	-
Right to Buy and VAT Shelter receipts	(611,844)	611,844	-	-
Use of Capital Receipts Reserve to finance new capital expenditure	-	(545,534)	-	(545,534)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	13,165	(13,165)	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Mortgage Income received	-	17,128	-	17,128
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to CIES	(4,268,000)	-	-	(4,268,000)
Employer’s pension contributions	(1,715,800)	-	-	(1,715,800)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to CIES is different from council tax income calculated for the year in accordance with statute	(4,684)	-	-	(4,684)
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to CIES on an accruals basis is different from remuneration chargeable in year in accordance with statute	(19,738)	-	-	(19,738)
TOTAL ADJUSTMENTS	**(8,427,012)**	**81,677**	**187,246**	**(8,158,089)**

9. TRANSFERS TO/FROM EARMARKED RESERVES

This note shows the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/2012.

	Balance at 31 March 2010 £	Transfers In 2010/2011 £	Transfers Out 2010/2011 £	Balance at 31 March 2011 £	Transfers In 2011/2012 £	Transfers Out 2011/2012 £	Balance at 31 March 2012 £
Council Initiatives	910,983	-	-	910,983	-	5,000	905,983
Forest of Dean Partnership Project	129,391	63,100	70,010	122,481	-	64,221	58,260
Development of Financial Systems	22,883	2,236	-	25,119	-	11,280	13,839
Consultation	13,746	-	1,882	11,864	-	3,871	7,993
ICT Strategy	21,550	-	-	21,550	-	-	21,550
Subsidy Losses	272,288	-	17,145	255,143	50,000	177,193	127,950
Restructuring	775,678	213,280	-	988,958	52,900	248,689	793,169
Unforeseen items	122,326	-	-	122,326	-	12,400	109,926
Regeneration	11,576	-	5,000	6,576	-	5,000	1,576
Business Finance Grants	33,304	-	33,304	-	-	-	-
Devolved Budgetary Control	201,250	360,780	201,250	360,780	602,712	200,780	762,712
Planning Delivery Grant	293,678	-	84,390	209,288	-	88,150	121,138
Electoral Registration	4,538	-	-	4,538	-	-	4,538
Central HQ Refurbishment	30,004	-	-	30,004	-	30,004	-
SW Members' Charter	5,000	-	-	5,000	-	-	5,000
Insurance Reserve	43,144	-	-	43,144	-	-	43,144
Lydney Pitch	89,159	20,000	-	109,159	30,004	122,105	17,058
Mortgage Rescue Scheme	28,500	-	-	28,500	30,000	900	57,600
District Elections	93,500	27,500	-	121,000	27,500	81,000	67,500
SW RIEP	183,950	15,888	24,210	175,628	-	6,185	169,443
Choice Based Letting	104,807	1,464	-	106,271	13,943	-	120,214
Historic Buildings	25,729	-	810	24,919	-	-	24,919
Local Development Framework	160,980	71,930	13,170	219,740	86,957	95,400	211,296
Sports Development	140,199	71,261	87,621	123,839	-	105,961	17,878
Repairs & Renewals	-	136,910	36,473	100,437	-	-	100,437
Capital Reserve	976,144	214,001	-	1,190,145	14,890	18,123	1,186,912

	Balance at 31 March 2010 £	Transfers In 2010/2011 £	Transfers Out 2010/2011 £	Balance at 31 March 2011 £	Transfers In 2011/2012 £	Transfers Out 2011/2012 £	Balance at 31 March 2012 £
Regeneration Capital	107,423	-	-	107,423	-	-	107,423
Public Conveniences Refurbishment	44,542	-	-	44,542	-	-	44,542
Vehicle Replacement Reserve	81,805	-	55,882	25,923	-	-	25,923
Land Charges	-	34,356	-	34,356	-	-	34,356
Future Deficits	-	46,920	-	46,920	40,000	46,920	40,000
Cinderford Junction Works	-	100,000	-	100,000	-	100,000	-
Homelessness CAB	-	8,300	-	8,300	-	-	8,300
Cinderford Business Plan	18,148	-	-	18,148	138,787	20,348	136,587
DWP Efficiency	5,300	-	-	5,300	-	-	5,300
S106 Commuted Sums	276,928	10,157	18,599	268,486	10,199	33,701	244,984
Employment Support Allowance	16,063	-	209	15,854	-	15,854	-
Improvement Grant	65,000	-	65,000	-	-	-	-
DWP Funding	-	11,961	-	11,961	11,756	-	23,717
ATLAS	-	50,354	-	50,354	5,085	48,000	7,439
Health Improvement Funding	-	-	-	-	241,069	9,576	231,493
	5,309,516	**1,460,398**	**714,955**	**6,054,959**	**1,355,802**	**1,550,662**	**5,860,099**

The purpose for holding the individual reserves is as follows:

- 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.
- 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.
- Repairs & Renewals – to fund any repairs and renewals in the Council's main building.
- 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.
- Land Charges - funding received to cover claims made against the Council following legislative changes.
- Future Deficits - is to be used to fund any budget deficits resulting in the reduction of funding from the Government.
- Cinderford Junction Works – funding received to fund junction improvement works in Cinderford following the purchase of the abattoir site in Cinderford.
- Homelessness - CAB - funding received from the Citizen Advice Bureau for homelessness.
- Cinderford Business Plan - funding received to fund staffing costs to carry out Cinderford Regeneration Project works.
- DWP Efficiency - funding from the Department of Works and Pensions to cover additional works following legislative changes in Housing Benefits
- S106 Commuted Sums - Developer contributions received for maintenance of play areas and open spaces adopted by the Council.

- Employment Support Allowance - funding from the Department of Works and Pensions to cover additional works following legislative changes in Housing Benefits
- DWP Funding - funding from the Department for Works and Pensions to cover additional works/software costs following legislative changes in Housing Benefits
- ATLAS - funding from the Department of Works and Pensions to cover software costs to implement the ATLAS project
- Health Improvement Funding – funds received from third parties to be used to fund health improvement projects.

10. OTHER OPERATING INCOME AND EXPENDITURE

The income from VAT Shelter is due to the Council following the transfer of its housing stock to the housing association in 2003. The arrangement will terminate in 2013. The grant repayments are monies repaid to the Council under the terms of the grants issued.

	2011/2012 £	2010/2011 £
Income		
VAT Shelter income	(386,163)	(607,620)
Grant repayments	(17,863)	(4,224)
	(404,026)	**(611,844)**
Expenditure		
Parish Precepts	1,552,994	1,436,900
Contribution of housing capital receipts to Government Pool	13,521	13,165
(Gain)/Loss on Disposal of non-current assets	47,001	84,631
(Gain)/loss on trading account	(41,235)	(335,921)
	1,572,281	**1,198,775**
Net Other Operating Expenditure	**1,168,255**	**586,931**

11. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2011/2012 £	2010/2011 £
Income		
Expected return on pension scheme assets	(2,433,000)	(2,438,000)
Investment income	(312,663)	(251,549)
Income and expenditure on investment properties and changes in their fair value	(69,500)	-
	(2,815,163)	**(2,689,549)**
Expenditure		
Pension scheme interest costs	3,222,200	3,923,000
Interest payable	10,712	201
Interest payable on finance leases	71,572	95,585
	3,304,484	**4,018,786**
Net Financing and Investment Expenditure	**489,321**	**1,329,237**

12. TAXATION AND NON SPECIFIC GRANT INCOME

	2011/2012 £	2010/2011 £
Council Tax Income	6,378,806	6,250,776
Non-Domestic Rates Income	4,468,618	5,978,779
Non-ringfenced government grants	1,703,894	1,094,298
Capital grants and contributions	24,000	1,874,570
Net Taxation and Non Specific Grant Income	**12,575,318**	**15,198,423**

Non-ringfenced government grants in 2011/2012 includes £35,457 of New Homes Bonus for financial year 2012/13 received in March 2012. In accordance with accounting practices this has been accounted for as income in 2011/12 but transferred to a reserve to be released to CIES in 2012/13 to offset expenditure in 2012/2013.

13. OTHER COMPREHENSIVE INCOME AND EXPENDITURE

	2011/2012 £	2010/2011 £
Revaluation Gains credited to Revaluation Reserve	246,050	126,306
Gain on newly recognised assets	66,175	-
Actuarial Gains/(Losses) on pension scheme assets/liabilities	(4,813,000)	12,927,000
	(4,500,775)	**13,053,306**

14. TRADING ACCOUNT

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 account surplus annually. Note 55 shows information on the capital value of the assets involved. Following a successful marketing campaign and building works to convert one of the larger units into 4 smaller units, the majority of the industrial units were let by 31 March 2012.

	2011/2012 £	2010/2011 £
Income	87,724	120,174
Expenditure	(196,544)	(84,023)
Revaluation Gains/(Losses)	150,055	299,770
Surplus/(Deficit)	**41,235**	**335,921**

15. 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.

On 1 April 2011, the Council's statutory responsibility for concessionary travel was transferred to Gloucestershire County Council. The costs and income for this service for both 2011/2012 and 2010/2011 are shown in the CIES as a transferred service.

16. UNDISCHARGED OBLIGATIONS ARISING FROM LONG TERM CONTRACTS

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

Service Provided	Contract Start	Contract Finish	Annual Value £000	Outstanding Obligation £000	Notes
Insurance	Oct 2011	Sept 2016	100	50	A
Kerbside Recycling, Refuse, Recycling and Street Sweeping	July 2012	July 2018	2,727	16,360	B
Total			**2,827**	**16,410**	

Notes: A Reviewed annually
B Reviewed every three years

17. AGENCY INCOME AND EXPENDITURE

Under various statutory powers, a Council 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 2011/2012.

18. 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 2011/2012.

19. HEALTH ACT 1999 POOLED FUNDS

Section 31 of the Health Act 1999 enabled the 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: Forest of Dean District Council, Gloucestershire NHS Primary Care Trust, Gloucestershire Rural Community Council, Age UK, Crossroads, Gloucestershire Carers and other voluntary groups.

In 2011/2012 Gloucestershire NHS Primary Care Trust provided £16,000 funding (2010/2011 £16,000) to the partnership as a contribution to support a physical activity facilitator post.

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

20. MEMBERS' ALLOWANCES

The allowances and expenses paid to Members in 2011/2012 under The Local Authorities (Members Allowances) Amendment Regulations totalled £290,435 (2010/2011 £300,703).

21. STAFF REMUNERATION

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

Remuneration band	2011/2012 Number of employees	2010/2011 Number of employees
£50,000 to £54,999	4	3
£55,000 to £59,999	3	2
£60,000 to £64,999	-	-
£65,000 to £69,999	-	-
£70,000 to £74,999	-	-
£75,000 to £79,999	-	-
£80,000 to £84,999	2	2

There were two employees in the £55,000 to £59,999 band due to redundancy payments made in 2011/2012.

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

Exit package cost band (inc special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £	
	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011
£0-£20,000	3	2	3	1	6	3	43,050	4,990
£20,001-£40,000	-	-	3	3	3	3	83,771	90,940
£40,001-£80,000	-	-	2	-	2	-	121,639	-
Total	**3**	**2**	**8**	**4**	**11**	**6**	**248,460**	**95,930**

Remuneration of senior employees during 2011/2012 and 2010/2011 is shown in the table below. For disclosure purposes, the term 'senior employees' is deemed to be the Chief Executive, their direct reports (excluding administrative staff) and statutory chief officers.

The reduction in pension contributions for senior employees shown in the table (and indeed all employees) is as a result of the changes to contributions following the pension scheme revaluation in 2010/11. Previously the contribution was based on a percentage of an employee's salary. The revised contributions comprise a lump sum payment related to past service costs of former employees charged to Central Services to the Public in accordance with CIPFA guidance, and also a percentage of an employee's salary for current employees charged to the individual service lines.

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

Post Title	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 £
	2011/2012						
Head of Paid Service	84,229	334	-	-	84,563	12,045	96,608
Strategic Director	82,229	174	-	-	82,403	11,759	94,162
S151 Officer	58,510	503	-	-	59,013	8,367	67,380
Monitoring Officer	56,229	404	-	-	56,633	8,026	64,659
	281,197	**1,415**	**-**	**-**	**282,612**	**40,197**	**322,809**
	2010/2011						
Chief Executive	-	-	-	-	-	-	-
Strategic Director 1	84,229	196	-	-	84,425	25,016	109,441
Strategic Director 2	82,229	385	-	-	82,614	24,422	107,036
S151 Officer	58,556	178	-	-	58,734	17,391	76,125
Monitoring Officer	56,129	261	-	-	56,390	16,670	73,060
	281,143	**1,020**	**-**	**-**	**282,163**	**83,499**	**365,662**

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 Chief Executive was vacant throughout the whole of 2010/2011 and was deleted in July 2011. At that time, the job title of Strategic Director 1 was changed to Head of Paid Service.

c) The Council does not operate a Performance Pay System and does not pay bonuses to any member of staff.

22. 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). 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.

During 2011/2012 administrative costs of £108,878 were incurred and costs of £477,791 were paid out to community projects.

Details of the projects funded by this programme can be found on the Local Action Group website:
http://forestofdeanlocalactiongroup.co.uk/

23. 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

Central Government has significant influence over the general operations of the Council; it is responsible for providing the statutory framework within which the Council operates, 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 (e.g council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 7 on reporting for resources allocation decisions. There were no grant receipts outstanding at 31 March 2012.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/2012 is shown in note 21. During 2011/2012, works and services to the value of £16,922 were commissioned from organisations in which five members had an interest, grants totalling £28,002 were paid to voluntary organisations in which three members had an interest and services were provided totalling £525 to voluntary organisations in which one member had an interest. Creditor balances of £1,280 and Debtor balances of £525 were outstanding in respect of these transactions at 31 March 2012. In all instances, contracts were awarded in accordance with the Council's standing orders and grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of these transactions are recorded in the Register of Members' Interests, open to public inspection at the Council offices during office hours.

Officers

During 2011/2012 works and services to the value of £169,833 were commissioned from organisations in which two officers declared an interest, and grants totalling £69,811 were paid to organisations in which one officer declared an interest. Creditor balances of £36,823 and Debtor balances of £26,837 were outstanding in respect of these transactions at 31 March 2012. In all instances, contracts were awarded in accordance with the Council's standing orders and officers did not take part in any discussions, decisions or administration relating to the grants.

Other public bodies (subject to common control by central government)

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 67. Five members of the district council are also members of Gloucestershire County Council.

Parish Precepts are shown in the CIES. 24 members of the district council are also members of town or parish councils.

24. EXTERNAL AUDIT COSTS

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

	2011/2012 £	2010/2011 £
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	94,130	105,419
Fees payable to the Audit Commission for the certification of grant claims and returns	25,214	31,000
Fees payable in respect of other services provided by the appointed auditor	-	2,200
	119,344	**138,619**

Note: other services provided in 2010/2011 included £2,200 in respect of the National Fraud Initiative.

25. NON-CURRENT ASSETS

The following table shows the progress of the Council's rolling programme for the revaluation of non-current assets. On 31 March 2012 certain 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. The basis of the valuations of property assets is shown in the Statement of Accounting Policies.

Valued at	Land and Buildings £	Vehicles Plant and Equipment £	Infra-structure £	Community Assets £	Surplus Assets £	Investment Properties £	Total Property Assets £
Historic Cost		2,731,922	606,739	65,159			3,403,820
Current Cost in:							
2007/08	591,000				45,000		636,000
2008/09	1,890,000				1,551,000		3,441,000
2009/10	1,203,350				190,000		1,393,350
2010/11					455,000		455,000
2011/12	1,450,000				60,000	3,638,425	5,148,425
Total	**5,134,350**	**2,731,922**	**606,739**	**65,159**	**2,301,000**	**3,638,425**	**14,477,595**

Non-current assets owned by the Council include the following:

	Number of assets held at	
	31 March 2012	31 March 2011
Other Land and Buildings:		
Off Street Car Parks	16	17
Lorry Parks	1	1
Office Buildings	1	1
Public Conveniences	13	13
Cemetery Buildings	1	1
Swimming Pools	1	1
Vehicles, Plant and Equipment	48	48
Surplus Assets	18	17
Investment Properties	27	25

26. PROPERTY, PLANT AND EQUIPMENT

2011/2012 Movement in property, plant and equipment	Other Land and Buildings £	Vehicles, Plant and Equipment £	Infrastructure £	Community £	Surplus Assets £	Assets under Construction £	Total £
Cost or Valuation as at 1 April 2011	5,514,034	2,801,194	606,739	41,159	2,626,893	162,309	11,752,328
Additions	-	168,600	-	24,000	60,000	104,833	357,433
Revaluation increases/decreases to Revaluation Reserve	15,018	-	-	-	(9,198)	-	5,820
Impairment losses to CIES	-	(9,680)	-	-	(8,224)	-	(17,904)
Disposals	(17,974)	(228,192)	-	-	-	-	(246,166)
Reclassifications to/from Assets Held for Sale	-	-	-	-	-	-	-
Other reclassifications	-	-	-	-	-	(267,142)	(267,142)
Cost or Valuation as at 31 March 2012	5,511,078	2,731,922	606,739	65,159	2,669,471	-	11,584,369
Accumulated Depreciation as at 1 April 2011	370,227	1,342,271	147,668	-	27,492	-	1,887,658
Depreciation in year	105,275	450,634	17,647	-	8,551	-	582,107
Depreciation written out to Revaluation Reserve	(240,230)	-	-	-	-	-	(240,230)
Disposals	(1,847)	(224,575)	-	-	-	-	(226,423)
Reclassifications	-	-	-	-	-	-	-
Accumulated depreciation as at 31 March 2012	233,426	1,568,330	165,315	-	36,043	-	2,003,114
Net Book Value 31 March 2012	**5,277,652**	**1,163,593**	**441,424**	**65,159**	**2,633,427**	**-**	**9,581,255**
Net Book Value 1 April 2011	**5,143,807**	**1,458,923**	**459,071**	**41,159**	**2,599,401**	**162,309**	**9,864,670**
Nature of asset holding:							
Owned	5,277,652	383,210	441,424	65,159	2,633,427	-	8,800,872
Finance Leased	-	780,383	-	-	-	-	780,383
	5,277,652	**1,163,593**	**441,424**	**65,159**	**2,633,427**	**-**	**9,581,255**

2010/2011 Movement in property, plant and equipment	Other Land and Buildings £	Vehicles, Plant and Equipment £	Infrastructure £	Community £	Surplus Assets £	Assets under Construction £	Total £
Cost or Valuation as at 1 April 2010	5,388,213	3,255,632	586,898	41,159	422,854	-	9,694,756
Additions	131,130	127,574	19,841	-	1,902,300	162,309	2,343,154
Revaluation increases/decreases to Revaluation Reserve	-	-	-	-	60,000	-	60,000
Revaluation increases/decreases to CIES	-	-	-	-	(2,000)	-	(2,000)
Disposals	(107,609)	(582,012)	-	-	(30,000)	-	(719,621)
Reclassifications to/from Assets Held for Sale	-	-	-	-	(20,961)	-	(20,961)
Other reclassifications	102,300	-	-	-	294,700	-	397,000
Cost or Valuation as at 31 March 2011	5,514,034	2,801,194	606,739	41,159	2,626,893	162,309	11,752,328
Accumulated Depreciation as at 1 April 2010	281,025	1,412,140	130,509	-	21,222	-	1,844,896
Depreciation in year	101,117	511,802	17,159	-	10,461	-	640,539
Depreciation written out to Revaluation Reserve	-	-	-	-	-	-	-
Disposals	(11,915)	(581,671)	-	-	-	-	(593,586)
Reclassifications	-	-	-	-	(4,191)	-	(4,191)
Accumulated depreciation as at 31 March 2011	370,227	1,342,271	147,668	-	27,492	-	1,887,658
Net Book Value 31 March 2011	**5,143,807**	**1,458,923**	**459,071**	**41,159**	**2,599,401**	**162,309**	**9,864,670**
Net Book Value 1 April 2010	**5,107,188**	**1,843,492**	**456,389**	**41,159**	**401,632**	**-**	**7,849,860**
Nature of asset holding:							
Owned	5,127,035	343,928	459,071	41,159	2,599,401	162,309	8,732,903
Finance Leased	16,772	1,114,995	-	-	-	-	1,131,767
	5,143,807	**1,458,923**	**459,071**	**41,159**	**2,599,401**	**162,309**	**9,864,670**

The following Community Assets are held 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, Bury Bar
Sedbury	Allotments
Soudley	Dean Heritage Museum
Tibberton	Orchard Rise
Tidenham	Meadowend, Netherhope Lane
Woolaston	Picnic Area

Cemeteries

Cinderford	Yew Tree Brake
Coleford	Mile End

Capital Commitments

During the year 2011/2012 orders had been placed with suppliers for new refuse bins and recycling caddies. At the year end, there were capital commitments outstanding of £845,508.

27. INVESTMENT PROPERTY

	2011/2012 £	2010/2011 £
Valuation at 1 April	3,164,752	3,256,202
Additions	254,118	5,780
Revaluation increases/(decreases) to CIES	219,555	299,770
Other Reclassifications	-	(397,000)
Valuation at 31 March	**3,638,425**	**3,164,752**

The annual rentals of assets held for lease is as follows:

	Annual rentals £	Capital values of assets £
Industrial Units	148,500	1,916,500
Other Properties	37,192	1,721,925
	185,692	**3,638,425**

Capital Commitments

At the year end there were no outstanding capital commitments in respect of Investment Properties.

28. INTANGIBLE ASSETS

	2011/2012 £	2010/2011 £
Cost at 1 April	736,272	661,528
Additions	-	91,063
Impairment losses to CIES	(35,320)	-
Disposals	(168,791)	(16,319)
Reclassifications	267,142	-
Cost at 31 March	799,303	736,272
Accumulated Depreciation at 1 April	536,391	429,305
Depreciation in year	93,157	123,405
Disposals	(135,497)	(16,319)
Accumulated Depreciation at 31 March	494,051	536,391
Net Book Value at 1 April	**199,881**	**232,223**
Net Book Value at 31 March	**305,252**	**199,881**

Capital Commitments

At the year end there were capital commitments outstanding of £65,600 in respect of the newly implemented ERP System.

29. FINANCIAL INSTRUMENTS

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

	Long Term		Current	
	31 March 2012 £	31 March 2011 £	31 March 2012 £	31 March 2011 £
Financial Assets				
Loans and Receivables (investments)	2,026,521	4,010,556	10,061,882	8,055,138
Total Loans and Receivables	2,026,521	4,010,556	10,061,882	8,055,138
Cash & cash equivalents	-	-	4,166,036	3,696,798
Total Cash & Cash Equivalents	-	-	4,166,036	3,696,798
Debtors	48,188	65,649	2,613,851	1,849,841
Total Debtors	48,188	65,649	2,613,851	1,849,841
Financial Liabilities at amortised cost				
Finance Leases	497,791	827,831	330,040	320,962
Total Finance Leases	497,791	827,831	330,040	320,962
Creditors	-	-	3,096,625	2,649,644
Total Creditors	-	-	3,096,625	2,649,644

No financial assets or liabilities have been reclassified during the year.

Fair Values of Assets and Liabilities

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

As the majority of the assets and liabilities are instruments that will mature in the coming 12 months, carrying amount is assumed to be approximate to fair value. The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Fair values of loans and receivables

Available for sale assets are carried on the balance sheet at their fair value. These values are based upon public price quotations where there is an active market for the instrument.

Short terms debtors and creditors are carried at cost as this is a fair approximation of their value.

30. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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.

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

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit 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 2011/2012 was approved by Council on 24 February 2011 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £12.088m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits but there was no evidence at 31 March 2012 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk (using investments outstanding and arranged at 31 March 2012), 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.

	Amount at 31 March 2012 £ (a)	Historical experience of default % (b)	Adjustment for market conditions at 31 March 2012 % (c)	Estimated maximum exposure to Default £ (a*c)
Deposits with banks and financial institutions				
AAA rated counterparties	-	-	-	-
AA rated counterparties	-	0.0300	0.0300	-
A rated counterparties	12,088,402	0.0800	0.0800	9,671
Other counterparties	-	0.2400	0.2400	-
	12,088,402			**9,671**

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 £458,000 trade debtor balance is technically past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2012 £000	31 March 2011 £000
Less than 3 months	257	273
3 to 6 months	16	12
6 months to 1 year	9	14
Over 1 year	176	165
	458	**464**

The Council follows standard accounting practice in respect of debtors and undertakes an assessment of the likelihood of collection of the debts due to the Council to calculate a bad debt provision. The movement in bad debt provision can be seen in the table below.

	2012 £000	2011 £000
Provision at 1 April	616	699
Charge from CIES	436	171
Utilised in year	(110)	(254)
Provision at 31 March	**942**	**616**

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

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If needed, the Council has ready access to borrowings from the money markets and the Public Works Loan

Board. There is no significant risk that it will be unable to raise the finance to meet its commitments under financial instruments. The Council has no borrowings and all trade and other payables are due to be paid in less than one year.

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 CIES; 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 at 31 March 2012, with all other variables held constant, the financial effect would be:

	£
Increase in interest receivable on variable rate investments	63,912
Impact on Surplus or Deficit on the Provision of Services	**63,912**
Decrease in fair value of fixed rate investments	29,534
Impact on Surplus or Deficit on the Provision of Services	**29,534**

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

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 exchange rates**.**

31. LONG TERM DEBTORS

	31 March 2011 £	During 2011/2012 Advances £	During 2011/2012 Repayments/ Write Offs £	31 March 2012 £
Mortgages	64,749	-	(17,361)	47,388
Homelessness Loan	900	800	(900)	800
	65,649	**800**	**(18,261)**	**48,188**

32. INVENTORIES AND WORK IN PROGRESS

	31 March 2012 £	31 March 2011 restated £
Sports Centre Inventories for resale	17,518	17,320
Central Services (Stationery)	-	420
Green Waste wheeled bins	17,930	7,430
Other Inventories	6,794	8,520
Total Inventories and Work in Progress	**42,242**	**33,690**

The Council has reviewed the transactions previously disclosed as Rechargeable Works and now believes these are more appropriately disclosed under Debtors. The table on the previous page and the table in note 33 below have accordingly been restated by deducting £12,350 from the Inventories and Work in Progress balance and adding £12,350 to the Other trade debtors balance.

33. SHORT TERM DEBTORS

	31 March 2012 £	31 March 2011 £
Debtors falling due within one year:		
Central Government bodies	1,521,895	1,204,827
Local Authorities	322,076	499,507
Public corporations and trading funds	3,173	-
Other trade debtors	2,169,896	1,987,685
Prepayments	191,941	277,972
Total Debtors and Prepayments	**4,208,981**	**3,969,991**
Less Provision for Bad and Doubtful Debts:		
Other trade debtors	732,073	495,221
Collection Fund	209,813	120,884
Total Provisions for Bad and Doubtful Debts	**941,886**	**616,105**
Net Debtors and Prepayments	**3,267,095**	**3,353,886**

34. CASH AND CASH EQUIVALENTS

	31 March 2012 £	31 March 2011 £
Cash in Hand	600	600
Demand Deposits	(766,923)	(1,218,915)
Cash Equivalents	4,932,339	4,915,113
Total Cash and Cash Equivalents	**4,166,016**	**3,696,798**

35. ASSETS HELD FOR SALE

	31 March 2012 £	31 March 2011 £
Valuation at 1 April	302,000	200,000
Revaluation increases/(decreases) to CIES	-	85,230
Other Reclassifications	-	16,770
Valuation at 31 March	**302,000**	**302,000**

36. FINANCE LEASES – PAYMENTS DUE WITHIN 1 YEAR

	31 March 2012 £	31 March 2011 £
Finance Lease payments due within 1 year	330,040	320,962
Total Short Term Finance Lease Liability	**330,040**	**320,962**

37. SHORT TERM CREDITORS

	31 March 2012 £	31 March 2011 £
Creditors falling due within one year:		
Central Government bodies	146,688	2,812
Local Authorities	139,444	449,543
Public corporations and trading funds	24,351	35,845
Other trade creditors	1,196,702	792,212
Untaken Leave Accruals	98,787	142,547
Receipts in advance	1,490,653	1,226,685
Total Creditors and Receipts in advance	**3,096,625**	**2,649,644**

38. PROVISIONS

	31 March 2011 £	During 2011/2012		31 March 2012 £
		Charges/Credits to CIES £	Payments £	
Insurance	4,000	3,000	(2,000)	5,000
	4,000	**3,000**	**(2,000)**	**5,000**

The insurance provision is to cover outstanding excesses on liability and property claims as at 31 March 2012, based on information provided by the Council's insurer.

39. FINANCE LEASES – PAYMENTS DUE AFTER 1 YEAR

	31 March 2012 £	31 March 2011 £
Finance Lease Payments due after 1 year	497,791	827,831
Total Long Term Finance Lease Liability	**497,791**	**827,831**

40. CAPITAL GRANTS RECEIVED IN ADVANCE

	31 March 2011 £	During 2011/2012		31 March 2012 £
		Received £	Utilised £	
Capital Grants	163,869	-	-	163,869
	163,869	**-**	**-**	**163,869**

41. MOVEMENT IN USABLE RESERVES

FOR THE YEAR ENDED 31 MARCH 2012	General Fund Balance £	Earmarked Revenue Reserves £	Capital Receipts Reserve £	Capital Grants Unapplied £	Total Usable Reserves £
Balance at 31 March 2011	**918,019**	**6,054,959**	**9,109,367**	**305,039**	**16,387,384**
Movement in reserves during 2011/2012:					
(Surplus)/Deficit on provision of services	274,620	-	-	-	274,620
Total Comprehensive Income and Expenditure	**274,620**	**-**	**-**	**-**	**274,620**
Adjustments between accounting basis and funding basis under regulations:					
Reversal of items debited or credited to CIES:					
Depreciation/amortisation	675,264	-	-	-	675,264
Impairment/revaluation losses charged to CIES	(166,331)	-	-	-	(166,331)
Capital grants and contributions	(520,398)	-	-	(80,899)	(601,297)
Revenue expenditure funded from capital under statute	975,342	-	-	-	975,342
Gain/loss on sale of non-current assets	23,011	-	23,990	-	47,001
Net retirement benefits per IAS 19	1,690,200	-	-	-	1,690,200
Collection Fund share of residual surplus	(33,768)	-	-	-	(33,768)
Compensation Absences Account	(43,759)	-	-	-	(43,759)
Deferred Income to Capital Receipts Reserve	(386,163)	-	386,163	-	-
	2,213,398	-	410,153	(80,899)	2,542,652
Insertion of items not debited or credited to CIES:					
HRA Capital Receipts to housing central pool	13,521	-	(13,521)	-	-
Employer's pension scheme contributions	(1,712,208)	-	-	-	(1,712,208)
Minimum Revenue Provision	(320,962)	-	-	-	(320,962)
Capital Expenditure charged against the General Fund	(668,229)	-	-	-	(668,229)
	(2,687,878)	-	(13,521)	-	(2,701,399)
Other adjustments:					
Use of capital receipts to finance capital expenditure	-	-	(251,193)	-	(251,193)
Mortgage Income Received	**-**	**-**	17,362	-	17,362
	-	**-**	(233,831)		(233,831)
Net increase/(decrease) before transfers to/from Earmarked Reserves	**(199,860)**	**-**	**162,801**	**(80,899)**	**(117,958)**
All other transfers	194,860	(194,860)	-	-	-
Net increase/decrease in year	**(5,000)**	**(194,860)**	**162,801**	**(80,899)**	**(117,958)**
Balance at 31 March 2012 c/fwd	**913,019**	**5,860,099**	**9,272,168**	**224,140**	**16,269,426**

FOR THE YEAR ENDED 31 MARCH 2011	General Fund Balance £	Earmarked Revenue Reserves £	Capital Receipts Reserve £	Capital Grants Unapplied £	Total Usable Reserves £
Balance at 31 March 2010	**813,939**	**5,309,516**	**9,027,690**	**117,793**	**15,268,938**
Movement in reserves during 2010/2011:					
Surplus/Deficit on provision of services	9,276,535	-	-	-	9,276,535
Total Comprehensive Income and Expenditure	**9,276,535**	**-**	**-**	**-**	**9,276,535**
Adjustments between accounting basis and funding basis under regulations:					
Reversal of items debited or credited to CIES:					
Depreciation/amortisation	763,944	-		-	763,944
Impairment/revaluation losses charged to CIES	(286,693)	-		-	(286,693)
Capital grants and contributions	(3,000,596)	-		187,246	(2,813,350)
Revenue expenditure funded from capital under statute	1,093,329	-		-	1,093,329
Gain/loss on sale of non-current assets	84,631	-	11,404	-	96,035
Net retirement benefits per IAS 19	(4,268,000)	-		-	(4,268,000)
Collection Fund share of residual surplus	(4,684)	-		-	(4,684)
Compensation Absences Account	(19,738)	-		-	(19,738)
Deferred Income to Capital Receipts Reserve	(611,844)	-	611,844	-	-
	(6,249,651)	-	623,248	187,246	(5,439,157)
Insertion of items not debited or credited to CIES:					
Minimum Revenue Provision	(300,281)	-		-	(300,281)
HRA Capital Receipts to housing central pool	13,165	-	(13,165)	-	-
Employer’s pension scheme contributions	(1,715,800)	-		-	(1,715,800)
Capital Expenditure charged against the General Fund	(174,445)	-	-	-	(174,445)
	(2,177,361)	-	(13,165)	-	(2,190,526)
Other adjustments:					
Use of capital receipts to finance capital expenditure	-	-	(545,534)	-	(545,534)
Mortgage Income Received	-	-	17,128	-	17,128
	-	-	(528,406)	-	(528,406)
Net increase decrease before transfers to/from Earmarked Reserves	**849,523**	**-**	**81,677**	**187,246**	**1,118,446**
All other transfers	(745,443)	745,443	-	-	-
Net increase/decrease in year	**104,080**	**745,443**	**81,677**	**187,246**	**1,118,446**
Balance at 31 March 2011 c/fwd	**918,019**	**6,054,959**	**9,109,367**	**305,039**	**16,387,384**

42. UNUSABLE RESERVES

	31 March 2012 £	31 March 2011 £	Note
Revaluation Reserve	1,091,973	873,948	43
Capital Adjustment Account	11,904,046	11,499,441	44
Deferred Capital Receipts Account	47,388	64,750	46
Pensions Reserve	(27,456,985)	(22,665,993)	45
Collection Fund Adjustment Account	131,506	97,738	47
Accumulated Absences Account	(98,788)	(142,547)	48
TOTAL UNUSABLE RESERVES	**(14,380,860)**	**(10,272,663)**	

43. REVALUATION RESERVE

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

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

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

	31 March 2012 £	31 March 2011 £
Balance at 1 April	**873,948**	**774,934**
Upward revaluation of assets	255,248	126,306
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(9,198)	-
Difference between fair value depreciation and historical cost depreciation written off to Capital Adjustment Account	(10,743)	(16,989)
Accumulated gains on assets sold or scrapped written off to Capital Adjustment Account	(17,282)	(10,303)
Balance at 31 March	**1,091,973**	**873,948**

44. CAPITAL ADJUSTMENT ACCOUNT

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

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

Note 8 provides details of the source of all the transactions posted to the account apart from those involving the Revaluation Reserve.

	31 March 2012 £	31 March 2011 £
Balance at 1 April	**11,499,441**	**9,305,154**
Reversal of items relating to capital expenditure debited or credited to CIES:		
Depreciation and impairment of Non-current Assets	(582,107)	(640,539)
Revaluation losses on Property Plant & Equipment	(53,224)	(13,077)
Amortisation of Intangible Assets	(93,157)	(123,405)
Revenue expenditure funded from capital under statute	(975,342)	(1,093,329)
Amounts of Non-current Assets written off on disposal or sale as part of the loss/profit on disposal to CIES	(47,001)	(96,035)
Adjusting amounts written out of the Revaluation Reserve	28,025	27,292
Net writtenout amount of the cost of Non-current Assets consumed in year	(1,722,806)	(1,939,093)
Donated and newly capitalised assets	90,175	-
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	251,193	545,534
Capital grants and contributions credited to CIES that have been applied to capital financing	456,467	2,713,185
Application of grants to capital financing from the Capital Grants Unapplied Account	120,830	100,165
Statutory provision for the financing of capital investment charged against the General Fund	320,962	300,281
Capital expenditure charges against the General Fund	668,229	174,445
Movements in the market value of Investment Properties debited or credited to CIES	219,555	299,770
	2,127,411	4,133,380
Balance at 31 March	**11,904,046**	**11,499,441**

45. PENSIONS RESERVE

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

	31 March 2012 £	31 March 2011 £
Balance at 1 April	(22,665,993)	(41,576,793)
Actuarial gains or (losses) on pensions assets and liabilities	(4,813,000)	12,927,000
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(1,690,200)	4,268,000
Employer's pensions contributions payable in the year	1,712,208	1,715,800
Balance at 31 March	**(27,456,985)**	**(22,665,993)**

46. DEFERRED CAPITAL RECEIPTS RESERVE

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

	31 March 2012 £	31 March 2011 £
Balance at 1 April	64,750	81,878
Transfer of deferred sale proceeds credited as part of the loss/profit on disposal to the CIES	(17,362)	(17,128)
Balance at 31 March	**47,388**	**64,750**

47. COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the CIES as it falls due from council taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	31 March 2012 £	31 March 2011 £
Balance at 1 April	97,738	93,054
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	33,768	4,684
Balance at 31 March	**131,506**	**97,738**

48. ACCUMULATED ABSENCES ACCOUNT

	31 March 2012 £	31 March 2011 £
Balance at 1 April	(142,547)	(162,285)
Settlement or cancellation of accrual made at the end of the preceding year	142,547	162,285
Amounts accrued at the end of the current year	(98,788)	(142,547)
Balance at 31 March	**(98,788)**	**(142,547)**

49. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cashflows from operating activities include the following items:

	31 March 2012 £000	31 March 2011 £000
Interest received	311	251
Interest paid	(11)	(10)
Finance lease interest paid	(72)	(96)
	228	**145**

50. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	31 March 2012 £000	31 March 2011 £000
Purchase of Property Plant and Equipment, Investment Property and Intangible Assets	521	2,440
Purchase of short term and long term investments	8,078	10,065
Proceeds from sale of Property Plant and Equipment, Investment Property and Intangible Assets	(6)	(12)
Proceeds from short term and long term investments	(8,055)	(8,225)
Other receipts from investing activities	(228)	(147)
Net cash flows from investing activities	**310**	**4,121**

51. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	31 March 2012 £000	31 March 2011 £000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	321	300
Net cash flows from financing activities	**321**	**300**

52. CASH FLOW STATEMENT – NON CASH ITEMS INCLUDED IN SURPLUS ON PROVISION OF SERVICES

	31 March 2012 £000	31 March 2011 £000
Depreciation charges	(573)	(641)
Amortisation charges	(93)	(124)
Impairment and downward valuations	(53)	-
(Increase)/decrease in creditors	(491)	(643)
Increase/(decrease) in debtors	(87)	(2,842)
Increase/(decrease) in inventories	9	(24)
Increase/(decrease) in long term debtors	(17)	(16)
(Increase)/decrease in provisions	(1)	64
Non cash charges for retirement benefits	22	5,980
Carrying amount of non current assets disposed of	(47)	(97)
Donated asset gain	24	-
Movements in the value of investment properties	220	299
Collection Fund Adjustment Account	34	5
	(1,053)	**1,961**

53. GRANT INCOME

The Council credited the following grants, contributions and donations to the CIES in 2011/2012.

	31 March 2012 £000	31 March 2011 £000
Credited to Taxation and Non Specific Grant Income:		
DCLG Revenue Support Grant	1,381	868
DCLG ABG – Climate Change	-	52
DCLG LAA Reward Grant	-	249
DCLG New Homes Bonus	204	-
DCLG Council Tax Freeze Grant	119	-
HCA Valley Road Housing Scheme Grant	-	1,800
	1,704	2,969
Credited to Services:		
DWP Housing Benefit Grant	20,668	19,869
DWP Council Tax Grant	6,235	6,326
DCLG NNDR Administration	121	121
DCLG Prevent Repossessions Fund	30	-
DCLG Homelessness Grant and Mortgage Rescue Scheme	-	31
DWP Discretionary Housing Payments	9	17
DFT Concessionary Fares Special Grant	-	177
DWP Additional Grant	27	59
DCLG Additional Grant	4	10
HO Building Safer Communities Grant	24	29
DCLG Land Charges	-	34
DCLG Regional Housing Pot	-	435
DCLG Disabled Facilities Grant	346	292
DCLG ABG – Homelessness	50	-
HCA Cinderford Regeneration Grant	862	151
HCA Valley Road Housing Scheme Grant	-	172
	30,080	**30,692**

DWP = Departmentt for Work and Pensions
DCLG = Department for Communities and Local Govt
DFT = Department for Transport
HO = Home Office
HCA = Homes & Communities Agency

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

Current Liabilities	31 March 2012	31 March 2011
Grants Receipts in Advance (Capital Grants)		
Government grant: Council tax leaflets	5,300	5,300
Contribution: Gloucestershire Wildlife Trust Biodiversity	1,000	1,000
Contribution: S106 Drybrook Housing	157,569	157,569
	163,869	**163,869**

54. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	31 March 2012 £	31 March 2011 £
Opening Capital Financing Requirement	**1,139,801**	**1,442,633**
Capital Investment		
Property Plant & Equipment	228,600	2,180,845
Investment Property	187,944	5,780
Intangible Assets	-	91,063
Assets Under Construction	104,833	162,309
Revenue Expenditure Funded from Capital under Statute	975,342	1,093,329
Sources of finance		
Capital Receipts	(251,193)	(545,534)
Government grants and other contributions	(577,297)	(2,813,349)
Sums set aside from revenue		
Direct revenue contributions	(668,229)	(174,444)
Minimum Revenue Provision	(320,962)	(300,281)
Lease settlement	(181)	(2,550)
Closing Capital Financing Requirement	**818,658**	**1,139,801**
Explanation of movements in year:		
Assets acquired under finance leases	(321,142)	(302,832)
Increase/(decrease) in CFR	**(321,142)**	**(302,832)**

55. LEASES

Council as Lessee

Finance Leases

The Council has acquired a number of printers, a fitness suite and refuse collection vehicles and equipment under finance leases.

The assets acquired under these leases are carried as Property Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2012 £	31 March 2011 £
Other Land and Buildings	-	16,772
Vehicles Plant and Equipment	780,383	1,114,994
	780,383	**1,131,766**

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

	31 March 2012 £	31 March 2011 £
Finance lease liabilities (net present value of minimum lease payments:		
Current	392,534	392,534
Non-current	928,348	1,320,882
Finance costs payable in future years	(172,090)	(264,343)
Minimum lease payments	**1,148,792**	**1,449,073**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £	31 March 2011 £	31 March 2012 £	31 March 2011 £
Not later than 1 year	320,962	300,281	330,039	320,962
Later than 1 year and not later than 5 years	827,830	1,148,792	497,791	827,830
Later than 5 years	-	-	-	-
	1,148,792	**1,449,073**	**827,830**	**1,148,792**

Operating Leases

The Council has acquired a number of assets by entering into operating leases. In addition, the Council has entered into long-term agreements with a number of local schools to operate leisure facilities in premises owned by the schools outside of the school opening hours. These agreements have been reviewed and it has been determined these are effectively operating leases although no rental payments are made; instead the council contributes to the running costs of the premises. For accounting purposes, it has been decided to disclose a notional payment of £1 per year per leisure centre.

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

	31 March 2012 £	31 March 2011 £
Vehicles and Equipment		
Not later than 1 year	4,725	13,068
Later than 1 year and not later than 5 years	-	4,080
Later than 5 years	-	-
Leisure Facilities		
Not later than 1 year	-	-
Later than 1 year and not later than 5 years	-	-
Later than 5 years	5	5
	4,730	**17,153**

The expenditure charged to all service lines in the CIES during the year in relation to the Vehicle and Equipment leases was £17,711 (2010/2011 £17,153).

Council as Lessor

Operating Leases

The Council owns a number of properties it leases to other organisations under operating leases. All the assets are held as Investment Properties and, therefore, do not attract depreciation. The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2012 £	31 March 2011 £
Not later than 1 year	185,692	108,563
Later than 1 year and not later than 5 years	658,600	391,108
Later than 5 years	890,325	326,692
	1,734,617	**826,363**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

56. IMPAIRMENT LOSSES

During the year, the Council has recognised an impairment loss of £8,224 in respect of a surplus asset that was part-demolished in a vehicle accident and £9,680 in respect of Tourist Information Kiosks now deemed to have a net book value of zero. Additionally, several software applications have also been deemed to have nil value resulting in impairment losses of £35,320. The recoverable amount for all these assets has been reduced to nil and the impairment losses charged to Surplus or Deficit on Provision of Services in the CIES.

57. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2011/2012 following a restructure of services, incurring liabilities of £248,460 (2010/2011 £95,930) for redundancy payments and early retirement costs. Note 21 provides detail of the number of exit packages and total cost per band.

58. DEFINED BENEFIT PENSION SCHEMES

Participation in the pension scheme

As part of the terms and conditions of employment of its officers and members, the Council makes contributions towards the cost of post-employment 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 post-employment 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 of the General Fund in the MIRS. The following transactions have been made in the CIES and the General Fund Balance via the MIRS during the year:

	2011/2012 £000	2010/2011 £000
CIES:		
Cost of Services:		
Current service (cost)	(825)	(1,087)
Past service (cost)/gain	-	6,840
Curtailments	(76)	-
Financing and Investment Income and Expenditure:		
Interest cost	(3,222)	(3,923)
Expected return on assets	2,433	2,438
Total post-employment benefit charged to Surplus or Deficit on Provision of Services	(1,690)	4,268
Other post-employment benefit charged to CIES:		
Actuarial gains/(losses)	(4,813)	12,927
Total post-employment benefit charged to CIES	**(6,503)**	**17,195**
Movement in Reserves Statement:		
Reversal of net charges made to Surplus or Deficit on Provision of Services for post-employment benefits in accordance with the Code	1,690	(4,268)
Actual amount charged against General Fund Balance for pensions in the year		
Employers' contributions payable	1,712	1,715

The cumulative amount of actuarial losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pension assets and liabilities line at 31 March 2012 was a loss of £18,269,000 (31 March 2011 loss of £13,456,000).

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities Local Government Pension Scheme	
	31 March 2012 £000	**31 March 2011 £000**
1 April	(59,246)	(77,160)
Current service cost	(825)	(1,087)
Interest cost	(3,222)	(3,923)
Contributions by members	(321)	(344)
Actuarial gains/(losses)	(3,503)	13,974
Gains/(losses) on curtailments	(76)	-
Benefits paid	2,444	2,323
Unfunded benefits paid	131	131
Past service costs	-	6,840
31 March	**(64,618)**	**(59,246)**

Reconciliation of fair value of the scheme assets:

	Funded Assets Local Government Pension Scheme	
	31 March 2012 £000	**31 March 2011 £000**
1 April	36,580	35,540
Expected rate of return	2,433	2,438
Contributions by members	321	344
Contributions by employer	1,581	1,628
Contributions re unfunded benefits	131	131
Actuarial gains/(losses)	(1,310)	(1,047)
Unfunded benefits paid	(131)	(131)
Benefits paid	(2,444)	(2,323)
31 March	**37,161**	**36,580**

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 £1,131,000 (2010/2011 gain £2,796,000).

Scheme History	**2011/2012 £000**	**2010/2011 £000**	**2009/2010 £000**	**2008/2009 £000**	**2007/2008 Restated £000**
Present value of liabilities	(64,618)	(59,246)	(77,160)	(47,864)	(49,106)
Fair value of assets	37,161	36,580	35,540	25,113	32,432
Creditors	-	-	43	124	-
Surplus/(deficit)	**(27,457)**	**(22,666)**	**(41,577)**	**(22,627)**	**(16,674)**

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £27.457m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £1,596,000.

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 2010. The main assumptions used in their calculations have been:

	Local Government Pension Scheme	
	31 March 2012	31 March 2011
Long term expected rate of return on assets in the scheme:		
Equity investments	6.2%	7.5%
Bonds	3.9%	4.9%
Property	4.4%	5.5%
Cash	3.5%	4.6%
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	21.7 years	21.7 years
Women	23.6 years	23.6 years
Longevity at 65 for future pensioners		
Men	23.5 years	23.5 years
Women	25.8 years	25.8 years
Rate of inflation/pension increase (CPI)	2.5%	2.8%
Rate of increase in salaries **	4.3%*	4.6%**
Expected return on assets	5.5%	6.7%
Rate for discounting scheme liabilities	4.8%	5.5%
Take up of option to convert annual pension into retirement grant	50%	50%

** Salary increases are assumed to be 1% p.a. for the years until 31 March 2015, reverting to 4.3% thereafter.

* Salary increases are assumed to be 1% p.a. until 31 March 2012, reverting to 4.6% thereafter.

The assumptions interact in complex ways. During 2011/2012 the Council's actuaries advised that the net pensions' liability had increased by £2.57m as a result of updating the assumptions shown above.

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

	31 March 2012 %	31 March 2011 %
Equity investments	71	68
Bonds	21	24
Property	6	6
Cash	2	2
Total	**100**	**100**

History of experience gains and losses

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

	2011/2012 %	2010/2011 %	2009/2010 %	2008/2009 %	2007/2008 Restated %
Differences between the expected and actual return on assets	(3.53)	(2.86)	24.30	(37.55)	(13.00)
Experience gains and losses on liabilities	(5.42)	10.71	(0.02)	(0.14)	3.35

Sensitivity analysis

Change in assumptions at year ended 31 March 2012	Approximate % increase to Employer	Approximate cost to Employer £000
0.5% decrease in Real Discount Rate	9%	5,764
1 year increase in member life expectancy	3%	1,939
0.5% increase in the Salary Increase Rate	2%	1,212
0.5% increase in the Pension Increase Rate	7%	4,551

59. CONTINGENT LIABILITIES

1. The Council transferred its housing stock to Two Rivers Housing on 31 March 2003. As part of the transfer arrangements the Council provided a warranty to Two Rivers Housing and its funders 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.

2. 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.

3. 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 2012 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.

4. The Council has now commenced its single status pay review, and is expected to complete this by 31 March 2013. 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.

5. The Council has been pursuing a claim for approximately £18,000 to recover demolition costs from a property owner. Following legal proceedings concluded in February 2011, the Council has entered judgement but the owner has an appeal pending.

6. As a result of legal action currently being pursued against a number of other local authorities in respect of fees charged for personal property searches, the Council may be liable to refund some or all of the fees it has received since 2005. An initial estimate is that this may cost the Council up to £16,000. The position is still very uncertain pending a test case through the courts.

7. In April 2012, The Council has also received notice of two potential legal challenges to the adoption of its Core Strategy, and a food store planning permission granted earlier in the year 2011/2012. Both claims will be defended and reserves are available to cover any likely financial exposure.

60. CONTINGENT ASSETS

The Council is contractually due to receive 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 10 years commencing 1 April 2003. As part of this arrangement, the Council was entitled to £386,163 from Two Rivers Housing for the financial year to 31 March 2012. A capital debtor has been included in the accounts for this sum.

61. STATEMENT OF ACCOUNTS ISSUE DATE

The Statement of Accounts was certified by the Chief Financial Officer on 17 September 2012.

62. COLLECTION FUND 2011/2012

INCOME AND EXPENDITURE ACCOUNT				
2010/2011		2011/2012		
£	INCOME	£	£	Note
38,528,532	Council Tax		39,023,549	
	Transfers from General Fund:			
6,016,048	Council Tax Benefits	5,922,699		
9,843,994	Income collectable from Business Ratepayers	10,843,420		65
			16,766,119	
54,388,574	**Total Income**		55,789,668	
	EXPENDITURE			
43,761,330	Precepts and Demands – County, Police and District		44,010,483	66
	Business Rates:			
9,676,033	Payment to National Pool	10,585,880		
121,180	Cost of Collection allowance	121,180		
9,546	Interest on repayments	6,229		
			10,713,289	
	Bad and doubtful debts/appeals			
	Write offs:			
75,051	Council Tax	99,012		
156,235	Business Rates	55,916		
	Provision for bad debts:			
(60,000)	Council Tax	100,000		
(119,000)	Business Rates	74,215		
			329,143	
5,560	Adjustments to previous year expenditure		2,600	
729,900	Contribution towards previous year estimated surplus		507,500	
54,355,835	**Total Expenditure**		55,563,015	
32,739	Surplus/(deficit) for the year		226,653	
663,528	Fund Balance brought forward		696,267	
696,267	Fund Balance		922,920	
	Allocation of fund balance:			
(505,891)	Gloucestershire County Council		(668,923)	
(92,638)	Gloucestershire Police Authority		(122,491)	
97,738	**Forest of Dean Council Balance at 31 March 2012**		**131,506**	

NOTES TO THE COLLECTION FUND

63. 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.

64. 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 2011/2012 was as follows:

Band	Number of Chargeable Dwellings	Proportion To Band D	Band D Equivalent	Tax Base
Z	16.50	5/9	9.17	8.99
A	5,215.90	6/9	3,477.27	3,407.72
B	8,168.50	7/9	6,353.28	6,226.21
C	7,150.60	8/9	6,356.09	6,228.97
D	4,911.90	1	4,911.90	4,813.66
E	3,597.25	11/9	4,396.64	4,308.71
F	1,773.85	13/9	2,562.23	2,510.98
G	890.75	15/9	1,484.58	1,454.89
H	63.20	2	126.40	123.87
Armed Forces Class O contribution in lieu of Council Tax			170.33	166.92
Council Tax base at 31 March 2011				29,250.92
Council Tax collectable (excl Parish Precepts)			£	42,486,380
Parish Precepts collectable			£	1,526,709
Total Collectable			£	44,013,089
Band D tax for 2011/2012 (excluding Parish Precepts)			£	1,452.48

65. BUSINESS RATES

The Council collects National Non Domestic Rates (business rates) for its area. These are based on local rateable values (£34,194,499 at 31 March 2012) multiplied a rate in the pound set by central government (45.8p for 2011/2012). 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:

	£
Amounts due from Business Ratepayers	13,823,697
Less Allowances and other adjustments	2,980,277
Total Income from Business Rates	**10,843,420**

66. PRECEPTS AND DEMANDS

Significant precepts on the fund for 2011/2012 are as follows:

	Precept £	Surplus £	Total £
Gloucestershire County Council	31,898,128	369,200	32,267,328
Gloucestershire Police Authority	5,841,116	67,100	5,908,216
Forest of Dean District Council	6,271,239	71,200	6,342,439
	44,010,483	**507,500**	**44,517,983**

67. 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 2012 is the amount estimated to be receivable by the Council.

68. 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 sums are collected annually in arrears.

	£
Forest of Dean District Council precept	6,271,239
Special Precepts	2,600
Movement in Collection Fund estimates	33,768
Amount credited to Income and Expenditure Account	**6,307,607**

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 on Local authority Accounting in the United Kingdom (The Code).

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 non-current:

- a current asset is one that will be used, or cease to have a material value, by the end of the next financial year (e.g. Inventories or debtors); and
- a non-current 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.

INVENTORIES

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.

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 know 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 it 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.

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.