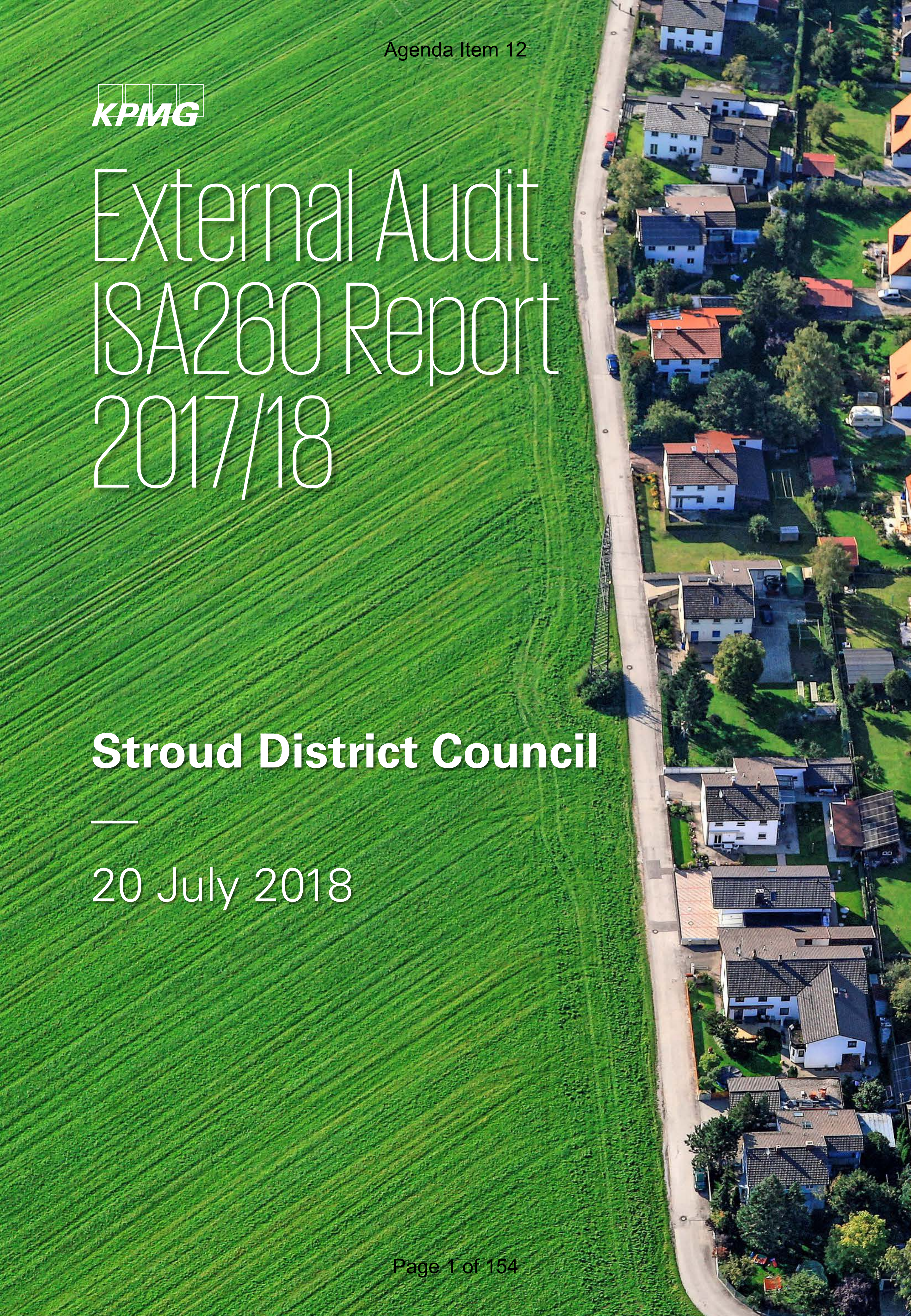


KPMG

External Audit ISA260 Report 2017/18

Stroud District Council

—

20 July 2018

Summary for Audit & Standards Committee

This document summarises the key findings in relation to our 2017-18 external audit at Stroud District Council ('the Authority').

This report covers our on-site work which was completed in March and June to July 2018 on the Authority's significant risk areas, as well as other areas of your financial statements, and the control environment in place to support the production of timely and accurate financial statements.

Audit status	We are now in the completion stage of the audit with some audit queries still outstanding at the time of writing; in particular: related party transaction returns from 2 councillors (or alternative evidence), finalisation of manager and director file review and final checks/tie-through of the post audit adjustments version of the Statement of Accounts. We anticipate issuing our Annual Letter during August.
Organisational environment	We consider that your organisational controls are effective overall with areas for improvement noted in specific areas as set out on page 4
Controls over key financial systems	Based on our work, and the work of your internal auditors, we have determined that the controls over the key financial systems are generally sound.
Review of internal audit	We did not identify any significant issues with internal audit's work and are pleased to report that we are again able to place reliance on internal audit's work on the key financial systems.
Accounts production	The overall process for accounts production is sound with some areas for improvement as noted on page 9.
Financial statements	**Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 31 July 2018.** Based upon our initial assessment of risks to the financial statements (as reporting to you in our *External Audit Plan 2017/18* and updated during our audit) we identified the following significant risks (excluding those mandated by International Standards on Auditing – see Page 11): — **Valuation of PPE** – we determined that the year-end values of PPE are reasonable, but see page 30 for adjusted differences; — **Pensions Liabilities** – we determined that the assumptions and methodology used by the scheme actuary were in totality appropriate and the asset valuation and allocation was reasonable; and — **Faster Close** – we anticipate the accounts being signed off within the statutory deadlines and we have made some recommendations for improvement of the process in future years.

Summary for Audit & Standards Committee (cont.)

Financial statements	We have identified 1 corrected audit adjustment with a total value of £3.2 million. See page 30 for details. These adjustments result in a net increase of £1.1 million in the reported surplus / deficit on provision of services and no movement in the general fund and Housing Revenue Account balance. Based on our work, we have raised three recommendations. Details of our recommendations can be found in Appendix 1.
Value for money arrangements	We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure it has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. **We therefore anticipate issuing an unqualified value for money opinion.** We set out our assessment of those areas requiring additional risk based work in our *External Audit Plan 2017/18* and have updated this assessment during our interim visit. As a result of this we have identified the following significant VFM audit risks: — **Delivery of Budgets** – Based on our review of the Authority's savings programme, we found that Council has processes in place to identify and close the funding gap. The council has also been able to demonstrate good Medium Term Financial Plan (MTFP) forecasting, and production of detailed savings plan. — **Multi-service contract** – We have considered the positive and negative aspects of the Council's arrangements over this contract, in particular the significant variance compared to original contract budget, and the Council's actions to address and mitigate this. On balance we have concluded that we should report an unqualified VFM opinion. However, the issues are not yet fully resolved and there is work for the Council to do to. We would expect to see significant progress over the next three to six months. See further details on page 25.
Exercising of audit powers	We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about. We have not identified any matters that would require us to issue a public interest report. In addition, we have not had to exercise any other audit powers under the Local Audit & Accountability Act 2014.
Acknowledgements	We would like to take this opportunity to thank officers and Members for their continuing help

Section one

Control Environment

Organisational control environment

We have identified no significant issues with the Authority's organisational control environment and consider that the overall arrangements that have been put in place are reasonable.

Work completed

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would have implications for our audit. We obtain an understanding of the Authority's overall control environment and determine if appropriate controls have been implemented. We do not complete detailed testing of these controls.

Key findings

We consider that your organisational controls are effective overall, although we did note some areas for improvement in existence during the audit year as set out below, which have already been reported to the Committee by Internal Audit.

As these areas have already been reported to the Committee and action plans are underway to address them, we will formally not report them again. And as such we will not formally report as recommendations again:

- Capital project appraisal – The Internal Audit Capital Programme report issued in January 2018 noted that the Council's approach to capital programmes failed to include formal evaluation of a capital project before entered into the capital programme, which may result in a negative impact on financial planning. We understand that an action plan is in place to address the issues raised. The Accountancy Manager will submit a Capital Strategy report to cover the issues raised by Internal Audit such that progress can coincide with the next capital programme in January 2019.
- Financial management in relation to the UBICO multi-service contract – this is considered further in our VFM work on page 24.

Aspect of controls	Assessment
Organisational controls:	
Management's philosophy and operating style	3
Culture of honesty and ethical behaviour	3
Oversight by those charged with governance	3
Risk assessment process	2
Communications	3
Monitoring of controls	2

Key	
1	Significant gaps in the control environment.
2	Deficiencies in respect of individual controls
3	Generally sound control environment.

Controls over key financial systems

The controls over the key financial systems are generally sound.

However, there are some weaknesses in respect of authorisation of journals and privileged users on the Council's finance system.

Work completed

We review the outcome of internal audit's work on the financial systems to influence our assessment of the overall control environment, which is a key factor when determining the external audit strategy.

Where we have determined that this is the most efficient audit approach to take, we evaluate the design and implementation of the control and then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Our assessment of a system will not always be in line with your internal auditors' opinion on that system. This is because we are solely interested in whether our audit risks are mitigated through effective controls, i.e. whether the system is likely to produce materially reliable figures for inclusion in the financial statements.

Key findings

Based on our work, and the work of your internal auditors, we have determined that the controls over the key financial systems are generally sound.

We noted some weaknesses in respect of individual financial systems that impacted on our audit approach, in particular in relation to the testing over journals, which we adapted to address resultant risks:

— Weakness 1: Lack of authorisation of journals over £100k.

Internal audit included recommendations in their report (titled General Ledger, dated: 23rd April 2018) with regards to this control weakness. They identified that improvements to the control environment are required to ensure only properly authorised journals are accepted and processed and that material journals are subject to prompt finance management review and approval. This has already been raised as a recommendation by Internal Audit and therefore we will not raise ourselves.

— Weakness 2: Number of system privileged users.

A large number of members of the finance team, including the s151 officer, have privileged users rights within the finance system. However, this only applies to access to the Finance system (Agresso) and not the underlying servers and databases.

Recommendations are included in Appendix 1.

Controls over key financial systems (cont.)

Aspect of controls	Assessment
Property, Plant and Equipment	2
Cash and Cash Equivalents	3
Pension Assets and Liabilities	3
Non pay expenditure	3
Payroll	3
Housing benefits expenditure	3
Business rates income	3
Council tax income	3
HRA rental income	3
Journals and general ledger	2

Key	
1	Significant gaps in the control environment
2	Deficiencies in respect of individual controls
3	Generally sound control environment

Review of internal audit

Following our assessment of Internal Audit, we were able to place reliance on their work on the key financial systems.

Background

United Kingdom Public Sector Internal Audit Standards (PSIAS) apply across the whole of the public sector, including local government. These standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. Additional guidance for local authorities is included in the Local Government Application Note on the PSIAS.

Work completed

The scope of the work of your internal auditors and their findings informs our audit risk assessment.

We work with your internal auditors to assess the control framework for certain key financial systems and seek to rely on relevant work they have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place full reliance on their work.

Where we intend to rely on internal audit's work in respect of the Authority's key financial systems, auditing standards (ISA610) require us to complete an overall assessment of the internal audit function and to evaluate and test aspects of their work.

The Public Sector Internal Audit Standards define the way in which the internal audit service should undertake its functions.

We reviewed internal audit's work on the key financial systems and re-performed a sample of tests completed by them. We only review internal audit work that has relevance to our audit responsibilities, to effectively scope out other internal audit work from our findings. Our review of internal audit work does not represent an external review against PSIAS, as required at least every five years, which was last performed in 2015.

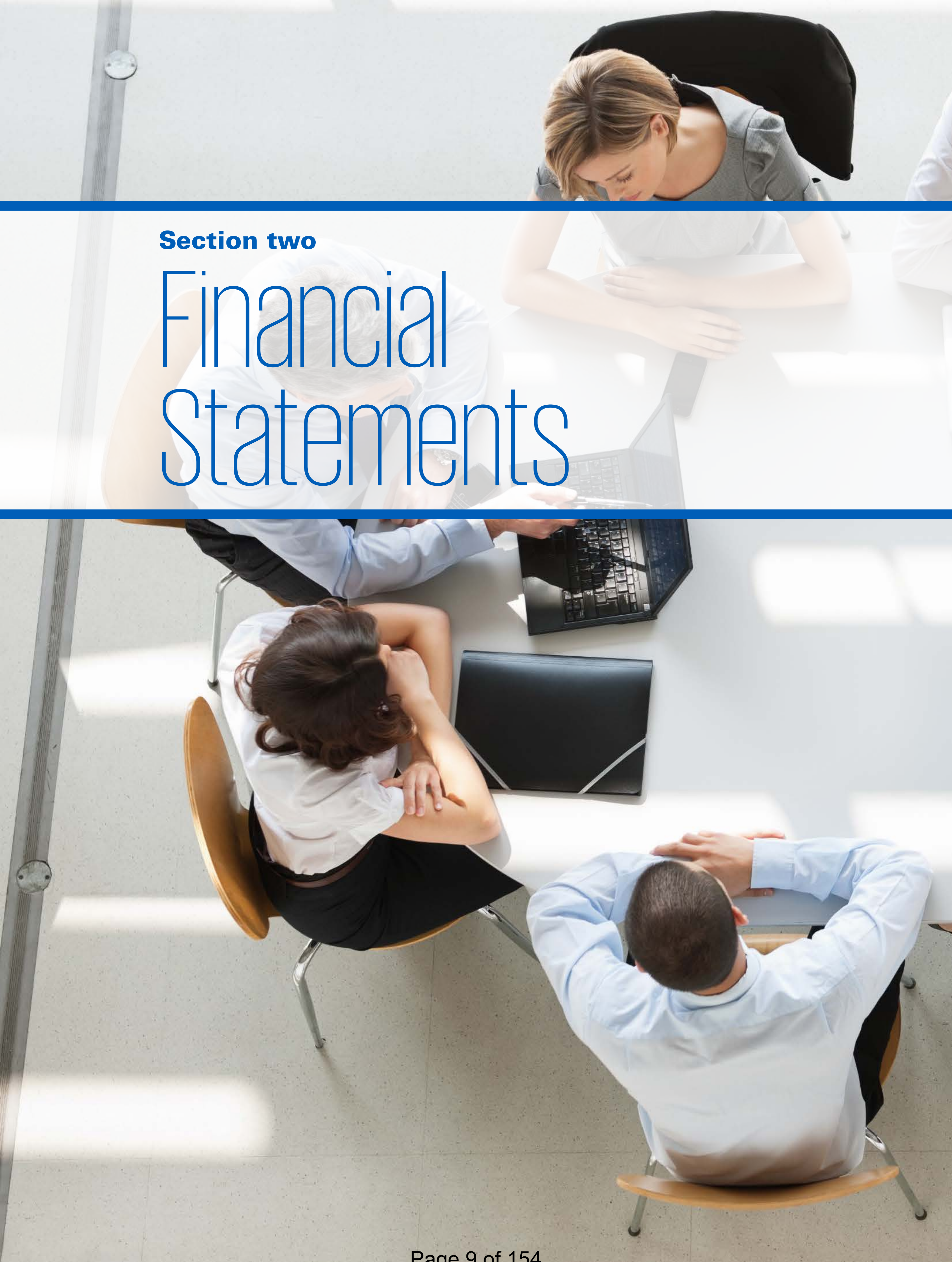
Key findings

Based on the self-assessment performed by internal audit, our assessment of their files, attendance at Audit & Standards Committee and regular meetings during the course of the year, we have not identified any significant issues which would prevent us from relying on internal audit's work for 2017/18.

We did not identify any significant issues with internal audit's work and are pleased to report that we are again able to place reliance on internal audit's work on the key financial systems.

Section two

Financial Statements



Accounts production and audit process

Audit standards (ISA 260) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting.

We also assessed the Authority's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.

The Authority's overall process for the preparation of the financial statements is adequate.

Accounts practices and production process

The Authority incorporated a number of measures into its closedown plan to continue to improve the project management of this complex process. The Authority recognised the additional pressures which the earlier closedown brought and we engaged with officers in the period leading up to the year end in order to proactively address issues as they emerged.

We consider that the overall process for the preparation of your financial statements is adequate.

The areas which you need to pay particular attention to in future audits are the capacity of staff to deal with audit queries within the tighter audit timescale, and the quality of certain year-end working papers, see the following pages.

We consider the Authority's accounting practices appropriate.

Going concern

The financial statements of the Authority have been prepared on a going concern basis. We confirm that we have identified no significant matters which would, in our view, affect the ability of the Authority to continue as a going concern.

Further commentary on the Authority's arrangements in place to secure the effective delivery of budgets is included at page 23.

Completeness of draft accounts

We received a set of draft accounts on 31 May, in line with the statutory deadline. The Council did however update this with an amended set of accounts provided on 4 June, which incorporated an updated narrative statement. Our audit work is based on this 4 June version. Overall, considering the reduced timeframes, the draft accounts are of good quality with minor amendments and areas for improvement noted in Appendix 2.

Accounts production and audit process (cont.)

Quality of supporting working papers

We issued our Accounts Audit Protocol to the finance team on 2 January 2018. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide to support our audit work. This helps the Authority to provide audit evidence in line with our expectations.

Overall, the working papers we received were reasonable. We did experience some difficulties in reconciling a number of working papers to the balances within the accounts; in particular, the working papers on fixed asset and capital accounting, which is a complex area to account for and audit. This included reconciling supporting working papers to the fixed assets movements within the accounts, and we identified some inconsistencies within some of the capital transactions within the accounts, which has led to some minor audit adjustments – see Appendix 2. We suggest that a further review of capital notes prior to accounts publication, and reworking the supporting working papers to ensure that there is a clear audit trail to all the movements in the accounts, may assist to improve quality in this area. We have raised a recommendation in respect of this, see Appendix 1.

Response to audit queries

The Council achieved a reasonable turnaround time for dealing with audit queries in most areas. However we have had some delays in certain areas of the work, which has resulted in the outstanding areas highlighted on page 1.

As highlighted in previous years, there is still room for improvement in this area to ensure sufficient audit responsibility and knowledge over the accounts is shared around the finance team to avoid delays due to requests from multiple auditors building up with key individuals. This is now a more acute issue with shortened deadlines, which necessitates more auditors on site during a compacted period and limited timeframe to leave queries for follow up after the on-site visit. The audit queries could also be reduced by improving working papers to make the reconciliation to the accounts clear and adding supporting annotation to aid auditors as noted above.

Collection fund balances

In previous years we have included a comment in our report in relation to the deficit on the business rates element of the Collection Fund.

This deficit has increased by £113k following a trend of decreasing in previous years; it is now £183k as at 31 March 2018.

As in previous years, the Authority is applying established processes to recover the deficit in future years. No issues have been identified in our review of the accounting of either part of the fund.

The Council Tax element of the fund has made a surplus of £21k this year and remains in credit overall of £1,157k.

Specific audit areas

We anticipate issuing an unqualified audit opinion on the Authority's 2017-18 financial statements by 31 July 2018. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE ('Delivering Good Governance in Local Government') published in April 2016.

For the year ending 31 March 2018, the Authority has reported a surplus of £0.2m. The impact on the General Fund has been an increase of £1.6m.

Auditing standards require us to consider two standard risks for all organisations. We consider these as a matter of course in our audit and will have set out the findings arising from our work in our ISA 260 Report below.

01

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

02

Fraudulent revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2017-18* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Over the following pages we have set out our assessment of the specific significant risks and areas of audit focus we identified in relation to the audit of the Authority's financial statements.

Specific audit areas

Significant Audit Risks – Authority

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

Risk:

Valuation of PPE

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all non-housing land and buildings revalued over a five year cycle. As a result of this, individual assets may not be revalued for four years.

This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value.

Housing assets are revalued each year in-between full valuations using an index based on local sales. Last year we raised an audit adjustment as the December 2016 Stroud housing index used by the Council had been adjusted down by the Land Registry (due to new sales information) subsequent to the Council having obtained the index from the Land Registry website in February. This resulted in a material misstatement. There is a risk of this issue arising again in future depending on when this index is obtained, which may be reduced if a less local index (e.g. Gloucestershire) is used as the higher total sales mean that each new sale has a lower impact on the index.

The Council is considering options to avoid this in 2017/18, for example, by using an index covering a wider area that is hopefully less volatile, or by using an index from earlier in the year which has a reduced risk of moving (but does result in a risk if there is significant price fluctuation between the index date and the year-end).

Our assessment and work undertaken:

We reviewed the approach that the Authority adopted to assess the risk that assets not subject to valuation were materially misstated and considered the robustness of that approach.

For assets that had been revalued during the year, we reviewed the accounting entries made to record the results of the revaluation in order to ensure that they were appropriate.

We reviewed the index used for the revaluation of housing assets, which was the Land Registry index for Gloucestershire as at October 2017 (7.1%). The Authority therefore changed both the index date and the geographical area of the index.

Using the Gloucestershire index, rather than the Stroud-only index as last year, reduces the risk of volatility as described above, and we agree with that approach.

Both management and ourselves would prefer an index date closer to year-end, as there is a risk of movement in the market during the period between the index date and the year-end. However, we acknowledge the need to prepare accounts to tighter deadlines, against a backdrop of indices that take time to settle. We have agreed that using the December index of 7% is a reasonable compromise between proximity to year-end and accounts preparation deadlines and accuracy of the index, especially as the valuation is an accounting estimate that is always liable to change. Using this index results in an unadjusted difference of £253k (see Appendix 2). There is to be a full valuation of housing properties for the 2018/19 accounts.

We also assessed the valuer's qualifications, objectivity and independence to carry out such valuations and reviewed the methodology used (including testing the underlying data and assumptions).

As a result of this work we determined that the valuations of PPE are reasonable. We have set out our view of the assumptions used in relation to accounting for Property, Plant & Equipment at page 15.

Specific audit areas (cont.)

Significant Audit Risks – Authority (cont.)

Risk:	**Pension Liabilities** The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of Gloucestershire County Council Local Government Pension Scheme, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes. There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to the net pension liability accounted for in the financial statements.
Our assessment and work undertaken:	As part of our work we reviewed the controls that the Authority has in place over the information sent directly to the Scheme Actuary. We also liaised with the auditors of the Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This included consideration of the process and controls with respect to the assumptions used in the valuation. We also evaluated the competency, objectivity and independence of Hymans Robertson, the Scheme Actuary. We reviewed the appropriateness of the key assumptions included within the valuation, compared them to expected ranges and involved a KPMG Actuary to provide a specialist assessment of those assumptions. We also reviewed the methodology applied in the valuation by Hymans Robertson. In addition, we reviewed the overall Actuarial valuation and considered the disclosure implications in the financial statements. In order to determine whether the net pension liability has been appropriately accounted for we also considered the valuation of pension assets. We obtained assurance from the Pension Fund auditors (Grant Thornton) over the overall value of fund assets. We then liaised with the actuary to understand how these assets are allocated across participating bodies and reperformed this allocation. As a result of this work we determined that the assumptions and methodology used by the scheme actuary were in totality appropriate and the asset valuation and allocation was reasonable. We have set out our view of the assumptions used in valuing pension assets and liabilities at page 16. Note that at the timing of writing, we have a few final inquiries regarding pensions balances that are with management, we expect these to be resolved before the Committee.

Specific audit areas (cont.)

Significant Audit Risks – Authority (cont.)

Risk:

Faster Close

In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply that require draft accounts by 31 May and final signed accounts by 31 July.

During 2016/17, the Authority continued its preparation for these revised deadlines and advanced its own accounts production timetable. Whilst this was an advancement on the timetable applied in preceding years, further work is still required in order to ensure that the statutory deadlines for 2017/18 are met, including ensuring that all audit queries and accounts updates are resolved in accordance with the new deadline for signing.

In order to meet the revised deadlines, the Authority may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:

- Ensuring that any third parties involved in the production of the accounts (including valuers and actuaries) are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this;
- Revising the closedown and accounts production timetable in order to ensure that all working papers and other supporting documentation are available at the start of the audit process;
- Ensuring that the Audit & Standards Committee meeting schedules have been updated to permit signing in July; and
- Applying a shorter paper deadline to the July meeting of the Audit & Standards Committee meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report.

In the event that the above areas are not effectively managed there is a significant risk that the audit will not be completed by the 31 July deadline.

There is also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Authority's Whole of Government Accounts return. This is not a matter of concern and is not seen as a breach of deadlines.

Our assessment and work undertaken:

We liaised with officers in preparation for our audit in order to understand the steps that the Authority was taking in order to ensure it met the revised deadlines. We also advanced audit work into the interim visit in order to streamline the year end audit work.

We received draft financial statements in line with the statutory deadline of 31 May 2018. The quality of this draft was reasonable and consistent with previous years, but with a slightly higher number of adjustments identified.

Our more detailed findings in relation to accounts preparation are detailed on page 9.

Agenda Item 12

Judgements

We have considered the level of prudence within key judgements in your 2017-18 financial statements and accounting estimates. We have set out our view below across the following range of judgements.

Level of prudence

0	1	2	3	4	5	6
Audit Difference	Cautious		Balanced		Optimistic	**Audit Difference**
	Acceptable Range					

Subjective area	2017-18	2016-17	Commentary
Provisions (excluding Business Rates)	3	3	The provisions balance is immaterial. There has been a reclassification from accruals to provisions this year of £624k. This is in relation to a disputed outstanding amount for renewable heating works carried out in 2014 whereby the council has questioned the VAT applied to the invoice but is yet to resolve this with the contractor. The liability was recognised in previous periods but the balance has been transferred to provisions to reflect increased doubt in timing of payment.
Business Rates provision	3	3	Since 2013/14 the Authority has been responsible for a proportion of successful rateable value appeals. The Council has increased its provision this year by £150k following a review of appeals.
Property Plant & Equipment: HRA Assets	3	3	The Authority continues its use of the beacon methodology in line with the DCLG's *Stock Valuation for Resource Accounting* published in November 2016. The Authority has utilised an internal valuation expert to provide valuation estimates. We have considered the qualifications and experience of the valuer and consider them to be appropriate. The resulting increase of 7.1% is in line with regional indices provided by Gerald Eve, the valuation firm engaged by the NAO to provide supporting valuation information. We have raised an audit adjustment in relation to the historic treatment of Assets under construction (AUC). Valuations of AUC were previously only re-assessed once development projects were completed, which results in large potential write-offs being carried forward into future years. Management is correcting this treatment in the current year accounts and going forward.
Property Plant & Equipment: Non-HRA Assets	3	3	We have reviewed the asset valuations during the period and found them to be reasonable and performed using an appropriate methodology.

Agenda Item 12

Judgements (cont.)

Subjective area	2017-18	2016-17	Commentary
Valuation of pension assets and liabilities	3	3	The Authority continues to use Hymans Robertson to provide actuarial valuations in relation to the assets and liabilities recognised as a result of participation in the Local Government Pension Scheme. Due to the overall value of the pension assets and liabilities, small movements in the assumptions can have a significant impact on the overall valuation. For example, a 0.5% change in the discount rate would change the net liability by £12.8 million. The actual assumptions adopted by the actuary fell within our expected ranges with the exception of the discount rate as set our below:

Assumption	Actuary Value	KPMG benchmark	Assessment
Discount rate	2.70%	2.5%	6
Pension increase rate	2.4%	2.16%	1
Salary Growth	CPI +0.3%	CPI + 0% to 2%	3
Life expectancy Current male / female Future male/female	 22.4/ 24.6 24.0/ 26.4	 22.1/23.9 23.5/25.4	1
Overall combination of assumptions			3

Although the discount rate in isolation is outside the optimistic end of our acceptable range, this is offset by the cautious inflation assumption. The net discount rate (difference between discount rate and inflation) is therefore comfortably within our e acceptable range.

Proposed opinion and audit differences

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2017-18 financial statements following approval of the Statement of Accounts by the Audit & Standards Committee on 26 July.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 3) for this year's audit was set at £1.5 million. Audit differences below £75,000 are not considered significant.

Our audit identified one significant audit difference, which we set out in Appendix 2. This has been adjusted in the final version of the accounts

There is one uncorrected difference relating to the valuation of HRA dwellings if the December index was applied rather than October (see12).

The tables below illustrate the total impact of audit differences on the Authority's movements on the General Fund and Housing Revenue Account for the year and balance sheet as at 31 March 2018. The net impact on the General Fund and Housing Revenue Account as a result of audit adjustments is nil, as statutory entries reverse the impact of the adjustments made to Assets Under Construction.

In addition, we identified a number of presentational adjustments required to ensure that the accounts are compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code'). We have set out details of significant presentational adjustments in Appendix 2. We understand that the Authority will be addressing these where significant.

Movement on the General Fund & HRA 2017-18

£m	Pre-Audit	Post-Audit	Ref[1]
Surplus on the provision of services	0.2	1.3	1
Adjustments between accounting basis and funding basis under regulations	0.9	(0.2)	1
Increase in General Fund and Housing Revenue Account	**1.1**	**1.1**	

[1] See referenced adjustments in Appendix 2.

Balance Sheet as at 31 March 2018

£m	Pre-Audit	Post-Audit	Ref[1]
Property, Plant & Equipment	323	320	1
Other long term assets	5	5	
Current assets	46	46	
Current liabilities	(15)	(15)	
Long term liabilities	(147)	(147)	
Net worth	**211**	**208**	
General Fund & HRA	24	24	
Other useable reserves	12	12	
Unusable reserves	175	172	1
Total Reserves	**211**	**208**	

Proposed opinion and audit differences (cont.)

Annual governance statement

We have reviewed the Authority's 2017-18 Annual Governance Statement and confirmed that:

— It complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and

— It is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

Narrative report

We have reviewed the Authority's 2017-18 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority. We have made some minor suggestions for improvement in clarity and presentation.

Agenda Item 12

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2017/18 financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Stroud District Council for the year ending 31 March 2018, we confirm that there were no relationships between KPMG LLP and Stroud District Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 5 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Section 151 Officer for presentation to the Audit & Standards Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

Our report contains the necessary communications in respect of these matters.

Section three

Value for Money Arrangements

Specific value for money risk areas

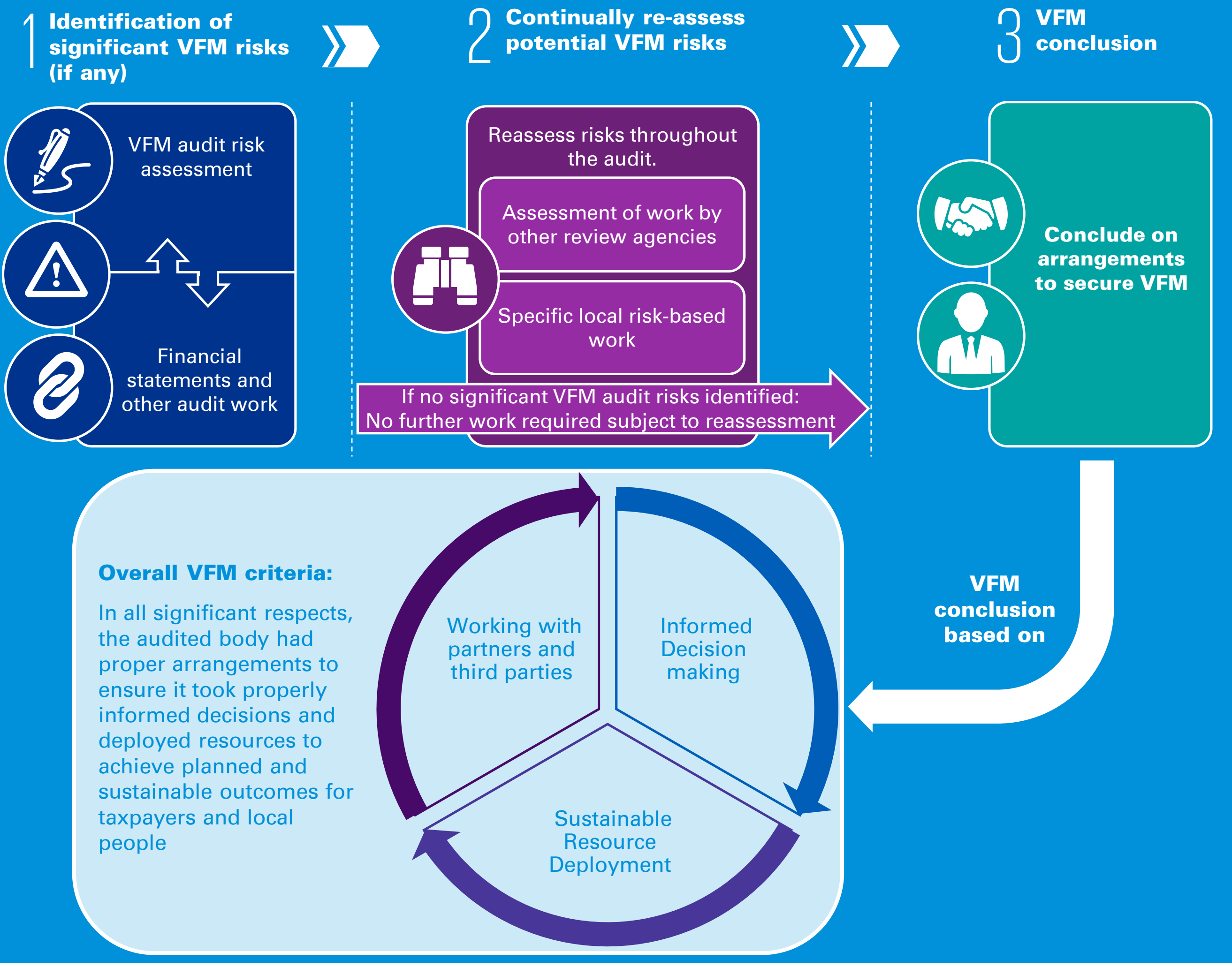
Our 2017-18 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have concluded that the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

We follow a risk based approach to target audit effort on the areas of greatest audit risk.



Specific value for money risk areas (cont.)

The table below summarises our assessment of the individual VFM risks identified against the three sub-criteria. This directly feeds into the overall VFM criteria and our value for money opinion.

Applicability of VFM Risks to VFM sub-criteria

VFM Risk	Informed decision making	Sustainable resource deployment	Working with partner and third parties
Delivery of budgets	✓	✓	✓
Multi-service contract	N/A 16-17 decision	✓	✓

In consideration of the above, we have concluded that in 2017-18, the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Further details on the work done and our assessment are provided on the following pages.

Specific value for money risk areas (cont.)

As communicated to you in our *External Audit Plan 2017-18,* we have identified two risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

In all cases we are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

We have provided below a summary of the risk areas identified, our work undertaken and the conclusions reached.

Risk:

Delivery of budgets

In its 2017/18 budget, the Authority budgeted to draw down £567k from reserves to address financial pressures, in addition to a further £25k of budgeted savings. The 31 August 2017 forecast shows that the Authority will deliver an underspend of approximately £319k.

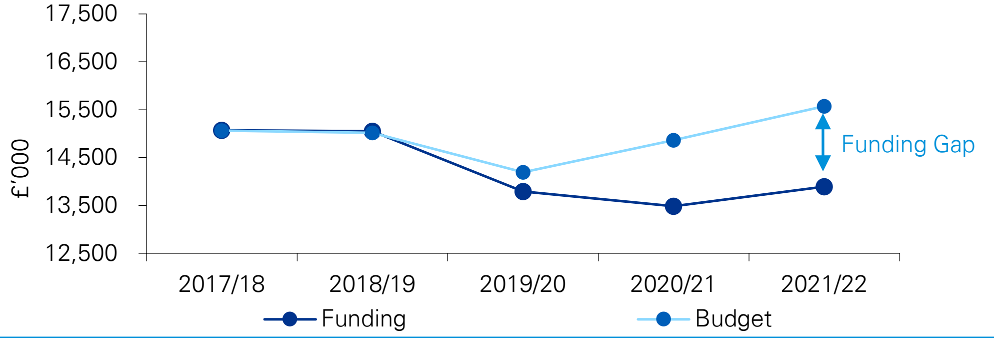
The Authority's proposed budget strategy presented to members in January 2018 highlighted continuing financial uncertainty and volatility, in particular relating to the loss of Revenue Support Grant (RSG) from 2018/19 (turning into a negative tariff in 2019/20) and to the funding streams outside the multi-year settlement, as well as service cost pressures such as the multi-service contract. This budget strategy highlights planned savings of £1.3m in 2018/19 and additional savings of £6m over the following three years, the majority of which have already been agreed but will require regular review and reporting. The plan also included utilisation of general fund reserves of £3.4m over this four year period.

This need for savings and utilisation of built-up reserves will continue to have a significant impact on the Authority's financial resilience.

Our assessment and work undertaken:

Like most of local government, the Authority faces a challenging future driven by funding reductions and an increase in demand for services. The Authority reported an overall breakeven position on its net expenditure budget for 2017/18 after the net contribution of £17k from the General Fund and earmarked reserve. This enabled the General Fund balance to remain at £18.4 million as of 31 March 2018.

The Authority's MTFP details a balanced budget for 2018/19 including savings of £250k in year, all of which have been identified. However, the MTFP details the increasingly difficult financial challenges faced each year, resulting in the need for ever rising savings which have yet to be identified, and increasing use of reserves as detailed above. We reviewed the Authority's saving programme and found that the Council has processes in place to identify and close the funding gap, although the use of reserves is not a sustainable tool to balance budgets and the Council will need to address this in the within the next few years to remove this dependency before reserves are depleted.



Specific value for money risk areas (cont.)

Significant VFM Risks (cont.)

Risk:

Multi-service contract

A recent internal audit report has highlighted that improvements are required relating to the governance and contract management processes of the multi-service contract for the provision of waste/recycling, street cleaning, maintenance and fleet management services.

Subsequent to this report (which was issued on a consultancy basis and thus had no assurance rating), an action plan has been developed to implement these improvements, which mainly related to establishment of clear roles and responsibilities in relation to governance, establishment of agreed actions under the contract and regular monitoring of these actions, regular review and update of contract risks and mitigating controls, more effective financial and KPI reporting from Ubico, and improvements to the service specification detail.

Our assessment and work undertaken:

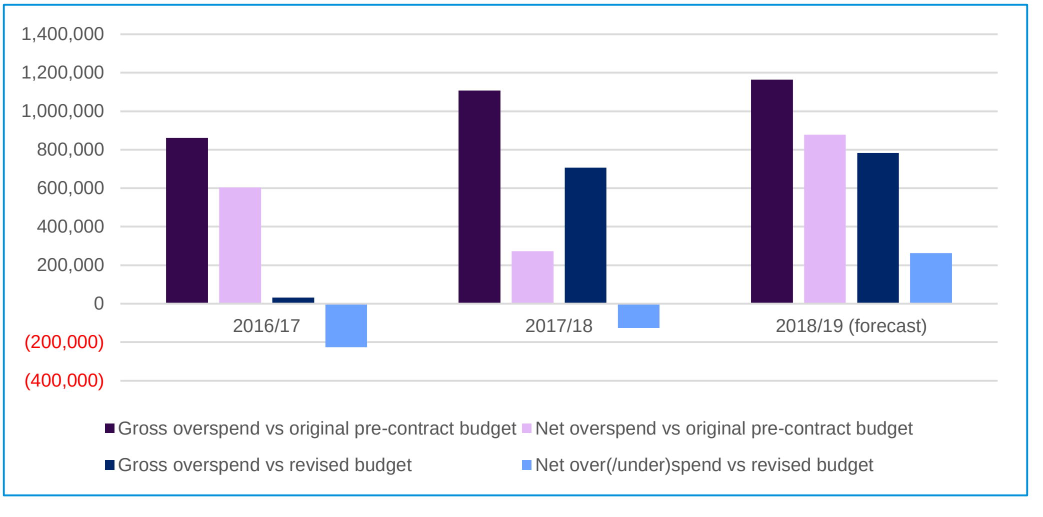
We have reviewed internal audit findings and discussed with internal audit and management to understand the quantum of the issues raised and progress against the actions raised in the report.

The Contract with Ubico began on 1 July 2016. During the 2016-17 financial year, an overspend vs budget of approximately £430k occurred, due to a combination of overspend by Ubico (£266k) and additional services purchased. The Council was only able to obtain limited high level support from Ubico for this £266k overspend.

As a result of this, the Council increased the multi-service contract budget in the 2017/18 budget by £400k, and the finance department has taken more active involvement in monitoring the contract finances alongside the public spaces team.

There is still progress to be made. The 2017-18 final outturn included an net overspend of £273k against the original 2016-17 contract budget (which was fully covered by £400k budget increase), and the officer responsible for managing the contract within the public spaces team has left the council, which has meant that formal tracking of the internal audit action plan has not been performed, and some of the actions are behind schedule.

An analysis of the contract performance by year is below, showing the continuing expected increase in net expenditure:



Specific value for money risk areas (cont.)

Significant VFM Risks (cont.)

Risk:	Multi-service contract (cont)
Our assessment and work undertaken:	However, the actions taken by the finance team are positive in establishing more financial control over the contract. Monthly reports are now received from Ubico detailing the spend against budget, and the finance team is actively monitoring the reason for variances. Going forward, more regular meetings are being held with Ubico to enable closer tracking of costs (as well as regular internal meetings involving members), and the Council is working with Ubico to develop a 5 year forecast to take into account costs such as new vehicles and housing developments. Based on our work performed, whilst there is clearly still work to be done regarding the issues raised by Internal Audit and to achieve a position where minimal variances against cost occur, the Council has clearly made progress and the steps put in place during 2017/18 and going forward should enable officers to track variances on a timely basis, and hopefully avoid any unplanned variances of the level experienced to date. In conclusion there are some negative and positive aspects in relation the multi-service contract to date: negatives in the fact that there has been a significant additional cost since the original contract budget, and the financial position is still not certain; but positives in the commissioning of an internal audit review (albeit with a corresponding negative in that actions were not carried out promptly), the formal set-aside of additional budget to respond to the risk, and greater involvement by central finance in order to gain better financial control over the contract. We have considered the impact of this on our VFM opinion. On balance we have concluded that we should report an unqualified VFM opinion. However, the issues are not yet fully resolved and there is work for the Council to do to. We would expect to see significant progress over the next three to six months. The Council should now continue working with Ubico to establish more detailed financial reporting and forecasting to be provided from Ubico to facilitate ongoing monitoring and accurate budget setting. The Council should also continue to look at the levels of service in the context of reducing Council reserves, as increases to the budget to cover overspends are unlikely to be sustainable in future years. The Council should also look carefully at the way it responds to internal audit reports. There was a delay of several months between the internal audit team issuing its draft report and management responding to the report and recommendations. There are also recommendations still outstanding more than six months after the report was finally agreed and a year after the fieldwork took place.

Appendices

Key issues and recommendations

Our audit work on the Authority's 2017-18 financial statements has identified a number of issues. We have listed these issues in this appendix together with our recommendations which we have agreed with Management. We have also included Management's responses to these recommendations.

The Authority should closely monitor progress in addressing the risks, including the implementation of our recommendations.

We have given each recommendation a risk rating and agreed what action management will need to take.

Priority Rating for Recommendations

1	**Priority One:** Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk. Recommendations Raised: 0	2	**Priority Two:** Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system. Recommendations Raised: 2	3	**Priority Three:** Issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them. Recommendations Raised: 1

No.	Risk	Issue & Recommendation	Management Response
1	2	***Quality of working papers*** Certain supporting working papers, in particular in relation to fixed assets, were difficult to tie to the balances and movements to the accounts and resulted in an increased number of auditor queries and some adjustments required to the accounts. ***Risk*** This results in increased pressure on staff due to audit queries and risks delays to the accounts signing due to the lack of flexibility in the faster close deadlines for accounts preparation and audit completion ***Recommendation*** The Council should review its working papers during the year in advance of the accounts closure process to consider how these can be improved to make it clear how these reconcile to the accounts, for example setting out all the revaluation movements within the fixed asset note in the revaluations working papers, and how these could be annotated to aid auditors in understanding the working papers.	This is a complex area, and improvements have been made year on year, and we will seek detailed feedback from KPMG as to the remaining shortcomings to improve this further for the 2018/19 audit year. We will also make recommendations around the scheduling of this work to allow auditors sufficient time to undertake their checks. ***Responsible Officer*** Graham Bailey – Principal Accountant ***Implementation Deadline*** For completion by October 2018

Key issues and recommendations (continued)

Priority Rating for Recommendations

1	**Priority One:** Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk. Recommendations Raised: 2	2	**Priority Two:** Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system. Recommendations Raised: 2	3	**Priority Three:** Issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them. Recommendations Raised: 1

No.	Risk	Issue & Recommendation	Management Response
2	2	***Robustness of Accounts Preparation Process*** The accounts preparation process and audit queries are heavily reliant on a small number of key individuals. ***Risk*** Heavy reliance on a small number of key contacts can result in severe delays or backlog if an individual is not available during a part of the audit preparation or audit, and may result in increased risk of error in preparation due to the tighter faster closing deadlines. ***Recommendation*** The Council should look at further re-allocating key accounts preparation areas to other members of the finance team in order to increase robustness and resilience in accounts preparation, the ability of other staff to deal with audit queries, and to improve the scope for internal reviews.	The finance team have been proactive in managing the risk identified here alongside the faster closure requirement. Closedown tasks have been allocated across the wider finance teams and deadlines have been reviewed and brought forward where possible to reduce the pressure and risk of delays. However, with a small finance team it is always difficult to maintain a flexible and responsive service to the council alongside the earlier closure process. The Accountancy Manager will review the resource allocation and closure timetable and take steps where possible to further mitigate this risk. ***Responsible Officer*** David Stanley – Accountancy Manager ***Implementation Deadline*** March 2019
3	3	***Robustness of Accounts Preparation Process*** Several members of the finance team, including the s151 officer, have privileged users rights within the finance system. However, this only applies to access to the Finance system (Agresso) and not the underlying servers and databases. ***Risk*** Excessive numbers of privileged users outside the IT department may increase the risk of unauthorised access to the system. We would not usually expect the s151 officer to be a privileged user. ***Recommendation*** We recommend that the Council implements a formal procedure to periodically review its privileged users and consider if the s151 officer requires continuing level of access.	The number of privileged users will be reviewed in light of the Workforce Plan review of the Finance Team ***Responsible Officer*** David Stanley – Accountancy Manager ***Implementation Deadline*** December 2018

Key issues and recommendations (continued)

Priority Rating for Recommendations

1	**Priority One:** Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk. Recommendations Raised: 2	2	**Priority Two:** Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system. Recommendations Raised: 2	3	**Priority Three:** Issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them. Recommendations Raised: 1

No.	Risk	Issue & Recommendation	Management Response
3	1	***Ubico*** There is an ongoing risk of overspend and uncertainty relating to the multi-service contract as detailed on page 25. ***Risk*** Uncertainty may result in financial instability, especially in the context of reducing Council reserves, as increases to the budget to cover overspends are unlikely to be sustainable in future years. ***Recommendation*** The Council should continue working with Ubico to establish more detailed financial reporting and forecasting to be provided from Ubico to facilitate ongoing monitoring and accurate budget setting.	The Section 151 Officer is liaising with the Senior Management Team and the Chief Internal Auditor regarding this recommendation. A formal response will be provided on Monday 23rd July 2018. ***Responsible Officer*** David Stanley – Accountancy Manager ***Implementation Deadline*** 20 July 2018
4	1	***Responsiveness to internal audit reports*** There was a delay of several months between the internal audit team issuing its draft report over the multi-service contract and management responding to the report and recommendations. There are also recommendations still outstanding more than six months after the report was finally agreed and a year after the fieldwork took place, in part due to the officer who was originally responsible leaving the authority. ***Risk*** Failure to respond promptly to internal audit recommendations increases risk around the overall control environment and the ability of the Council to meet its strategic objectives ***Recommendation*** The Council should review the way it responds to internal audit reports and ensure that all recommendations are responded to promptly and responsibility for resultant action plans is clearly known (and handed over effectively if officers leave).	The Section 151 Officer is liaising with the Senior Management Team and the Chief Internal Auditor regarding this recommendation. A formal response will be provided on Monday 23rd July 2018. ***Responsible Officer*** David Stanley – Accountancy Manager ***Implementation Deadline*** 20 July 2018

Appendix 2:

Audit differences

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit & Standards Committee).

We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

A number of minor amendments focused on presentational improvements have also been made to the 2017-18 draft financial statements.

Adjusted audit differences

The following table sets out the significant audit differences identified by our audit of Stroud District Council's financial statements for the year ended 31 March 2018. These have been corrected in the final version of the accounts.

Table 1: Adjusted audit differences – Authority (£'000)

	No	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserve	Basis of audit difference
17/18	1	Dr revaluation loss 3,230	Cr general fund 3,230 Dr capital adjustment account 3,230	Cr Assets under construction 3,230			Certain Housing development sites were complete or partially complete at year-end and assets transferred into in-use housing, but the corresponding asset under construction value had not been adjusted sufficiently to take account of this.
16/17	2	Cr CY revaluation loss 4,304	Dr b/f capital adjustment account 4,304				The prior year comparatives have been adjusted to reflect a similar error present in last year's accounts. This revaluation loss had been booked in this year's draft accounts but relates to 2016/17 and given the value, we concluded that a prior period adjustment was required. The adjustment is related in the comparatives in the accounts, this adjustment shows the net impact on this year.
		Cr 1,074	**Dr 4,304**	**Cr 3,230**			**Total impact of adjustments**

Unadjusted audit differences

The following table sets out the uncorrected audit differences identified by our audit of Stroud District Council's financial statements for the year ended 31 March 2018. These differences are individually below our materiality level of £1.5m. We have also considered the cumulative impact of these unadjusted audit differences on the Authority's financial statements in forming our audit opinion.

Table 2: Unadjusted audit differences – Authority (£'000)

No	Income and expenditure statement	Movement in reserves statement	Assets	Liabilities	Reserves	Basis of audit difference
1			Cr Housing 253		Dr Revaluation reserve 253	Difference between October housing valuation index used by the Council and December index agreed as most appropriate between KPMG and management.

Audit differences (cont.)

Presentational adjustments

We identified a number of presentational adjustments required to ensure that the Authority's financial statements for the year ending 31 March 2018 are fully compliant with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 ('the Code').

Whilst the majority of these adjustments were not significant, we identified a limited number of adjustments of a more significant nature and details of these are provided in the following table.

It is our understanding that these will be adjusted. However, we have not yet received a revised set of financial statements to confirm this.

Table 5: Presentational adjustments – Authority

No.	Basis of audit difference
1	Pensions Note 41 – The reconciliation of scheme assets table has been omitted and the reconciliation of scheme liabilities has been erroneously duplicated instead.
2	Property, Plant and Equipment Note 14 – The line for disposal of accumulated depreciation balances (£325k) was erroneously labelled as impairment losses. This also impacts on the presentation of the Capital Adjustment Account. In addition current year impairment had been put through the depreciation section of the note resulting in a "stranded" impaired balance relating to assets which are now fully constructed and in use – this has been adjusted to go through the cost section instead.

Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our *External Audit Plan 2017-18*, issued in January 2018.

Materiality for the Authority's accounts was set at £1.5 million which equates to around 2 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit & Standards Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit & Standards Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £75,000 for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit & Standards Committee to assist it in fulfilling its governance responsibilities.

Required communications with the Audit & Standards Committee

We have provided below at-a-glance summary of the information we are required to report to you in writing by International Accounting Standards.

Required Communication	Commentary
Engagement lead	The engagement lead for Stroud District Council has changed since the Audit Plan due to a change in roles within the firm. Ian Pennington has taken over from Darren Gilbert. Ian is familiar with the council, having been engagement lead prior to Darren, and Ian and Darren have had a detailed handover.
Our draft management representation letter	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2018.
Adjusted audit differences	We have identified 1 adjusted audit difference. This adjustment results in a net decrease of £3.2m million in the reported surplus / deficit on provision of services and a prior year adjustment decreasing the reporting surplus/deficit by £4.3m . See page 30 for further details.
Unadjusted audit differences	The net impact of unadjusted audit differences on the surplus/deficit on provision of services would be nil. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate. See Appendix 2 for further details.
Related parties	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit & Standards Committee	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	We have set out our assessment of the Authority's internal control environment, including confirmation that there were no significant deficiencies identified, in Section one of this report. We have also communicated to management all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	We identified no actual or suspected fraud involving the Authority's Members or officers with significant roles in internal control, or where the fraud resulted in a material misstatement in the financial statements.
Significant difficulties	No significant difficulties were encountered during the audit.
Modifications to auditor's report	There are no modifications to our audit report.
Disagreements with management or scope limitations	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.

Required communications with the Audit & Standards Committee (cont.)

Required Communication	Commentary
Other information	No material inconsistencies were identified related to other information in the Narrative Report or Annual Governance Statement. These reports were found to be fair, balanced and comprehensive, and compliant with applicable requirements.
Our declaration of independence and any breaches of independence	No matters to report. The engagement team have complied with relevant ethical requirements regarding independence. See Appendix 5 for further details.
Accounting practices	Over the course of our audit, we have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate. We have set out our view of the assumptions used in valuing pension assets and liabilities at page 16.
Significant matters discussed or subject to correspondence with management	There were no significant matters arising from the audit which were discussed, or subject to correspondence, with management.

Declaration of independence

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF STROUD DISTRICT COUNCIL

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Limited's ('PSAA's') Terms of Appointment relating to independence, the requirements of the FRC Ethical Standard and the requirements of Auditor Guidance Note 1 - General Guidance Supporting Local Audit (AGN01) issued by the National Audit Office ('NAO') on behalf of the Comptroller and Auditor General.

This Statement is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

— General procedures to safeguard independence and objectivity;

— Independence and objectivity considerations relating to the provision of non-audit services; and

— Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

— Instilling professional values

— Communications

— Internal accountability

— Risk management

— Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Declaration of independence (cont.)

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the authority and its controlled entities for professional services provided by us during the reporting period. We have detailed the fees charged by us to the authority and its controlled entities for significant professional services provided by us during the reporting period in Appendix 6, as well as the amounts of any future services which have been contracted or where a written proposal has been submitted. Total fees charged by us for the period ended 31 March 2018 can be analysed as follows:

	2017-18 £	2016-17 £
Audit of the Authority	51,975	51,975
Total audit services	**51,975**	**51,975**
Audit related assurance services	5,000	5,000
Mandatory assurance services	7,590	7,590
Total Non Audit Services	**12,590**	**12,590**

We are required by AGN 01 to limit the proportion of fees charged for non-audit services (excluding mandatory assurance services) to 70% of the total fee for all audit work carried out in respect of the Authority under the Code of Audit Practice for the year. The ratio of non-audit fees to audit fees for the year was 0.24:1. We do not consider that the total of non-audit fees creates a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out table on the following page.

Appendix 5:

Declaration of independence (cont.)

Analysis of Non-audit services for the year ended 31 March 2018

Description of scope of services	Principal threats to independence and Safeguards applied	Basis of fee	Value of services delivered in the year ended 31 March 2018 £	Value of services committed but not yet delivered £
Audit-related assurance services				
Grant Certification – Pooling of Housing Capital Receipts Return and HCA Social Housing Assistance agreed upon procedures	The nature of these audit-related services is to provide independent assurance on each of these returns. As such we do not consider them to create any independence threats.	Fixed Fee	0	5,000
Mandatory assurance services				
Grant Certification – Housing Benefit Subsidy Return	The nature of this mandatory assurance service is to provide independent assurance on each of the returns. As such we do not consider it to create any independence threats.	Fixed Fee	0	7,590

Non-audit services provided during the period do not exceed the relevant PSAA *de minimis* threshold individually or in aggregate and therefore have not required PSAA approval. In addition, we monitor our fees to ensure that we comply with the 70% non-audit fee cap set by the NAO.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit & Standards Committee.

Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Audit & Standards Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

KPMG LLP

Appendix 6:

Audit fees

As communicated to you in our *External Audit Plan 2017-18*, our scale fee for the audit is £51,975 plus VAT, which is consistent with the prior year.

Our work on the certification of the Authority's Housing Benefit Subsidy return is planned for September to November 2018. The planned scale fee for this is £7,590 plus VAT (£7,590 in 2016/17). Planned fees for other grants and claims which do not fall under the PSAA arrangements amount to £5,000 plus VAT (£5,000 in 2016/17), see further details below.

Component of the audit	2017-18 Planned Fee £	2016-17 Actual Fee £
Accounts opinion and value for money work		
PSAA Scale fee (Stroud District Council)	51,975	51,975
Total audit services	**51,975**	**51,975**
Mandatory assurance services		
Housing Benefits Certification (work planned for September to November)	7,590	7,590
Total mandatory assurance services	**7,590**	**7,590**
Audit-related assurance services		
Pooling of Housing Capital Receipts (work planned for October)	3,000	3,000
HCA Social Housing Assistance agreed upon procedures (work planned for October)	2,000	2,000
Total audit-related assurance services	**5,000**	**5,000**
Total non-audit services	**12,590**	**12,590**
Grand total fees for the Authority	**64,565**	**64,565**

All fees quoted are exclusive of VAT.

The key contacts in relation to our audit are:

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Senior Manager

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Ming Hui
On-site team lead

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STROUD DISTRICT COUNCIL

AUDIT AND STANDARDS COMMITTEE

26 JULY 2018

AGENDA ITEM NO

13

Report Title	**STATEMENT OF ACCOUNTS 2017/18**
Purpose of Report	To approve the Statement of Accounts 2017/18 and receive KPMG's audit opinion, including the changes to the accounts since the unaudited accounts were signed off by the Section 151 Officer on 31 May 2018.
Decision(s)	Committee **RESOLVES** to approve the audited Statement of Accounts for the year ending 31 March 2018.
Consultation and Feedback	Not applicable.
Financial Implications and Risk Assessment	There are no financial implications arising directly from this report. David Stanley, Accountancy Manager (S151 Officer) Tel: 01453 754100 Email: david.stanley@stroud.gov.uk
Legal Implications	There are no legal implications beyond those already referred to in the report. Mike Wallbank, Solicitor Advocate and Deputy Monitoring Officer Email: mike.wallbank@stroud.gov.uk
Report Author	Graham Bailey, Principal Accountant Tel: 01453 754133 Email: graham.bailey@stroud.gov.uk
Options	None.
Performance Management Follow Up	Actions arising from KPMG's ISA 260 report.
Background Papers/ Appendices	**Appendix A** – Statement of Accounts 2017/18

Discussion

1. In accordance with requirements under the Accounts and Audit Regulations 2015, the Accountancy Manager (Section 151 Officer) is required to sign and date the Statement of Accounts by 31 May 2018 and certify that it presents a true and fair view of the financial position of the Council at the end of March 2018 and its income and expenditure.

2. The Statement of Accounts for 2017/18 was signed as approved by the Accountancy Manager (Section 151 Officer) on 31 May 2018, in accordance with these requirements. The unaudited Statement of Accounts 2017/18 was made available on the Council's website from 31 May 2018 in compliance with the Accounts and Audit Regulations 2015.

3. A number of changes have been made to the unaudited Statement of Accounts 2017/18. Some changes are to the narrative content, general presentation for the benefit of readers and to the internal consistency and correctness of the figures in notes to the accounts.

4. A prior year adjustment of £4.304m has now been included. This has arisen because the assets under construction classification valuation was not sufficiently reduced when completed council dwellings were brought into use during 2016/17 accounting year.

5. The full impact of the change is most easily seen on the Balance Sheet where the unusable reserves figure for 2016/17 has reduced to £155m from £159.3m. The full impact on various parts of the statement of account is set out in note 47 of the statement.

6. Also, an additional £3.229m change is required to the valuation of the assets under construction classification in the current accounting year to properly adjust the value transferred out as council dwellings were brought into use during 2017/18.

7. Through the Committee resolving to approve the audited Statement of Accounts, the Section 151 Officer together with the Chairman of the Committee will need to sign a letter of representation on behalf of the Committee and Council to KPMG, to enable the audit opinion to be issued. The signing of this letter is consistent with established protocols, the requirements of KPMG and the general delegations to the S151 Officer. This letter is a formal written record of the representations being made on behalf of the Council via the committee; it deals with the processes and procedures the Council adopts to ensure that it is in compliance with statutory requirements, laws and regulations and also confirms there is a sufficiently robust management system to prevent and detect fraud and irregularities.

8. In addition, Regulation 9 requires that the Statement of Accounts should be signed and dated by the Chair presiding at the Audit and Standards Committee meeting at which approval is given. That regulation also requires the Statement of Accounts to be published with the Independent auditor's report to the members of Stroud District Council. This report is in the Statement of Accounts Appendix A.

9. The Council's external auditors KPMG also present separately to this meeting their 'External Audit ISA260 Report 2017/18', which summarises their finding arising from their audit of the Statement of Accounts.

10. The Statement of Accounts is comprised of four main statements as required by International Financial Reporting Standards which are:-

- **Movement in Reserves Statement**

  This is split between usable and unusable reserves and shows the detail of movement in reserves, from the surplus / (deficit) on provision of services in the Comprehensive Income and Expenditure Statement (CIES), to the position on the Balance Sheet at 31 March 2018.

- **Comprehensive Income and Expenditure Statement**

  The CIES consolidates all the financial gains and losses experienced during the year. The CIES has two sections:

  a) Surplus or Deficit on the Provision of Services – which shows the increase or decrease in the net worth of the Council as a result of incurring expenses and generating income.

  b) Other Comprehensive Income and Expenditure – which shows any other changes to net worth, and examples include movements in the fair value of assets or actuarial gains or losses on pension assets and liabilities.

- **Balance Sheet**

  The Balance Sheet summarises the Council's financial position at 31 March 2018. The top half shows accrued assets and liabilities. The bottom half is comprised of reserves, split between usable and unusable reserves, which represent the net worth of the Council.

- **Cash Flow Statement**

  This shows the year on year change in cash and cash equivalents, which are cash on call, and investments with a maturity of three months or less.

  A new note introduced in 2016/17 called **Expenditure and Funding Analysis** is included prominently before the main statements of the Statement of Accounts. This links the figures in the Comprehensive Income and Expenditure Statement to outturn figures reported to each of the Council's committees.

11. A full revised version of the accounts is enclosed at Appendix A, and has also been deposited in the Members' Lounge for inspection. Once the accounts are approved a copy will be made available on the Council's internet site together with the Annual Governance Report http://www.stroud.gov.uk/council/public-notices/public-audit-of-accounts-for-the-year-ended-31-March-2018.

STROUD DISTRICT COUNCIL
www.stroud.gov.uk

Statement of Accounts 2017/2018

Contents

Chief Executive's Preface

Our Corporate Delivery Plan 2018-22 is framed in a challenging financial climate. We no longer receive revenue support grant from the Government – we are the first council in Gloucestershire to be in this position. In 2019/20, we are required to pay £549,000 to the Government. This will be the largest sum paid by any Gloucestershire council and it marks a new relationship between central and local government. Effectively, we have to become a 'self financing' council.

By 2020 our principal sources of income will be council tax and business rates. The Government continues to specify a maximum council tax increase beyond which any increase requires a local referendum. Although the Government has indicated that a large proportion of business rates will retained by local government, it is unclear what this is and how the income will be distributed between councils. We are managing a business rate retention 'pilot' on behalf of Gloucestershire councils. This is one of a small number across England.

The Council is likely to challenge the payment of £549,000 to HM Government in 2019-20. The conditions associated with the four year settlement have not been sustained by government. We consider the government has moved the 'goalposts', with its changes to business rates and New Homes Bonus. In relation to the latter, the reduction is substantial over the medium term even if we were to achieve record housebuilding rates.

We are tackling these budget challenges confident in the knowledge that the district's residents and businesses have a very positive view of the council:

- High public and business satisfaction with the council (79% and 70% respectively) .
- Resident and business rating for value for money, efficiency and service standards at best ever.

While the national trend is down, our satisfaction rates remain high.

The relationship between the use of resources and our priorities becomes ever more critical as the overall level of council funding declines. The Corporate Delivery Plan sets out five key priorities that drive investment and savings decisions.

Over the past year, national surveys have established Stroud District as the best area in the south west region for social mobility and one of the UK's leading councils for recycling and preventing homelessness. We were the first council in Europe to become 'carbon neutral'.

We are in the latter stages of completing an ambitious 236 council house building programme, costing £19m over five years, that has outstripped many larger authorities. Unfortunately, the Government cap on borrowing for council house building means this national award winning programme comes to an end next year. We are the largest social housing landlord in Gloucestershire with high levels of tenant satisfaction.
We own the largest single regeneration site in the county at Littlecombe, Dursley. This now has a NHS community hospital, over 250 of 450 new homes already completed and a fully occupied business park.

Our seven year canal regeneration project has won 12 national and regional awards and delivered over £115m of private investment alongside substantial environmental, biodiversity, health and well being benefits to the community. The level of volunteering and community engagement, involving people of all ages, backgrounds and characteristics, has been a particular feature.

We have also invested wisely. A £1.9m extension to Dursley Pool has transformed it into a leisure centre with ‘state of the art’ gym, dance and fitness facilities. Customer patronage has rocketed and income targets exceeded. We are ahead of where we expected to be in terms of the project’s net income and debt repayment.

In the future, we will be offering a £2.6m grant alongside a £2m Homes England loan to developers towards the redevelopment of a major brownfield site at Brimscombe in the Stroud Valleys. The scheme will contain nearly 200 homes, business units and a canal marina.

Our effective property management is increasing rent yields and, although we do not have a large property portfolio, targeted sales to local private business and transfers to local councils are helping our overall financial position.

For the first time, we have provided a £2m commercial loan towards a £20m project to revitalise the District’s only purpose built shopping centre in Stroud. Our support to a company with a strong record in town centre regeneration is being complemented by £4m of finance from GFirst Local Enterprise Partnership.

Apart from sustaining high collection rates and developing income streams, reluctantly we are having to reduce our workforce by 20% over the four year period 2017-21. The current plan provides for 60 full time equivalent posts to be deleted.

Though we have historically high levels of reserves, our medium term plan contains budgetary pressures that require their planned use. The introduction of a highly successful new refuse and recycling scheme, achieving one of the highest kerbside recycling rates in the UK at around 65%, has resulted in a substantial increase in costs. Coupled with growing uncertainty about the long term sustainability of recycling credits and recyclates income, this represents a major budgetary pressure for the medium term. Investment in information technology has lagged in recent years and there needs to be a focus on sustained delivery of infrastructure and systems over the next four years in order to drive efficiencies, higher productivity and better customer services.

Member involvement in performance monitoring and budget planning is improving. However, some political decision-making on key elements in budget plans has become protracted. This has resulted in savings targets not being met and more pressure on workforce savings. We have undertaken a major review of our approach to risk management and Audit & Standards Committee members have discussed this with the Chief Executive and Directors.

David Hagg

Chief Executive for Stroud District Council

Chief Financial Officer's Narrative Report

About the District

The District of Stroud is located in the county of Gloucestershire, and covers an area of approximately 45,325 hectares (453 km^2 or 175 miles^2). Stroud lies about 20 miles north of Bristol and immediately south of Gloucester and Cheltenham. Gloucestershire sits at the periphery of England's south west and has close links with the Midlands, as well as south Wales. Stroud District shares boundaries with Cotswold District, Gloucester City, Tewkesbury Borough and the unitary authority of South Gloucestershire. Our neighbour to the west is the Forest of Dean, which sits on the opposite bank of the River Severn estuary. Much of the eastern half of the District falls into the Cotswold Area of Outstanding Natural Beauty (AONB).

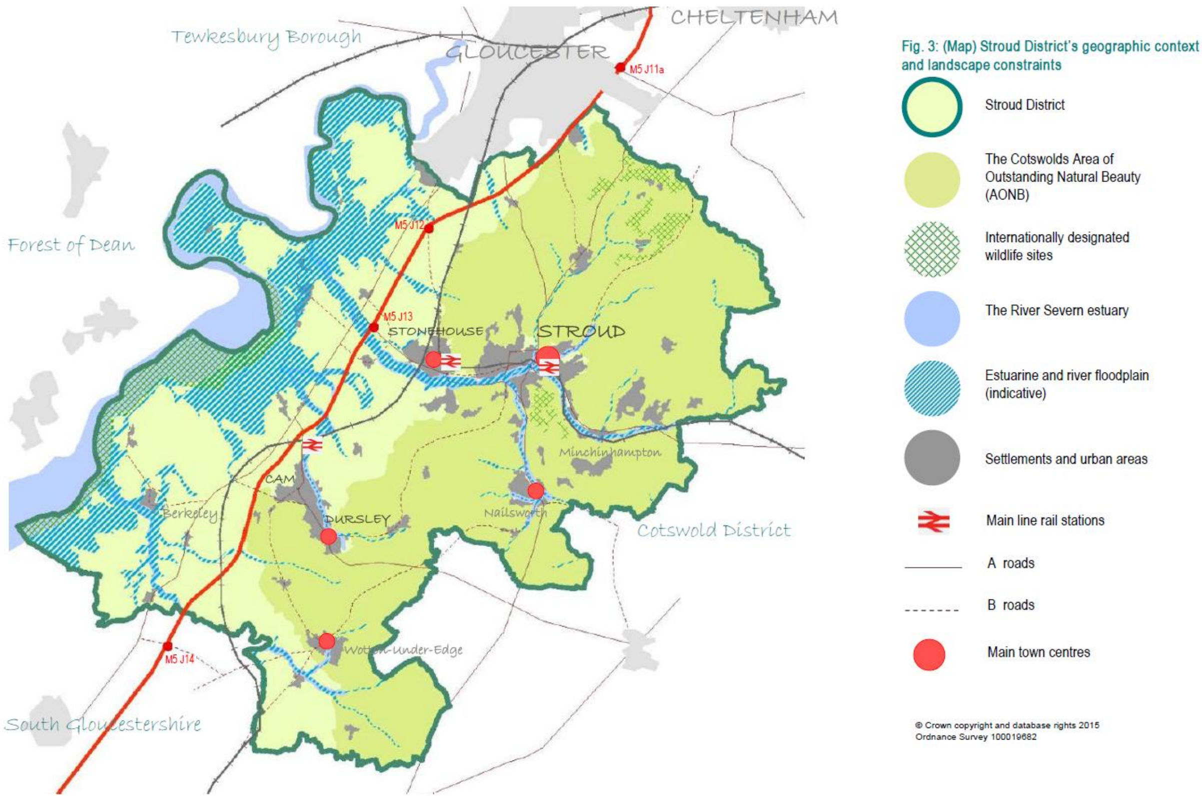


Fig. 3: (Map) Stroud District's geographic context and landscape constraints

- Stroud has a population of 112,779 (2011 census) living in 51,679 households
- Stroud's population is expected to grow to 129,800 by 2037 (http://www.neighbourhood.statistics.gov.uk/HTMLDocs/dvc183/index.html#25/298/77/null/null/false/false/na/1)
- 3,837 new houses were built 2006-2015 and 7,563 projected to be built 2016-2031 to meet the minimum residual housing requirement(Source: SDC Local Plan)

During 2017, Stroud District Council updated the Corporate Delivery Plan (CDP) 2017-2021. The plan, which is available on the Council's website (link) sets out the vision for the district – to be leading a community that is making Stroud District a better place to live, work and visit for everyone. The CDP seeks to set out how this will be achieved around key priorities:

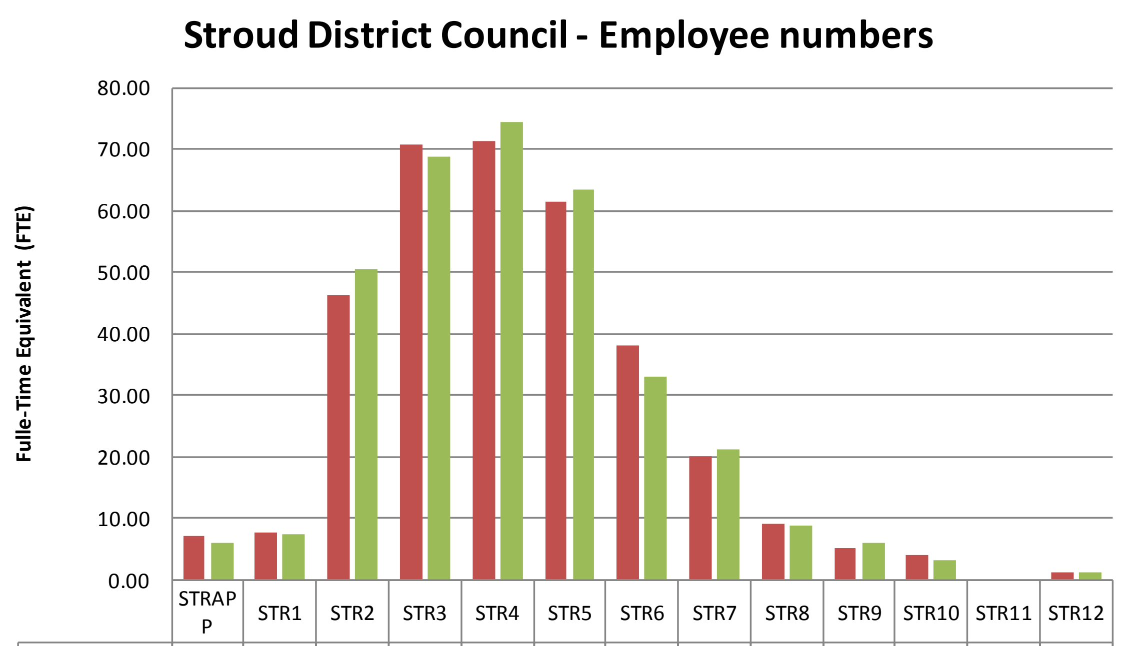
- **ECONOMY** - Help create a sustainable and vibrant economy that works for all
- **AFFORDABLE HOUSING** - Provide affordable, energy efficient homes for our diverse and changing population
- **ENVIRONMENT** - Help the community minimise its carbon footprint, adapt to climate change and recycle more
- **HEALTH AND WELLBEING** - Promote the health and wellbeing of our communities and work with others to deliver
- **DELIVERY** – Provide value for money to our taxpayers and high quality services to our customers

Stroud District Council

- Stroud was the **best performing area** in the South West for social mobility by the Social Mobility and Child Poverty Commission in 2017
- Overall resident satisfaction with the council is **79%** with business satisfaction at **70%**
- **Substantial reduction** in waste to landfill – already below the County target for waste sent to landfill
- How many homes were built/completed during the year?
- **236** new and replacement council homes delivered over the last 5 years
- The first council in Europe to be **'carbon neutral'**
- **Nationally acclaimed** natural flood management schemes in the Stroud Valleys

People

As at January 2018 the Council employed 342.96 full-time equivalent (FTE) officers to deliver a wide range of services to the public (341.42 as at January 2017)



	STRAP P	STR1	STR2	STR3	STR4	STR5	STR6	STR7	STR8	STR9	STR10	STR11	STR12
FTE Jan 2017	7.00	7.73	46.23	70.73	71.23	61.39	38.05	19.96	9.00	5.10	4.00	0.00	1.00
FTE Jan 2018	5.81	7.20	50.54	68.84	74.26	63.48	32.97	21.26	8.80	5.80	3.00	0.00	1.00

The Council pays fixed spinal point grade salaries to all employees. The table above shows the number of full-time equivalent officers at each pay grade. Further details on staff remuneration are available in the Council's Fair Pay and Senior Pay Policy Statement (link)

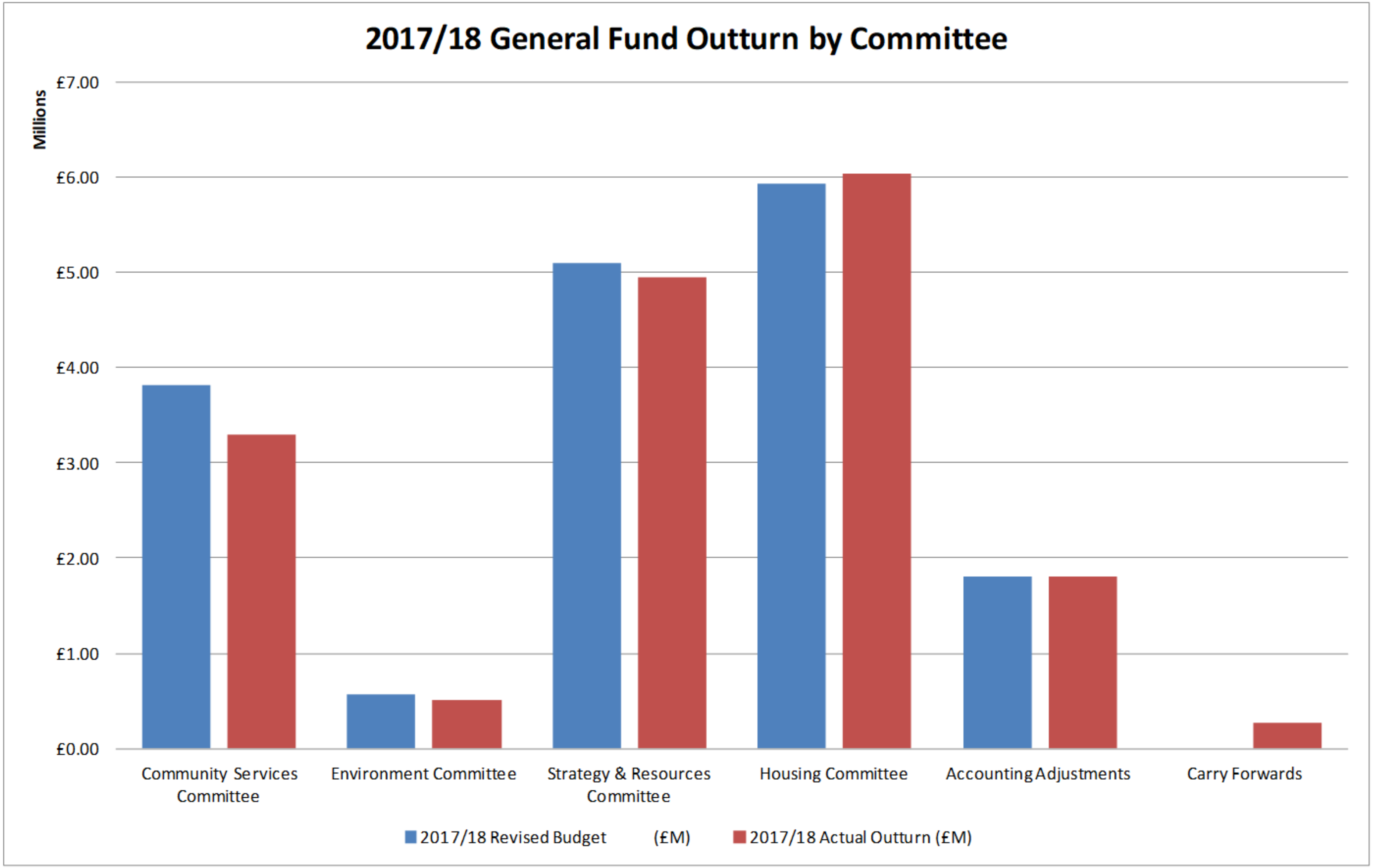
Performance

General Fund

The revised General Fund Revenue budget for 2017/18, as approved by Council in January 2018 was £15.061m. The final outturn position for the year is £15.995m.

The April 2018 budget monitoring report to Strategy and Resources committee anticipated that there would be an underspend of £416k on service revenue expenditure before carry forwards. The final outturn position is £16.858m resulting in a net underspend of £355k. After taking into account non-service revenue expenditure and funding, there is a variation of £7k as shown in the table below.

GENERAL FUND	2017/18 Original Budget (£'000)	2017/18 Revised Budget (£'000)	2017/18 Actual Outturn (£'000)	2017/18 Outurn Variance (£'000)
Community Services Committee	3,701	3,809	3,299	(510)
Housing Committee	562	573	512	(62)
Environment Committee	5,124	5,093	4,942	(151)
Strategy & Resources Committee	6,104	5,936	6,030	94
Accounting Adjustments	565	1,801	1,802	-
Carry forwards	-	-	274	274
Net Service Revenue Expenditure	**16,056**	**17,213**	**16,858**	**(355)**
Other Operating Income & Expenditure	-	(2,152)	(863)	1,288
Funding from Govt Grants/Council Tax	-	(15,072)	(16,012)	(941)
TOTAL General Fund	**16,056**	**(10)**	**(17)**	**(7)**


2017/18 General Fund Outturn by Committee
Millions
£7.00
£6.00
£5.00
£4.00
£3.00
£2.00
£1.00
£0.00
Community Services Committee
Environment Committee
Strategy & Resources Committee
Housing Committee
Accounting Adjustments
Carry Forwards
2017/18 Revised Budget (£M)
2017/18 Actual Outturn (£M)

Performance on Business Rates

The financial performance on business rates has remained robust during the year, with the level of business rates income holding-up well. A number of additional business rates reliefs were introduced in the March 2017 budget. As a result, the level of Section 31 grant received as compensation for the loss of business rates income is significantly greater. Whilst it was expected to be relatively cash neutral (i.e. reduced business rates income, increased Section 31 compensation), the overall position on business rates is a net surplus of £355k.

Based on the Gloucestershire Business Rate Pool (GBRP) annual NNDR3 returns, the GBRP is reporting a surplus of £3.993m. This is predominantly due to an improved position across the majority pool members (in particular Gloucester and Stroud) and the consequential impact of a lower pool levy rate as a result of Tewkesbury leaving the pool in April 2016.

In accordance with the Pool Governance agreement, the pool benefit has been distributed as follows:

- 20% to the Strategic Economic Development Fund.
- Remaining balance split: 20% to County, 80% to Districts.

Therefore, Stroud has received £561k of pool benefit in 2017/18 which was not budgeted for. Of that surplus £500k has been transferred to the Business Rates reserve to provide safety-net funding to smooth out any fluctuations in funding in future years.

Gloucestershire is a 100% Business Rates Pilot for 2018/19 which provides the opportunity for in excess of £10m of additional business rates income to be retained across the County. However, there is additional risk associated with 100% rates retention, and the ongoing legal proceedings instigated by NHS Trusts remains a particular concern.

Housing Revenue Account

The council owns and maintains its own council housing stock and manages 5,071 properties with a balance sheet value of £271m (16/17 £256m).

The HRA outturn position for 2017/18 shows a net use of general reserves of £2.2m, a decrease of £1.4m over the revised budget position. A net amount of £1.6m has been transferred to earmarked reserves and £4.7m has been retained in the Major Repairs Reserve. The main reasons for the variance are:

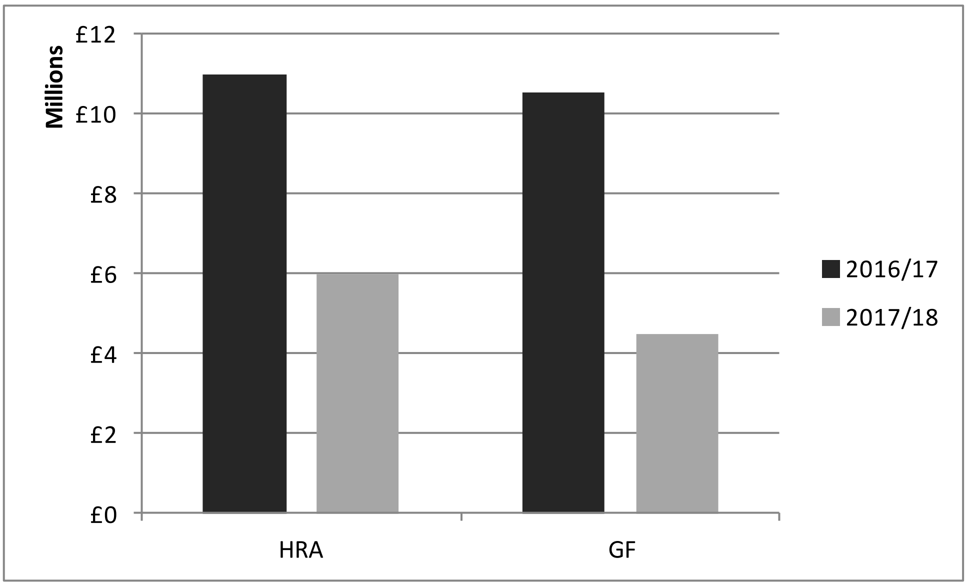
- £0.345m additional income through rents and other charges.
- £0.451m reduced spend on supervision and management and special services.
- £0.328m reduced spend on repairs and maintenance.
- £2.536m reduced spend or slippage in major capital works.

This table shows the position of HRA reserves for 2017/18.

HRA Balances 2017/18	**Opening balance 1 April £'000**	**Net transfers to/(from) £'000**	**Closing balance 31 March £'000**
General Reserves	5,213	(2,210)	3,003
Earmarked reserves	942	1,634	2,576
Major Repairs Reserve	1,418	4,692	6,110
Total balances	**7,573**	**4,116**	**11,689**

Capital Outturn

General Fund capital expenditure for 2017/18 was £4.479m (£10.527m in 2016/17). Major General Fund capital projects included Littlecombe Business Units £1.9m, canal £0.7m and Private Sector Housing £0.3m. HRA Capital spend was £6.002m (£10.975m in 2016/17), of which £2.509m was spent on construction of new council dwellings.



The Capital Programme is financed through a number of different sources – capital receipts mainly Right to Buy council house sales, external grants and contributions, General Fund capital reserve, other earmarked reserves, loans and revenue funding.

Revenue Balances/Earmarked Reserves
In common with other local authorities, the Council holds balances to cover a number of potential eventualities and risks of expenditure being required over and above that allowed for within revenue and capital budgets.

As at 31 March 2018 the Council's General Fund balances were £2.169m, with a further £16.279m held in Earmarked Reserves.

Provisions
Provisions totalling £1.438m have been included in the Statement of Accounts to provide for outstanding legal costs associated with Land Charges, meeting the estimated costs of Non-Domestic rating appeals and housing repairs contract issues.

Pension Fund performance
The balance sheet position of the Council's pension fund deficit has decreased in 2017/18 by £7.329m to £37.878m (£45.207m 2016/17). The majority of this change (£4.502m) is due to a pre-payment of lump sums in respect of the next two financial years, and the remainder is mainly due to changes in actuarial assumptions.

Outlook - Medium Term Financial Plan

The Council, in common with other local authorities, faces significant pressure on its finances over the medium term. The level of Government funding supporting the Council's General Fund is reducing. 2017/18 was the final year the Council will receive Revenue Support Grant (RSG), and there is high degree of uncertainty around the future of New Homes Bonus (NHB) and the impact and timing of 100% Business Rates Retention.

The Medium Term Financial Plan (MTFP) shows that the Council is still facing a core deficit position. Progress has been made during the year to address the deficit with a number of savings already identified and being delivered, and a number of savings targets. The council will still be relying on reserve balances to support expenditure plans over the MTFP. The Savings Plan has reduced the reliance on the reserve somewhat, but it important to note that the deficit continues to increase over the medium term.

The council is legally required to set a balanced budget for the following year. As can be seen from the table below, the council's core budget position is a deficit of £0.405m in 2019/20, rising to £1.680m in 2021/22. As has been previous policy the council will look to deploy its reserves over the coming years to ensure it maintains a balanced budget. This is set out in more detail under the reserves and balances section below. An important part of this strategy will be to continue to deliver efficiencies and savings over the coming years to gradually remove the dependency of the council on the utilisation of its reserves before they are depleted.

MTFP	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)	2020/21 (£'000)	2021/22 (£'000)
TOTAL Funding	**15,072**	**15,050**	**13,791**	**13,488**	**13,892**
Net Service Expenditure	17,213	16,503	16,442	16,442	16,442
Corporate Items	(2,127)	(1,619)	(2,359)	(2,175)	(2,067)
Inflation and Pension costs	0	115	699	1,207	1,721
Additional budget pressures	0	266	266	266	166
Savings Plan	(25)	(250)	(852)	(880)	(690)
General Fund Budget	**15,061**	**15,015**	**14,196**	**14,860**	**15,572**
Core Surplus / (Deficit) before reserves	**10**	**35**	**(405)**	**(1,371)**	**(1,680)**
Utilisation of Reserves	(10)	(35)	405	1,371	1,680
Core Surplus / (Deficit)after use of reserves	**0**	**0**	**0**	**0**	**0**

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

Some risks remain, particularly around the economic and financial impact of Brexit. Whilst the government have triggered Article 50 and there is some clarity on the likely date that the country will leave the European Union, considerable uncertainty will remain over the MTFP period until negotiations have concluded and possibly for some time beyond once a deal has been agreed.

Risks around inflation and interest rates also remain, and may be inexorably linked to the negotiations around leaving the EU. Allowance has been made in the MTFP estimates for inflationary pressures in both the General Fund and HRA, with projections of investment income relatively depressed due to low interest rate levels. Future interest rate increases are expected over the medium term, but income projections remain flat due to reduced cash balances available for investment over the same period.

Changes made in April 2013 to the way in which local government is financed could have a material effect on the council's finances if not managed over the MTFP. Council Tax benefit was abolished and replaced by a local Council Tax Support scheme. Although funding was provided to local government, there was a reduction of around 15% in the level of resources transferred at the time. The council adopted a local default scheme that mirrors the previous Council Tax benefit scheme. The cost to the council of the local scheme has reduced in each year since 2013/14 as the number of claimants has fallen. No allowance has been made in the MTFP for any increase in caseload or cost of the local scheme. The council would need to review the design of the scheme, or find equivalent savings across the general fund to mitigate any financial impact.

The localisation of business rates through the Business Rates Retention scheme does pose a financial risk to the council on two levels. Firstly, that the level of business rates income budgeted for in the MTFP does not materialise. Secondly, the level of backdated appeals remains a significant area of uncertainty. Whilst allowance is made within the calculation of retained business rates income for backdated appeals, these losses could be higher than projected. The introduction of the new rating list in April 2017 and the 'check, challenge, appeal' process has to date reduced the level of new appeals coming through the system. A review of the provision for appeals will be undertaken when completing the NNDR1 and NNDR3 returns which will help mitigate this risk.

The move to a new local government finance system through 75% Business Rates retention by 2020/21 is difficult to quantify financially. The assumption made in the MTFP is that income from BRR remains flat with only inflationary increases assumed. The new local government finance system may increase the amount of locally retained business rates income for the council. However, considerable downside risk remains, in particular the impact of successful business rates appeals will fall in full on local government. The performance of the local economy and national economic volatility will have a greater effect on the council's finances.

Finally on Business Rates, the awarding of Pilot status to Gloucestershire does provide the opportunity for additional resources to be retained by Gloucestershire, with around £0.5m of benefit estimated for this Council. A prudent approach has been taken in the MTFP with the £0.5m proposed to transfer to an earmarked reserve for future allocation.

The Council took-up the Government's multi-year settlement offer, with the MTFP being prepared on that basis. The multi-year settlement for Stroud is not particularly advantageous as Revenue Support Grant will not be received from 2018/19. From 2019/20 the Council will be paying a Tariff Adjustment of £0.549m back to Government. However, some certainty over future government funding is gained as a result.

Key Strategic Risks facing the Council in 2018/19

The Council has a risk management policy statement and strategy (link) that identifies and evaluates risks. Whilst risks are inevitable in any environment, they can cause considerable uncertainty in the outcome of an organisation's operations. Effective management of risks is therefore essential to ensuring an organisation is able to conduct its core business and achieve its priorities.

Risk management is incorporated into the Council's decision making and processes in a consistent manner, and are subject to regular review and updating. The key strategic risks in the coming year are summarised below, which have been sourced from the Council's performance management system Excelsis.

Risk	Impact	Mitigation
Budget Savings (CCR1) Failure to agree, implement and achieve a budget strategy to secure a £2 million reduction in revenue budget by 2021/22 onwards will necessitate major cuts in Council services levels from 2019/20 onwards.	Failure to achieve a balanced budget in 2021/22 and national government intervention. Failure to achieve Council priorities and adverse impact on quality of life issues within the district. Public dissatisfaction with service cuts.	Establish and implement a Council approved budget strategy to deliver savings and/or additional income which reflects the Council's priorities for the district.
Business Rates (CCR6) The financial performance of the 100% Business Rates Pilot in Gloucestershire is weak and requires the Council to fund any shortfall in 2018/19.	Further savings will be required from the Council's revenue budget from 2018/19 to 2021/22. Reprioritisation of Council reserves.	Regular monitoring and reporting of financial performance, SDC to work with MHCLG and the LGA to maximise business rates retention.
Waste Management (CCR9) Cost of providing waste and recycling services to the district significantly exceeds the approved budget as set out in the MTFP by 2020/21 **Note:** The risk will be reviewed to take into account changes to service provision and the longer term financial viability of the service.	Funding deficit will need to be met from the Council's General Fund (Budget Savings CCR1) and/or need to consider reduction in waste collection services.	Effective management of the UBICO contract, maximise effective use of existing resources.

Risk	Impact	Mitigation
Workforce Planning (CCR10) Inability to recruit specialist professional staff with necessary skills and experience to deliver core services in line with the MTFP and Council priorities **Note:** The risk will be reviewed to take into account the impact of the reduction in staff numbers set out in the workforce plan.	Inefficient management of service teams, need to revert to more costly (external) professional advice.	Use of consultants to manage service in short term, shared services with neighbouring authorities, permanent outsourcing to the private sector.
Business Continuity (CCR4) Unable to secure continuity of services during normal business hours **Business Continuity (CCR16)** Inadequate telephony, IT and infrastructure to meet the current business needs of the authority.	Hardship for customers of core services, e.g benefits, housing, planning. Adverse environmental impacts, e.g. inability to respond to statutory nuisances, stop planning control breaches. Complaints and reputational damage (including impact of inadequate plans where the Council would struggle to recover within an acceptable time).	Council resolves to identify and adequately resource corporate service priorities, implementation of 2016 approved corporate ICT Plan, individual service continuity plans are fit for purpose and adhered to. Adequate resources are made available to deal with emergencies. Communication strategy to keep stakeholders informed of service availability.

The General Data Protection Regulation (GDPR) came into effect on 25 May 2018. The Council has been proactive in managing this emerging risk in the lead up to taking effect, with a corporate training and briefing session that includes representatives from all service areas. Whilst there is a risk to the Council, the current assessment is that the risk has been mitigated through the work undertaken by Legal Services to ensure the Council was compliant with GDPR prior to May 2018.

Summary of the Core Financial Statements

The Statement of Accounts summarises the Council's financial performance and cash flows for the 2017/18 financial year from 1 April 2017 to 31 March 2018, and its position at the financial year end of 31 March 2018.

There are five **core financial statements**:

Expenditure and Funding Analysis (page 18)
The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's committees. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement (page 19)
This statement shows the accounting cost in the year of providing the council's services.

Movement in Reserves Statement (page 20)
This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. Usable reserves increased by £7.661m in 2017/18, (2017/18 £36.326m, 2016/17 £28.664m), with Unusable reserves increasing by £16.838m (2017/18 £171.882m, 2016/17 £155.044m)

Balance Sheet (page 22)
This statement shows the assets and liabilities of the Council. The Total Net Worth of the Council increased by £24.500m in the year (2017/18 £208.208m, 2016/17 £183.708m).

Cash Flow Statement (page 23)
This statement shows the changes in cash and cash equivalents in the year. There was an increase in cash and cash equivalents of £1.093m (2017/18 £9.446m, 2016/17 £8.353m).

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

Housing Revenue Account Income and Expenditure Statement (page 90)
This statement shows the economic cost in the year of providing Housing services through the HRA.

Collection Fund Statement (page 96)
This statement shows the Council Tax and Non-Domestic Rating (NNDR) income received in the year less precepts and charges to the collection fund. Overall, the deficit on the NNDR element has increased by £0.113m (2017/18 £0.183m deficit, 2016/17 £0.070m deficit). There is an increased surplus on the Council Tax element of £0.021m (2017/18 £1.157m surplus, 2016/17 £1.136m surplus).

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 the Section 151 officer has responsibility for the administration of those affairs.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Section 151 Officer's responsibilities

The Section 151 Officer is responsible for the preparation of the Council's 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 Council Accounting in the United Kingdom* (the 'Code').

In preparing this Statement of Accounts, the Section 151 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 Code.
- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.
- Assessed the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- Used the going concern basis of accounting on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.
- Maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2018 and of its income and expenditure for the year then ended.

Signed: Date:

D Stanley CPFA **26 July 2018**

Acting Section 151 Officer

Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's committees. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Expenditure and Funding Analysis

2016/17 Net Expenditure Chargeable to the General Fund and HRA Balances	2016/17 Adjustments between the Funding and Accounting Basis (Note 7)	2016/17 Net Expenditure in the Comprehensive Income and Expenditure Statement *Restated	figures in £'000s	2017/18 Net Expenditure Chargeable to the General Fund and HRA Balances	2017/18 Adjustments between the Funding and Accounting Basis (Note 7)	2017/18 Net Expenditure in the Comprehensive Income and Expenditure Statement
5,361	17	5,344	community services committee	3,299	-2,368	5,667
6,932	-133	7,065	environment committee	4,942	-2,488	7,430
648	-21	669	housing committee - general fund	512	-1,118	1,630
-8,008	23,070	-31,078	housing committee - housing revenue account (hra)	-3,158	2,751	-5,909
8,965	6,020	2,945	strategy & resources committee	6,030	835	5,195
-5,849	-5,849	-	accounting adjustments	1,802	1,802	-
-	-	-	carry forwards	274	274	-
8,049	**23,104**	**-15,055**	**Net Cost of Services**	**13,701**	**-312**	**14,013**
-11,353	3,113	-14,466	other income and expenditure	-14,765	554	-15,319
-3,304	**26,217**	**-29,521**	**Surplus (-) or Deficit on Provision of Services**	**-1,064**	**242**	**-1,306**
-19,660			opening general fund and hra balance	-22,964		
-3,304			surplus or deficit on general fund and hra balance in year	-1,064		
-22,964			**Closing General Fund and HRA Balance**	**-24,028**		

2016/17 General Fund Balance	2016/17 Housing Revenue Account Balance	2016/17 Total Balances		2017/18 General Fund Balance	2017/18 Housing Revenue Account Balance	2017/18 Total Balances
-17,722	-1,938	**-19,660**	opening balance	-16,809	-6,155	**-22,964**
913	-4,217	**-3,304**	surplus (-) / deficit	-1,639	575	**-1,064**
-16,809	**-6,155**	**-22,964**	closing balance	**-18,448**	**-5,580**	**-24,028**

*** Restated see Note 47**

Comprehensive Income and Expenditure Statement

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

Comprehensive Income and Expenditure Statement

* Restated 2016/2017					2017/2018		
gross expenditure	**gross income**	**net expenditure**	figures in £'000s	***note***	**gross expenditure**	**gross income**	**net expenditure**
			Expenditure on Council Services				
34,520	-29,176	5,344	community services committee		33,939	-28,272	5,667
11,846	-4,781	7,065	environment committee		13,153	-5,723	7,430
1,367	-698	669	housing committee - general fund		2,279	-649	1,630
13,828	-23,438	-9,610	housing committee - housing revenue account		14,793	-23,198	-8,405
-	-21,468	-21,468	council dwelling revaluation (material item- page 95)		2,496	-	2,496
3,212	-267	2,945	strategy & resources committee		5,485	-290	5,195
64,773	-79,828	-15,055	**Surplus (-) / Deficit on Operations**		72,145	-58,132	14,013
5,005	-3,004	2,001	**Other Operating Expenditure**	*11*	3,937	-2,778	1,159
5,152	-297	4,855	**Financing & Investment Income & Expenditure**	*12*	4,715	-298	4,417
-	-21,322	-21,322	**Taxation & Non-Specific Grant Income**	*13*	-	-20,895	-20,895
		-29,521	**Surplus (-) / Deficit on Provision of Services**				**-1,306**
		-17,667	surplus(-) / deficit on revaluation of property, plant & equipment assets	*26*			-19,144
		4,243	actuarial remeasurement gains(-) / losses on pension assets / liabilities	*41*			-4,051
		-13,424	**Other Comprehensive Income & Expenditure**				**-23,195**
		-42,945	**Total Comprehensive Income & Expenditure**				**-24,501**

*** Restated - see Note 47**

Movement in Reserves Statement

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

Movement in Reserves Statement 2017-18

	Notes	(a) General Fund Balance £000	(b) Housing Revenue Account £000	(c) Major Repairs Reserve £000	(d) Capital Receipts Reserve £000	(e) Capital Grants Unapplied £000	(f) **Total Usable Reserves** £000	(g) Unusable Reserves £000	(h) **Total Authority Reserves** £000
Balance at 31 March 2017		**16,809**	**6,155**	**1,418**	**3,490**	**793**	**28,664**	**155,044**	**183,708**
Surplus or (deficit) on provision of services (accounting basis)		(2,587)	3,893	-	-	-	1,306	-	1,306
Other Comprehensive Income & Expenditure		-	-	-	-	-	-	23,195	23,195
Total Comprehensive Income & Expenditure		**(2,587)**	**3,893**	**-**	**-**	**-**	**1,306**	**23,195**	**24,501**
Adjustments between accounting basis & funding basis under regulations	9	4,226	(4,468)	4,692	1,743	162	6,355	(6,355)	-
Increase / (Decrease) in Year		**1,639**	**(575)**	**4,692**	**1,743**	**162**	**7,661**	**16,840**	**24,501**
Balance at 31 March 2018		**18,448**	**5,580**	**6,110**	**5,233**	**955**	**36,326**	**171,882**	**208,208**

General Fund and HRA balance analysed over				**Total £000**
Amounts earmarked	10	16,279	2,577	18,856
Amounts uncommitted		2,169	3,003	5,172
Total General Fund and HRA balance as at 31 March 2018		**18,448**	**5,580**	**24,028**

Movement in Reserves Statement 2016-17 - Restated *

	Notes	(a) General Fund Balance £000	(b) Housing Revenue Account £000	(c) Major Repairs Reserve £000	(d) Capital Receipts Reserve £000	(e) Capital Grants Unapplied £000	(f) Total Usable Reserves £000	(g) Unusable Reserves £000	(h) Total Authority Reserves £000
Balance at 31 March 2016		**17,722**	**1,938**	**-**	**2,891**	**730**	**23,282**	**117,483**	**140,765**
Surplus or (deficit) on provision of services (accounting basis)		**(1,311)**	**30,832**	**-**	**-**	**-**	**29,521**	**-**	**29,521**
Other Comprehensive Income & Expenditure		**-**	**-**	**-**	**-**	**-**	**-**	**13,424**	**13,424**
Total Comprehensive Income & Expenditure		**(1,311)**	**30,832**	**-**	**-**	**-**	**29,521**	**13,424**	**42,945**
Adjustments between accounting basis & funding basis under regulations	9	**398**	**(26,615)**	**1,418**	**599**	**63**	**(24,137)**	**24,137**	**-**
Increase / (Decrease) in Year		**(913)**	**4,217**	**1,418**	**599**	**63**	**5,384**	**37,561**	**42,945**
Balance at 31 March 2017		**16,809**	**6,155**	**1,418**	**3,490**	**793**	**28,664**	**155,044**	**183,708**

General Fund and HRA balance analysed over				**Total £000**
Amounts earmarked	10	14,640	942	**15,582**
Amounts uncommitted		2,169	5,213	**7,382**
Total General Fund and HRA balance as at 31 March 2017		**16,809**	**6,155**	**22,964**

*** Restated - see Note 47**

Movement in Reserve Statements contain rounding (see Glossary) which can affect the arithmetic accuracy of the figures.

Balance Sheet

* Restated 31 March 2017 £000		Notes	31 March 2018 £000
308,097	Property, Plant & Equipment	14	319,950
140	Heritage Assets	15, 45-46	140
2,393	Investment Property	16	3,934
76	Intangible Assets	17	53
338	Long Term Debtors	18	323
311,044	**Long Term Assets**		**324,400**
21,679	Short Term Investments	18	21,103
850	Assets Held for Sale	22	2,441
26	Inventories	19	3
7,496	Short Term Debtors	20	13,305
8,353	Cash and Cash Equivalents	21	9,446
38,404	**Current Assets**		**46,298**
-10,883	Short Term Creditors	23	-15,228
-10,883	**Current Liabilities**		**-15,228**
-2,269	Long Term Creditors	23	-2,229
-665	Provisions	24	-1,438
-106,717	Long Term Borrowing	18	-105,717
-45,207	Other Long Term Liabilities	41	-37,878
-154,858	**Long Term Liabilities**		**-147,262**
183,708	**Net Assets**		**208,208**
28,664	Usable Reserves	25	36,326
155,044	Unusable Reserves	26	171,882
183,708	**Total Reserves**		**208,208**

*** Restated - see Note 47**

Balance sheet contains rounding (see Glossary) which can affect the arithmetic accuracy of the figures.

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories:-

Usable reserves are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitation on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).

Unusable reserves are reserves that the Council may not use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

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

Cash Flow Statement

*** Restated**

31 March 2017 £000		**Notes**	**31 March 2018 £000**
-29,521	Net surplus(-) or deficit on the provision of services		-1,306
11,613	Adjust net surplus or deficit on the provision of services for non cash movements	27	-11,884
4,814	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		4,706
-13,094	Net cash flows from Operating Activities		-8,484
15,941	Investing Activities	28	6,391
-2,000	Financing Activities	29	1,000
847	**Net increase(-) or decrease in cash and cash equivalents**		**-1,093**
9,200	Net cash and cash equivalents at the beginning of the reporting period		8,353
8,353	Net cash and cash equivalents at the end of the reporting period	21	9,446

*** Restated - see Note 47**

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Council Accounting in the United Kingdom 2017/18* supported by International Financial Reporting Standards (IFRS).

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

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

(b) Accruals of Income and Expenditure

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

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

(c) 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 no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

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

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

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

(e) 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 services where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

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

(f) Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, 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 is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

(g) Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

(h) Post Employment Benefits

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

The Local Government Pension Scheme

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

- The liabilities of the Gloucestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (2.6% in 2016-17) at the IAS19 valuation date.
- The assets of the Gloucestershire County Council pension fund attributable to the Council are included in the balance sheet at their fair value:
    - Quoted securities – current bid price.
    - Unquoted securities – professional estimate.
    - Unitised securities – current bid price.
    - Property – market value.
- The change in the net pensions liability is analysed into the following components:

  Service Cost comprising:

    - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
    - Past service cost – the increase in liabilities arising from scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
    - Net interest on the net defined liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the

period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- Return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Gloucestershire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

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

Discretionary Benefits

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

(i) 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.

(j) 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 their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

Financial Assets are classified into two types:

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

Loans and Receivables

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

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

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

(k) Foreign Currency Translation

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

(l) Government Grants and Contributions

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

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

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

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

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

Community Infrastructure Levy

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions, it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement, in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges (for this authority) may be used to fund revenue expenditure.

(m) Heritage Assets

Heritage assets are defined as assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Assets owned by the Council at 31 March 2018 that fit the definition of heritage assets are:

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

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note (t) in this summary of significant accounting policies. Should a heritage asset be disposed of the proceeds would be accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

(n) Intangible Assets

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

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

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

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

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

(o) Interests in Companies and Other Entities

The Council is required to consider all its interests (including those in local authorities and similar bodies) and to prepare a full set of Group Financial Statements where they have material interests in subsidiaries, associates or joint ventures. The canal project required that significant sums of money were managed by the Council to deliver this major infrastructure scheme by the end of 2017, which included £12.7m of grant from the Heritage Lottery Fund. Many of the land aspects of this project are managed separately by the Stroud Valleys Canal Company. The Council has membership of the Company, but does not have access to benefits or exposure to the risk of a potential loss so there is no group relationship.

Ubico Ltd. was originally formed in 2012 as a company wholly owned by its shareholders. Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council, Gloucestershire County Council, Tewkesbury Borough Council, West Oxfordshire District Council and Stroud District Council are the current owners. Each of the seven local authorities are equal shareholders. The company is responsible for delivering the shareholders' environmental services such as refuse and recycling within their respective council boundaries. Stroud District Council joined in January 2016 and in July 2016 Ubico Ltd. took over delivery of waste and recycling from Veolia Ltd. Since Stroud District Council does not exercise control or joint control or significant influence over the company, its accounts have not been consolidated into the group accounts, however full disclosure notes are provided.

(p) Inventories and Long Term Contracts

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

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

(q) Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

(r) Leases

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

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

Operating leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

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

Operating Leases

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

(s) Overheads and Support Services

The costs of overheads and support services are charged to the Committee that benefits from the supply or service in accordance with the Council's arrangements for accountability and financial performance.

(t) Property, Plant and Equipment

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

Recognition

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

The Council's capitalisation de minimis is £20,000, except for where the sum of the assets is significant, such as public conveniences and car parks. Additionally, items below the de minimis limit may be capitalised and included on the asset register if, for example, they are deemed portable and attractive.

General Fund assets are componentised if the cost of the component is more than 25% of the cost of the whole asset, and the cost of the component is more than £0.5m. This is subject to the over-riding requirement that not componentising would result in a material misstatement of depreciation.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other classes of asset – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the authority’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Capitalisation of Salaries

The Council may capitalise salaries where employees work full time on a project. In the case of computer software installations the cost of software consultants’ time will be included as the overall cost of a capital scheme.

(u) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

(v) Reserves

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

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

(w) Revenue Expenditure Funded from Capital Under Statute

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

(x) Value Added Tax

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

2. Accounting Standards Issued, not Adopted

The following changes in accounting standards will be introduced in the 2018/19 Code:

IFRS 9 *Financial Instruments*
IFRS 15 *Revenue from Contracts with Customers* including amendments to IFRS 15 *Clarifications to IFRS15 Revenue from Contracts with Customers*
Amendment to IAS12 *Income Taxes*: Recognition of Deferred Tax Assets for Unrealised Losses
Amendment to IAS 7 *Statement of Cash Flows*: Disclosure Initiative

These amendments will not have a material impact on the financial statements or balances of the council.

3. Critical Judgements in Applying Accounting Policies

Other than critical assumptions covered in Note 4, in applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions. The critical judgements made in the Statement of Accounts are:

- The Canal project means that significant sums of money were managed by the Council to deliver Phase 1A of this major infrastructure scheme by 2017, which included £12m of Heritage Lottery Funding. In May 2018 the Council was successful in obtaining development funding for Phase 1B which signals the commencement of a further £23.4m project to link the Stroudwater Navigation to the national canal network. The restored canal is owned and managed by the Stroud Valleys Canal Company. The Council does not have access to benefits or exposure to the risk of a potential loss so there is no group relationship.

- Stroud District Council has a 14.29% shareholding in a not for profit local authority company called Ubico, which provides environmental services (street cleaning, refuse collection, recycling and grounds maintenance). The fair value of the council's interest in the company at 31 March 2018 is considered to be nil, since it is a wholly local authority owned not-for-profit 'Teckal' company. The company (registration No. 07824292) is limited by share capital and governed by its Memorandum and Articles of Association. The liability in respect of the shares is set out in the Memorandum of Association and is limited to £1 per member of the company, of which there are seven at 31 March 2018. There is no group relationship.

  The Council has purchased vehicles to be utilised by Ubico in the provision of services to the Council. As substantially all the rights of ownership are retained by the Council and they will be used exclusively for the benefit of Stroud District Council, the vehicles have been accounted for as assets within Property, Plant and Equipment. The vehicles have a net book value of £2.5m.

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council has been reviewing property assets and transferring them to other local organisations where the opportunity arises.

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

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

As well as the items described in Note 3, the items in the Council's Balance Sheet at 31 March 2018 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 spending on repairs and maintenance may vary in the future, which would reduce the useful lives assigned to assets.	A reduction of 1 year in useful asset lives would result in an additional £0.367m depreciation charge (£0.175m council dwellings and £0.192m other assets).
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Hymans Robertson LLP, is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £12.817m (15/16 £12.269m). However, the assumptions interact in complex ways. During 2017/18, the Council's actuaries advised that the net pension liability had decreased by £4.051m (increased by £4.545m 16/17) as a result of remeasurements by the actuary.

Arrears	At 31 March 2018 the Council had a short term debtor balance of £14.743m and a bad debt provision of £1.438m or 9.75% of the debt. If collection rates were to deteriorate, an additional bad debt provision would have to be made.	If collection rates were to deteriorate, an additional bad debt provision would have to be made. See notes 18, 20 and 44 for further details of debt outstanding.

5. Material Items of Income and Expense

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

- Decrease in net pension fund liabilities of £2.8m after allowing for the effect of lump sum prepayments (see note 41).
- HRA capital programme which includes new build properties was £6m (2016/17 £10.9m). For more detail see note 4 of the HRA financial statements on page 93.

6. Events after the Balance Sheet Date

There are no material events after the balance sheet date to disclose.

7. Note to the Expenditure and Funding Analysis

Note to the Expenditure and Funding Analysis				
	Adjustments between Funding and Accounting Basis 2017/18			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure amounts	**Adjustments for Capital Purposes (a)**	**Net change for the Pensions Adjustments (b)**	**Other Differences (c)**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
community services committee	-1,132	-552	-684	-2,368
environment committee	-1,007	-501	-980	-2,488
housing committee - general fund	-955	-59	-104	-1,118
housing committee - housing revenue account	3,256	-506	1	2,751
strategy & resources committee	-2,207	-552	3,594	835
accounting adjustments	1,248	1,795	-1,241	1,802
carry forwards			274	274
Net Cost of Services	**-797**	**-375**	**860**	**-312**
other income and expenditure from the expenditure and funding analysis	592	-266	228	554
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**-205**	**-641**	**1,088**	**242**

Note to the Expenditure and Funding Analysis - restated*				
	Adjustments between Funding and Accounting Basis 2016/17			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure amounts	**Adjustments for Capital Purposes (a)**	**Net change for the Pensions Adjustments (b)**	**Other Differences (c)**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
community services committee	-257	-1,065	1,339	17
environment committee	-226	-657	750	-133
housing committee - general fund	-23	2	-	-21
housing committee - housing revenue account	23,312	-241	-1	23,070
strategy & resources committee	506	-284	5,798	6,020
accounting adjustments	-1,082	3,119	-7,886	-5,849
support service charges	-	-	-	-
Net Cost of Services	**22,230**	**874**	-	**23,104**
other income and expenditure from the expenditure and funding analysis	-196	-572	3,881	3,113
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**22,034**	**302**	**3,881**	**26,217**

*** Restated - see Note 47**

(a) Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other Operating Expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and Investment Income and Expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and Non-Specific Grant Income and Expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

(b) Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For Services – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
For **Financing and Investment Income and Expenditure** –- the net interest on the defined benefit liability is charged to the CIES.

(c) Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For **Financing and Investment Income and Expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

The charge under **Taxation and Non-Specific Grant Income and Expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year, and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Segmental Income		
	Income received on a segmental basis	
	2016/17	2017/18
Fees , charges and other service income	**Income from Services**	**Income from Services**
	£000	**£000**
community services committee	-3,423	-3,554
environment committee	-3,700	-3,107
housing committee - general fund	-83	-576
housing committee - housing revenue account (hra)	-23,438	-23,198
strategy & resources committee	-2,322	-2,279
Total income analysed on a segmental basis	**-32,966**	**-32,715**

8. Expenditure and Income Analysed by Nature

Expenditure and Income Analysed by Nature		
	*** Restated 2016/17**	**2017/18**
	£000	**£000**
Expenditure		
employee benefits expenses	15,559	15,838
other services expenses	43,588	44,057
support service recharges	-	-
depreciation, amortisation, impairment	5,626	9,753
council house revaluation	-	2,496
interest payments	5,461	4,715
precepts and levies	3,274	3,462
payments to housing capital receipts pool	1,422	475
Total Expenditure	**74,930**	**80,796**
Income		
fees, charges and other service income	-32,966	-32,715
support service income	-	-
interest and investment income	-297	-298
gain on disposal of assets	-3,059	-1,891
council house revaluation	-21,468	-
income from council tax and non-domestic rates	-15,366	-16,024
government grants and contributions	-31,295	-31,174
Total Income	**-104,451**	**-82,102**
Surplus or Deficit on the Provision of Services	**-29,521**	**-1,306**

*** Restated - see Note 47**

9. Adjustments between Accounting Basis and Funding Basis under Regulations

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

Adjustments between Accounting Basis & Funding Basis under Regulations 2017-18

2017-18	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to (or from) the Pensions Reserve)	428	796	-	-	-	-1,224
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	48	-	-	-	-	-48
Holiday pay (transferred to the Accumulated Absences Reserve)	-1	-1	-	-	-	2
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	5,888	5,989	-	-	-	-11,877
Total Adjustments to Revenue Resources	**6,363**	**6,784**	**-**	**-**	**-**	**-13,147**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-77	-4,629	-	4,706	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	33	-	-33	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	77	2,705	-	-	-	-2,782
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	475	-	-	-475	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-8,198	8,198	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-1,120	-	-	-	-	1,120
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	-	-	-	-	-
Total Adjustments between Revenue and Capital Resources	**-645**	**-10,089**	**8,198**	**4,198**	**-**	**-1,662**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-2,455	-	2,455
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-3,506	-	-	3,506
Application of capital grants to finance capital expenditure	-570	-116	-	-	162	524
Capital expenditure charged against the General Fund and HRA balances	-922	-1,047	-	-	-	1,969
Total Adjustments to Capital Resources	**-1,492**	**-1,163**	**-3,506**	**-2,455**	**162**	**8,454**
Total Adjustments	**4,226**	**-4,468**	**4,692**	**1,743**	**162**	**-6,355**

Adjustments between Accounting Basis & Funding Basis under Regulations 2016-17

* Restated 2016-17	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to (or from) the Pensions Reserve)	-275	577	-	-	-	-302
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	-321	-	-	-	-	321
Holiday pay (transferred to the Accumulated Absences Reserve)	4	1	-	-	-	-5
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	3,351	-17,948	-	-	-	14,597
Total Adjustments to Revenue Resources	**2,759**	**-17,370**	**-**	**-**	**-**	**14,611**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-50	-4,764	-	4,814	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	33	-	-33	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	-	1,722	-	-	-	-1,722
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	1,422	-	-	-1,422	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-5,156	5,156	-	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	-559	-	-	-	-	559
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	-	-	-	-	-
Total Adjustments between Revenue and Capital Resources	**813**	**-8,165**	**5,156**	**3,359**	**-**	**-1,163**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	-2,760	-	2,760
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-3,738	-	-	3,738
Application of capital grants to finance capital expenditure	-752	-872	-	-	63	1,561
Capital expenditure charged against the General Fund and HRA balances	-2,423	-208	-	-	-	2,631
Total Adjustments to Capital Resources	**-3,175**	**-1,080**	**-3,738**	**-2,760**	**63**	**10,690**
Total Adjustments	**398**	**-26,615**	**1,418**	**599**	**63**	**24,137**

*** Restated - see Note 47**

Note 9 tables contain rounding (see Glossary) which affects the arithmetic accuracy of the figures.

10. Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure 2017/18.

Transfers to / from Earmarked Reserves 2017-18

	Balance 1st April 2016	Tsfers From 2016-17	Tsfers To 2016-17	Balance 31st March 2017	Tsfers From 2017-18	Tsfers To 2017-18	Balance 31st March 2018
General Fund:	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
building control shared service	59	-	83	142	-	38	180
business rates safety net	299	-18	-	281	-	500	781
capital	1,450	-1,724	6,110	5,836	-497	700	6,039
climate change	671	-	-	671	-503	-	168
closed circuit television	91	-91	-	-	-	-	-
community infrastructure levy	-	-41	-	-41	-90	25	-106
district council elections	35	-35	-	-	-	-	-
efficiency savings / invest to save	179	-179	-	-	-	150	150
homelessness prevention	120	-90	-	30	-	65	95
housing - general fund	1,000	-2,000	1,000	-	-	-	-
information communication technology	442	-492	50	-	-	-	-
jobs and growth	1,361	-911	-	450	-450	-	-
legal counsel	151	-131	30	50	-	-	50
littlecombe	422	-372	-	50	-50	-	-
merrywalks car park	7	-	215	222	-	205	427
miscellaneous general fund	-	-	-	-	-	273	273
mtfp equalisation	-	-	6,000	6,000	-	17	6,017
neighbourhood planning grant	20	-54	105	71	-	-	71
opportunity land purchase	250	-105	105	250	-	-	250
pdg	-	-	-	-	-	36	36
pension fund	-	-	-	-	-	120	120
planning appeal costs	250	-175	25	100	-	-	100
property maintenance	348	-418	70	-	-	-	-
retrofit guarantee	75	-75	-	-	-	-	-
revenue provision equalisation	-	-	-	-	-	250	250
risk management / insurance	70	-70	-	-	-	-	-
s106 maintenance	204	-204	-	-	-	-	-
stratford park leisure centre "sinking fund"	140	-180	40	-	-	-	-
stroud valleys initiative	100	-600	500	-	-	-	-
the pulse	130	-	-	130	-	-	130
unapplied revenue grants	120	-120	-	-	-	-	-
warm and well grants	68	-68	-	-	-	-	-
waste management	600	-600	-	-	-	600	600
work force planning	400	-	-	400	-	250	650
total earmarked reserves - General Fund	**9,060**	**-8,753**	**14,333**	**14,640**	**-1,590**	**3,229**	**16,279**
HRA:							
hra earmarked reserve	-	-	942	942	-561	2,196	2,577
total earmarked reserves - HRA	**-**	**-**	**942**	**942**	**-561**	**2,196**	**2,577**
total earmarked reserves	**9,060**	**-8,753**	**15,275**	**15,582**	**-2,151**	**5,425**	**18,856**

Note 10 table contains rounding (see Glossary) which affects the arithmetic accuracy of the figures.

11. Other Operating Expenditure

Other Operating Expenditure		
2016/17 £000		**2017/18 £000**
3,143	Parish Council Precepts	3,331
309	Miscellaneous costs/income	-887
131	Levies	131
1,422	Payments to the Government Housing Capital Receipts Pool	475
-3,004	Gains (-) / losses on the disposal of non-current assets	-1,891
2,001	**Total**	**1,159**

12. Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure		
2016/17 £000		**2017/18 £000**
3,643	Interest payable and similar charges	3,601
1,398	Net interest on the net defined benefit liability	1,114
-251	Interest receivable and similar income	-256
-46	Clean Energy Cashback	-32
111	Income and expenditure in relation to investment properties and changes in their fair value	-10
4,855	**Total**	**4,417**

13. Taxation and Non Specific Grant Income

Taxation and Non Specific Grant Income		
2016/17 £000		**2017/18 £000**
-11,366	Council tax income	-11,862
-4,000	Non domestic rates	-4,162
-4,396	Non-ringfenced government grants	-3,263
-1,560	Capital grants and contributions	-1,608
-21,322	**Total**	**-20,895**

14. Property, Plant and Equipment

Property, Plant and Equipment						
Movements in 2017-18	**council dwellings**	**council dwellings under construction**	**other land & buildings (incl. *community assets)**	**vehicles, plant furniture & equipment**	**infra-structure assets**	**total property, plant & equipment**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or valuation						
At 1 April 2017	363,632	8,977	45,855	8,415	428	427,307
Additions	3,727	2,509	66	64	-	6,366
Donations	-	-	-	-	-	-
Revaluation increases/decreases (-) recognised in the Revaluation Reserve	12,925	-24	6,243	-	-	19,144
Revaluation increases/decreases(-) recognised in the Surplus / Deficit on the Provision of Services	4,862	-8,031	-1,734	-	-	-4,903
Derecognition - disposals	-1,526	-80	-4	-	-	-1,610
Derecognition - disposals recognised in revaluation reserve	-179	-	-146	-	-	-325
Transfers	-659	-1,269	347	-	-	-1,581
At 31 March 2018	**382,782**	**2,082**	**50,627**	**8,479**	**428**	**444,398**
Accumulated Depreciation & Impairment						
At 1 April 2017	-108,054	-	-8,160	-2,839	-154	-119,207
Depreciation charge	-5,604	-	-637	-808	-19	-7,068
Depreciation written out to the Revaluation Reserve	-	-	-280	-	-	-280
Depreciation written out to the Surplus / Deficit on the Provision of Services	5,604	-	-	-	-	5,604
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-3,493	-	-	-	-	-3,493
At 31 March 2018	**-111,547**	**-**	**-9,077**	**-3,647**	**-173**	**-124,444**
Net Book Value						
At 31 March 2018	**271,235**	**2,082**	**41,550**	**4,832**	**255**	**319,950**
At 31 March 2017	255,578	8,977	37,695	5,576	274	308,097

*Other land and buildings includes £54k net book value of Community Assets that had no movement in net book value during the year.

Property, Plant and Equipment

* Restated Movements in 2016-17	council dwellings	council dwellings under construction	other land & buildings (incl. *community assets)	vehicles, plant furniture & equipment	infra-structure assets	total property, plant & equipment
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2016	313,616	10,730	42,791	3,261	428	370,826
Additions	3,520	7,455	3,447	5,154	-	19,576
Donations	-	-	100	-	-	100
Revaluation increases/decreases (-) recognised in the Revaluation Reserve	17,751	-	-84	-	-	17,667
Revaluation increases/decreases(-) recognised in the Surplus / Deficit on the Provision of Services	25,639	-4,304	-29	-	-	21,306
Derecognition - disposals	-1,440	-300	-70	-	-	-1,810
Derecognition - other	-	-	-	-	-	-
Transfers	4,546	-4,604	-300	-		-358
At 31 March 2017	**363,632**	**8,977**	**45,855**	**8,415**	**428**	**427,307**
Accumulated Depreciation & Impairment						
At 1 April 2016	-104,534	-	-7,227	-2,081	-135	-113,977
Depreciation charge	-5,156	-	-933	-758	-19	-6,866
Depreciation written out to the Surplus / Deficit on the Provision of Services	5,156	-	-	-	-	5,156
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-3,520	-	-	-	-	-3,520
At 31 March 2017	**-108,054**	**-**	**-8,160**	**-2,839**	**-154**	**-119,207**
Net Book Value						
At 31 March 2017	**255,578**	**8,977**	**37,695**	**5,576**	**274**	**308,097**
At 31 March 2016	209,082	10,730	35,564	1,180	293	256,850

*** Restated - see Note 47**

*Other land and buildings includes £54k net book value of Community Assets.

Note 14 tables contain rounding (see Glossary) which affect the arithmetic accuracy of the figures.

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

- Council Dwellings: 33 years.
- Buildings: 20 to 50 years.
- Vehicles, Plant, Furniture and Equipment: 5 to 15 years.
- Infrastructure: 20 to 30 years.

Capital Commitments
There are no capital schemes with contractual commitments greater than £300,000 as at 31 March 2018.

Revaluations
The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years, and are materially correct. Valuations of Ebley Mill, Stratford Park Leisure Centre and investment properties were carried out by external valuers Bruton Knowles. Council house valuations, car parks and public conveniences were carried out by internal valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market, or latest list prices adjusted for the condition of the asset.

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

Revaluations	council dwellings	council dwellings under construction	other land & buildings (incl. community assets)	vehicles, plant furniture & equipment	infra-structure
	£000	£000	£000	£000	£000
Carried at depreciated historical cost		2,082	1,427	4,832	255
Valued at fair value as at:					
31 March 2018	271,235		29,290		
31 March 2017			9,008		
31 March 2016			1,821		
31 March 2015			4		
Total Cost or Valuation	**271,235**	**2,082**	**41,550**	**4,832**	**255**

15. Heritage Assets

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

Heritage Assets	Heritage Properties	Painting	Warwick Vase	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2016	20	80	40	**140**
At 31 March 2017	20	80	40	**140**
Cost or valuation				
At 1 April 2017	20	80	40	**140**
At 31 March 2018	**20**	**80**	**40**	**140**

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

Sims Clock and Bank Gardens, which were held as heritage assets on the asset register, were transferred to Stroud Town Council in March 2017 together with Stroud Cemetery. Each asset was held on the asset register at a valuation of £1. A sum of £115,000 was given to the Town Council to as a contribution towards the costs of ownership of these assets.

16. Investment Properties

Investment Properties - Fair Value	2016/17	2017/18
	£000	£000
Balance at start of the year	1,873	2,393
Additions:	574	1,896
Revaluations:		
Net gains / losses (-) from fair value adjustments	-111	10
Transfers:		
to (-) / from council dwellings	57	-
to (-) / from other land & buildings	-	-365
	2,393	**3,934**

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

17. Intangible Assets

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £23k charged to revenue in 2017/18 was charged directly to the appropriate service, with the amortised cost then forming part of support services recharging across all service committees in the Surplus or Deficit on Operations. It is not possible to quantify exactly how much of the amortisation is attributable to each service committee heading.

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

Intangible Assets	Purchased Software	
	2016-17 £000	2017-18 £000
Balance at start of year:		
- Gross carrying amounts	572	572
- Accumulated amortisation	-471	-496
Net carrying amount at start of year	**101**	**76**
Purchases	-	-
Amortisation for the period	-25	-23
Net carrying amount at end of year	**76**	**53**

18. Financial Instruments

Categories of Financial Instruments

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

Categories of Financial Instruments	Long Term		Current	
	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000
Investments				
Loans and receivables	-	-	21,679	21,103
Total Investments	**-**	**-**	**21,679**	**21,103**
Debtors				
Loans and receivables	338	323	7,495	13,305
Total Debtors	**338**	**323**	**7,495**	**13,305**
Borrowings				
Financial liabilities at amortised cost	-105,717	-103,717	-1,000	-2,000
Total Borrowings	**-105,717**	**-103,717**	**-1,000**	**-2,000**
Creditors				
Financial liabilities carried at amortised cost	-12	-	-	-
Financial liabilities carried at contract cost	-2,257	-2,229	-10,883	-15,228
Total Creditors	**-2,269**	**-2,229**	**-10,883**	**-15,228**

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.

The 2017/18 Code of Practice sets out the fair value valuation hierarchy that authorities are required to follow, to increase consistency and comparability in fair value measurements and related disclosures. Authorities are required to disclose the methods used and any assumptions made in arriving at fair values. The valuation basis adopted for investments and borrowing uses **Level 2 Inputs** – i.e. inputs other than quoted prices that are observable for the financial asset/liability.

The following valuation basis has been applied:

Valuation of fixed term deposits (maturity investments)
Valuation is made by comparison of the fixed term investment with a comparable investment with the same/similar lender for the remaining period of the deposit

Valuation of PWLB loans
For loans from the PWLB the Debt Management Office provides a transparent approach to allow the exit cost of PWLB loans to be calculated for disclosure purposes.

Valuation of non-PWLB loans payable
For non-PWLB loans the PWLB redemption rates provide a reasonable proxy for rates that market participants have used when asked about early redemption costs for market loans.

Inclusion of accrued interest
The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this will include accrued interest as at the Balance Sheet date, accrued interest is included in the fair value calculation. This figure is calculated up to and including the valuation date.

Discount rates used in NPV calculation
The rates for valuation were obtained from the market on 31st March 2018, using bid prices where applicable.

Assumptions regarding interest calculation do not have a material effect on the fair value of the instrument.

The fair values calculated are as follows:

	Fair Values - liabilities			
	31/03/2017		**31/03/2018**	
	carrying amount £000	**fair value £000**	**carrying amount £000**	**fair value £000**
Financial liabilities	106,717	129,647	105,717	127,681
Long-term creditors	2,269	1,725	2,229	1,887
Short-term creditors	10,883	10,883	15,228	15,228

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

	Fair Values - receivables			
	31/03/2017		**31/03/2018**	
	carrying amount £000	**fair value £000**	**carrying amount £000**	**fair value £000**
Loans & receivables	29,175	29,175	34,408	34,408
Long-term debtors	338	304	323	268
Long-term investments	-	-	-	-

Short term creditors and loans and receivables are carried at cost as this is a fair approximation of their value. There were no long-term investments at the Balance Sheet date.

Local Authority Mortgage Scheme – the Council offered a financial guarantee to enable first time buyers to obtain a mortgage. The total value of the guarantee was £1.2m. The Council invested £1m and the County Council £200k for 5 years at a market rate of 3.8% which was repaid in April 2017. Premium interest of 0.7% was payable in return for the financial guarantee. Premium interest has been set aside to pay for any liability realised as a result of the financial guarantee. This scheme commenced in April 2012 and closed to new loan applications in 2015. A total of £4.7m of loans were issued which utilised £0.9m of the available guarantee. As at March 2018 there are no arrears cases, and there have been no repossessions under the scheme since inception. The financial guarantee continues for 5 years from the start date of each mortgage and so should gradually reduce and end in July 2020, unless a mortgage is in arrears during the last six months of the 5 year period, in which case the financial guarantee for that mortgage extends for a further 2 years. The unexpired guarantee liability as at 31 March 2018 was £494,200.

19. Inventories

Inventories	Bar Stock		HRA PV and Renewable Heating Component Stock		Garden Waste Bins		TOTAL	
	2016-17 £000	2017-18 £000	2016-17 £000	2017-18 £000	2016-17 £000	2017-18 £000	2016-17 £000	2017-18 £000
Balance outstanding at start of year	5	5	412	-	31	22	448	27
Purchases	22	37	-	-	-	-	22	37
Recognised as an expense in the year	-20	-36	-	-	-9	-	-29	-36
Written off balances	-3	-2	-412	-	-	-22	-415	-24
Balance outstanding at end of year	**5**	**4**	**-**	**-**	**22**	**-**	**26**	**3**

Note 19 contains rounding (see Glossary) which affects the arithmetic accuracy of the figures.

20. Debtors

Debtors	31 March 2017 £000	31 March 2018 £000
Central government bodies	2,535	4,648
Other local authorities	2,027	5,321
Other entities & individuals	2,933	3,336
Total	**7,495**	**13,305**

21. Cash and Cash Equivalents

Cash & Cash Equivalents	31 March 2017	31 March 2018
	£000	£000
Cash held by the Authority	4	4
Bank current accounts	-122	-897
Short-term deposits with banks	8,471	10,339
Total Cash & Cash Equivalents	**8,353**	**9,446**

22. Assets Held for Sale

Assets Held for Sale	31 March 2017	31 March 2018
	£000	£000
Balance outstanding at start of year	550	850
Assets newly classified as held for sale:		
Other Land	850	1,946
Revaluation gains		495
Assets declassified as held for sale:	-550	-
Assets sold	-	-850
Balance outstanding at end of year	**850**	**2,441**

23. Creditors

Creditors	Current		Non Current	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£000	£000	£000	£000
Central government bodies	2,090	3,600	2,000	2,000
Other local authorities	3,148	6,064	-	-
Public corporations & trading funds	-	-	269	229
Other entities & individuals	5,645	5,564	-	-
Total	**10,883**	**15,228**	**2,269**	**2,229**

24. Provisions

Provisions	Land Charges	Housing Repairs	Municipal Mutual	NNDR	Total
	£000	£000	£000	£000	£000
Balance at 1 April 2017	121	-	25	518	664
Additional provisions made in 2017-18	-	624	-	150	774
Amounts used in 2017-18	-	-	-	-	-
Unused amounts reversed in 2017-18	-	-	-	-	-
Balance at 31 March 2018	**121**	**624**	**25**	**668**	**1,438**

A provision has been made in respect of an invoice in dispute with a housing repairs contractor in respect of renewable heating works completed in 2014. Also, some additional provision in relation to NNDR business rates appeals has been included.

25. Usable Reserves

31 March 2017	Usable Reserves	31 March 2018
£000		£000
2,169	General Fund	2,169
14,640	Earmarked General Fund Reserves	16,279
5,213	Housing Revenue Account	3,003
942	Earmarked HRA Reserves	2,577
1,418	Major Repairs Reserve	6,110
3,490	Capital Receipts Reserve	5,233
793	Capital Grants Unapplied	955
28,664	**Total Usable Reserves**	**36,326**

26. Unusable Reserves

31 March 2017	Unusable Reserves	31 March 2018
* Restated		
£000		£000
31,473	Revaluation Reserve	50,012
168,651	Capital Adjustment Account	164,168
-45,207	Pensions Reserve	-42,380
269	Collection Fund Adjustment Account	221
-142	Accumulating Absences Adjustment Account	-139
155,044	**Total Unusable Reserves**	**171,882**

*** Restated - see Note 47**

Notes 25 and 26 tables contain rounding (see Glossary) which affects the arithmetic accuracy of the figures.

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

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

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

31 March 2017 £000	Revaluation Reserve	31 March 2018 £000
14,178	**Balance at 1 April**	**31,473**
17,853	Upward revaluation of assets	19,430
-186	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-286
17,667	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**19,144**
-372	Difference between fair value depreciation & historical cost depreciation	-280
-	Accumulated gains on assets sold or scrapped	-325
-372	**Amount written off to the Capital Adjustment Account**	**-605**
31,473	**Balance at 31 March**	**50,012**

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.
The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

31 March 2017	Capital Adjustment Account	31 March 2018
* Restated		
£000		£000
144,155	**Balance at 1 April**	**168,651**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:	
-5,230	Charges for depreciation & impairment of non-current assets	-14,343
21,306	Revaluation (losses)/gains on PPE	4,932
-25	Amortisation of intangible assets	-23
-1,353	Revenue expenditure funded from capital under statute	-2,453
-1,810	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	-2,785
12,888		-14,672
372	Adjusting amounts written out of the Revaluation Reserve	605
13,260	**Net written out amount of the cost of non-current assets consumed in the year**	**-14,067**
	Capital financing applied in the year:	
2,760	Use of the Capital Receipts Reserve to finance new capital expenditure	2,455
3,738	Use of the Major Repairs Reserve to finance new capital expenditure	3,506
872	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	116
689	Application of grants to capital financing from the Capital Grants Unapplied Account	408
559	Statutory provision for the financing of capital investment charged against the General Fund & HRA balances	1,120
2,631	Capital expenditure charged against the General Fund & HRA balances	1,969
11,249		9,574
-114	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	10
100	Movements in the Donated Assets Account debited or credited to the Comprehensive Income & Expenditure Statement	-
11,235		**9,584**
168,651	**Balance at 31 March**	**164,168**

*** Restated - see Note 47**

Table contains rounding (see Glossary) which affects the arithmetic accuracy of the figures.

Pensions Reserve

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

31 March 2017 £000	Pensions Reserve	31 March 2018 £000
-40,662	**Balance at 1 April**	**-45,207**
-15,531	Actuarial gains or losses on pensions assets & liabilities	**2,451**
7,652	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement	-3,335
3,334	Employer's pensions contributions & direct payments to pensioners payable in the year	**3,711**
-45,207	**Balance at 31 March**	**-42,380**

Collection Fund Adjustment Account

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

31 March 2017 £000	Collection Fund Adjustment Account	31 March 2018 £000
-52	**Balance at 1 April**	269
-8	Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3
329	Business Rate Pooling	-51
269	**Balance at 31 March**	**221**

Accumulating Absences Adjustment Account

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

31 March 2017 £000	Accumulating Absences Adjustment Account	31 March 2018 £000
-137	**Balance at 1 April**	-142
137	Settlement or cancellation of accrual made at the end of the preceding year	142
-142	Amounts accrued at the end of the current year	-139
-5	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3
-142	**Balance at 31 March**	**-139**

27. Cash Flow Statement – Operating Activities

31 March 2017 * Restated £000	Cash Flow Statement - Non Cash Items Included in Surplus(-) / Deficit on Provision of Services	31 March 2018 £000
-1,710	Depreciation charges	-1,464
-25	Amortisation charges	-23
17,787	Impairments and revaluations	-7,723
122	Increase (-) / decrease in creditors	-4,345
-2,168	Increase / decrease (-) in debtors	5,808
-26	Increase / decrease (-) in long term debtors	-15
209	Increase (-) / decrease in provisions	-773
-422	Increase / decrease (-) in inventories	-23
-302	Non cash charges for retirement benefits	-1,224
-1,722	Carrying amount of non current assets sold	-2,782
-111	Investment properties' revaluation	10
-19	Other non cash items	670
11,613	**Non cash items in Net Surplus(-) / Deficit**	**-11,884**

*** Restated - see Note 47**

28. Cash Flow Statement – Investing Activities

31 March 2017 £000	Cash Flow Statement - Investing Activities	31 March 2018 £000
20,148	Purchase of property, plant & equipment, investment property & intangible assets	10,481
41,607	Purchase of short-term & long-term investments	28,502
-4,814	Proceeds from the sale of property, plant & equipment, investment property & intangible assets	-4,706
-41,000	Proceeds from short-term & long-term investments	-27,886
15,941	**Net cash flows from investing activites**	**6,391**

29. Cash Flow Statement – Financing Activities

31 March 2017 £000	Cash Flow Statement - Financing Activities	31 March 2018 £000
-2,000	Cash receipts of short-term & long-term borrowing	-
-	Other receipts from financing activities	-
-	Other payments for financing activities	1,000
-2,000	**Net cash flows from financing activites**	**1,000**

30. Acquired or Discontinued Operations and Transferred Services

There were no discontinued or acquired operations during 2017/18 or 2016/17.

31. Trading Operations

The Council has no formal trading operations.

32. Members' Allowances

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

Members' Allowances	2016-17 £000	2017-18 £000
Allowances	326	328
Expenses	5	5
Total	331	333

33. Senior Officers' Remuneration

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

Senior Officers' Remuneration	Year	Salary, Fees & Allowances	Pension Contribution	Total
		£	£	£
Chief Executive	17-18	112,262	46,422	158,684
	16-17	111,655	27,643	139,298
Strategic Head (Tenant & Corporate Services)	17-18	70,320	29,464	99,784
	16-17	69,624	17,545	87,169
Strategic Head (Development Services)	17-18	70,320	29,464	99,784
	16-17	69,624	17,545	87,169
Strategic Head (Customer Services)	17-18	70,320	29,464	99,784
	16-17	69,678	17,545	87,223
Strategic Head (Finance & Business Services)	17-18	-	-	-
	16-17	72,581	15,404	87,985
Legal Services Manager and Monitoring Officer	17-18	61,937	25,951	87,888
	16-17	61,481	15,490	76,971

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

Remuneration Band	2016/2017 Number of employees	2017/2018 Number of employees
£50,000 - 54,999	4	4
£55,000 - 59,999	3	3
£60,000 - 64,999	-	-
£65,000 - 69,999	-	-

34. External Audit Costs

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

External Audit Costs	2016-17 £000	2017-18 £000
external audit services carried out by the appointed auditor for the year	52	52
certification of grant claims and returns by the appointed auditor	13	13
other services provided during the year by the appointed auditor	-	-
Total	**65**	**65**

35. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

Grant Income, contributions & donations	2016-17 £000	2017-18 £000
Credited to Taxation & Non Specific Grant Income		
DCLG Revenue Support Grant	1,053	347
DCLG Transitional Payments	103	103
DCLG - New Homes Bonus Scheme	3,215	2,724
DCLG - New Burdens	25	50
Other government grants	-	40
Capital Grants & Contributions:-		
DCLG Disabled Facilities Grants	299	436
Homes and Communities Agency Grant	872	116
Other Capital Grants & Contributions	389	1,056
Total	**5,957**	**4,871**
Credited to Services		
DWP Housing Benefit Grant	23,788	22,375
DWP Discretionary Housing Payments / In & Out of Work	118	166
DWP Housing Benefit Administration Grant	474	487
DCLG Business Rate Collection	162	166
GCC Recycling Credits	734	1,059
Other grants & contributions	62	2,050
Total	**25,338**	**26,304**

Table contains rounding (see Glossary) which affects the arithmetic accuracy of the figures.

36. Related Parties

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

Central Government
Central government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants, and prescribes the terms of many transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in note 35.

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2017/18 and 2016/17 is shown in note 32. A number of Members have declared interests in related parties which are mainly local organisations, however they are not material in nature.

The Register of Members' Interests is on the Council's website, or is open to public inspection at Ebley Mill during office hours, on application.

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

Entities Controlled or Significantly Influenced by the Council
The Council is a Member of the Stroud Valleys Canal Company (SVCC) and is entitled to nominate a Director to the Board of Directors. For the period 2017/2018, the Council chose not to put forward a Director to the Board of SVCC. The company was formed in 2009 to hold land associated with the Canal Restoration Project led by the Council and to maintain the canal post-restoration. All payments to SVCC during 2017/2018 relate to the Agreement between the respective parties dated 16th March 2012.

Also, the Council is one of seven equal shareholders of Ubico Ltd. The other owners are Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council, Gloucestershire County Council, Tewkesbury Borough Council and West Oxfordshire. The company is responsible for delivering the shareholders' environmental services such as refuse and recycling within their respective council boundaries. Stroud District Council joined in January 2016 and in July 2016 Ubico Ltd. took over collection of waste and recycling from Veolia Ltd. Since Stroud District Council does not exercise control or joint control or significant influence over the company, its accounts have not been consolidated into group accounts, however full disclosure notes are provided.

37. Capital Expenditure and Capital Financing

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

Capital Expenditure & Financing	2016-17 £000	2017-18 £000
Opening Capital Financing Requirement	**101,205**	**111,457**
Capital Investment		
Property, Plant & Equipment	20,148	8,028
Intangible Assets	-	-
Revenue Expenditure Funded from Capital under Statute	1,353	2,453
Sources of Finance		
Capital receipts	-2,760	-2,455
Government grants & other contributions	-1,561	-524
Sums set aside from revenue	-2,424	-4,156
Direct revenue contributions	-3,945	-1,319
Minimum Revenue Provision	-559	-837
Voluntary Revenue Provision	-	-283
Closing Capital Financing Requirement	**111,457**	**112,364**
Explanation of movement in year		
Increase in underlying need to borrow (unsupported by government financial assistance)	10,252	907
Increase / (decrease) in Capital Financing Requirement	**10,252**	**907**

38. Leases

Council as Lessee

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

- **Operating Leases**

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

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

Future minimum lease payments	31 March 2017 £000	31 March 2018 £000
Not later than one year	84	84
Later than one year & not later than five years	231	147
Later than five years	-	-
Total	**315**	**231**

The expenditure charged to the Strategy and Resources Committee line in the Comprehensive Income and Expenditure Statement in relation to these leases was:

CI&E expenditure in year	2016-17 £000	2017-18 £000
Minimum lease payments	167	84
	167	**84**

Council as Lessor

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

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

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

Authority as Lessor	31 March 2017 £000	31 March 2018 £000
Not later than one year	71	71
Later than one year & not later than five years	213	142
Later than five years	-	-
Total	**284**	**213**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2017-18 nil contingent rents were receivable by the Council (2016-17 nil).

39. Impairment Losses

During 2017/18 the Council has recognised impairment losses of £3.794m (£3.520m loss in 2016/17). This is analysed below:-

2016/17 Impairment charges to Surplus / Deficit (-)	2016/17 Impairment charges to Revaluation Reserve	2016/17 Total	Impairment Losses	2017-18 Impairment charges to Surplus / Deficit (-)	2017-18 Impairment charges to Revaluation Reserve	2017-18 Total
£000	£000	£000		£000	£000	£000
3,520	-	3,520	Council Dwellings	3,493	179	3,672
-	-	-	Other Land & Buildings	-	122	122
-	-	-	Vehicles, Plant & Equipment	-	-	-
-	-	-	Infrastructure	-	-	-
-	-	-	Community Assets	-	-	-
-	-	-	PPE under Construction	-	-	-
-	-	-	Investment Properties	-	-	-
-	-	-	Intangible Assets	-	-	-
3,520	**-**	**3,520**		**3,493**	**301**	**3,794**

40. Termination Benefits

The Council terminated the contract of 10 employees in 2017/18, incurring a liability of £63,562 (10 employees £67,375 in 2016/17).

Exit Package cost band £000	Compulsory 2016/17	Compulsory 2017/18	Other 2016/17	Other 2017/18	Total exit 2016/17	Total exit 2017/18	Total cost of exit 2016/17	Total cost of exit 2017/18
0 - 20	5	7	5	3	10	10	£67,375	£63,562
20 - 40	-	-	-	-	-	-	-	-
40 - 60	-	-	-	-	-	-	-	-
60 - 80	-	-	-	-	-	-	-	-

41. Defined Benefit Pension Scheme

Participation in Pension Scheme

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

The Council participates in the Local Government Pension Scheme, administered locally by Gloucestershire County Council. This was a funded defined benefit final salary scheme until 31 March 2014, and is a defined benefit career average scheme from 1 April 2014. The Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions Relating to Post-employment Benefits

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

Transactions Relating to Post-employment Benefits	**Local Government Pension Scheme**	
	2016-17	**2017-18**
	£000	**£000**
Comprehensive Income & Expenditure Statement		
Cost of Services		
current service cost	2,197	3,796
past service costs (including curtailments)	41	25
Financing and Investment Income & Expenditure		
net interest expense	1,398	1,114
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**3,636**	**4,935**
Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement		
return on plan assets (excluding the amount included in the net interest expense)	-11,288	-1,600
actuarial gains and losses on changes in demographic assumptions	-292	-
actuarial gains and losses arising on changes in financial assumptions	19,237	-2,460
other experience	-3,414	9
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	**7,879**	**884**
Movement in Reserves Statement		
reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-4,545	2,827
Actual amount charged against the General Fund Balance for pensions in the year:		
employer contributions payable to the scheme	**3,334**	**3,711**

Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plan is as follows:

Pensions Assets and Liabilities Recognised in the Balance Sheet	**2016-17 £000**	**2017-18 £000**
Present value of the defined benefit obligation	-131,246	-132,942
Fair value of plan assets	86,039	95,064
Net liability arising from the defined benefit obligation	**-45,207**	**-37,878**

The present value of unfunded benefits is £949k (£974k 2016/2017).

Reconciliation of the Movements in the Fair Value of Scheme Assets

Reconciliation of the Movements in the Fair Value of Scheme Assets	**2016-17 £000**	**2017-18 £000**
Opening fair value of scheme assets	72,122	86,039
Interest income	2,529	2,305
Remeasurement gain / (loss):		
- the return on plan assets, excluding the amount included in the net interest expense	11,288	1,600
Contributions from employer	3,334	3,711
Lump sum pre-payments	-	4,502
Contributions from employees into the scheme	591	609
Benefits paid	-3,825	-3,702
Closing fair value of scheme assets	**86,039**	**95,064**

The actual return on scheme assets in the year was £3.905m (2016/17: £13.817m).

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)	2016-17 £000	2017-18 £000
Opening balance at 1 April	112,784	131,246
Current service cost	2,197	3,796
Interest cost	3,927	3,419
Contributions from scheme participants	591	609
Remeasurement (gains) and losses		
- actuarial (gains) / losses arising from changes in demographic assumptions	-292	-
- actuarial (gains) / losses arising from changes in financial assumptions	19,237	-2,460
- other	-3,414	9
Past service cost - including curtailments	41	25
Benefits paid	-3,825	-3,702
Closing balance at 31 March	**131,246**	**132,942**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £132.942m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall pensions reserve balance of £42.380m. 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 for the year to 31 March 2019 is £1.631m. In addition, the Council has paid lump sum pension deficit payments scheduled for the following two financial years early to benefit from a discounted lump sum amount. Expected contributions for the Discretionary Benefits Scheme in the year to 31 March 2019 are £60k.

Local Government Pension Scheme Assets Comprised

Asset Category	Period ended 31 March 2017				Period ended 31 March 2018			
	Quoted prices in active markets £'000	Quoted prices in not active markets £'000	Total £'000	% of Total Assets	Quoted prices in active markets £'000	Quoted prices in not active markets £'000	Total £'000	% of Total Assets
Equity Securities:								
Consumer	4,180	-	4,180	5%	4,618	-	4,618	5%
Manufacturing	2,241	-	2,241	3%	2,475	-	2,475	3%
Energy and Utilities	1,639	-	1,639	2%	1,811	-	1,811	2%
Financial Institutions	3,463	-	3,463	4%	3,825	-	3,825	4%
Health and Care	1,385	-	1,385	2%	1,531	-	1,531	2%
Information Technology	214	-	214	0%	236	-	236	0%
Other	2,612	-	2,612	3%	2,885	-	2,885	3%
Debt Securities:								
Corporate bonds (investment grade)	4,042	-	4,042	5%	4,466	-	4,466	5%
Corporate bonds (non-investment grade)	311	-	311	0%	343	-	343	0%
UK Government	6,241	-	6,241	7%	6,895	-	6,895	7%
Other	947	-	947	1%	1,047	-	1,047	1%
Private Equity:								
All	-	219	219	0%	-	242	242	0%
Real Estate:								
UK Property	4,199	1,347	5,546	6%	4,638	1,488	6,126	6%
Overseas Property	-	468	468	1%	-	516	516	1%
Investment Funds and Unit Trusts:								
Equities	3,422	38,897	42,319	49%	3,781	42,971	46,752	49%
Bonds	5,210	484	5,694	7%	5,756	534	6,290	7%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	-	-	0%	-	-	-	0%
Other	-	3,333	3,333	4%	-	3,682	3,682	4%
Derivatives:								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	48	-	48	0%	53	-	53	0%
Other	18	-	18	0%	20	-	20	0%
Cash and Cash Equivalents:								
All	1,245	-	1,245	1%	1,375	-	1,375	1%
Totals	**41,417**	**44,748**	**86,165**	**100%**	**45,755**	**49,433**	**95,188**	**100%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Council being based on the latest full valuation of the scheme as at 31 March 2016. The principal assumptions used by the actuary have been:

Assumptions	2016-17	2017-18
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.4	22.4
Women	24.6	24.6
Longevity at 65 for future pensioners:		
Men	24.0	24.0
Women	26.4	26.4
Rate of inflation	2.4%	2.4%
Rate of increase in salaries	2.7%	2.7%
Rate of increase in pensions	2.4%	2.4%
Discount rate	2.6%	2.7%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below is based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at 31 March 2018	Estimated % increase to Employer Liability	Estimated monetary amount £000
0.5% decrease in Real Discount Rate	10%	12,817
1 year increase in member life expectancy	3 - 5%	*
0.5% increase in the Salary Increase Rate	1%	1,834
0.5% increase in the Pension Increase Rate	8%	10,821

*The principal demographic assumption is the longevity assumption (i.e. Member life expectancy). For sensitivity purposes, the actuaries estimate that a one year increase in life expectancy would approximately increase the Employer Defined Benefit Obligation by around 3-5%. In practice, the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements predominantly apply at younger or older ages).

Funding Strategy Statement

The Gloucestershire County Council Pension Fund has a Funding Strategy Statement (FSS) prepared in collaboration with the fund's actuary, Hymans Robertson LLP, after consultation with the fund's employers and investment adviser.

An objective of the FSS is an investment strategy that is set for the long term solvency of the fund, using a prudent long term view. Normally a full review of the investment strategy is carried out after each actuarial valuation, and is reviewed annually to ensure it remains appropriate to the fund's liability profile.

A balance needs to be maintained between risk and reward, and this has been considered by the use of Asset Liability Modelling. This is a set of calculation techniques applied by the fund's actuary, to model a range of potential future solvency levels and contribution rates.

Modelling demonstrates that retaining the present investment strategy, coupled with constraining employer contribution rates meets the need for stability of contributions without jeopardising the Administering Authority's aim of prudent stewardship of the fund.

The current stabilisation mechanism is to remain in place until 2020, but will be reviewed following the 2019 revaluation.

Impact on the Authority's Cash Flows

An objective of the Administering Authority is to keep employers' contribution rates as constant as possible. Funding levels are set for a 3-year period. The results from the next triennial valuation are due to be completed on 31 March 2019.

Stroud District Council anticipates employer contributions of £1.631m to the scheme in 2018/19. The Council has also paid the following 2 years' deficit payments in advance to take advantage of a discounted level of repayment.

The weighted average duration of the defined benefit obligation for scheme members is 17.2 years at 31 March 2018 (17.2 years 31 March 2017).

42. Contingent Liabilities

There are no material contingent liabilities to report as at 31 March 2018.

43. Contingent Assets

The Council has lodged a claim for overpaid postage VAT of up to £0.65m as at 31 March 2018.

44. Nature and Extent of Risks Arising from Financial Instruments

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

- **Credit Risk** – the possibility that other parties might fail to pay amounts due to the Council.

- **Liquidity Risk** – the possibility that the Council might not have funds available to meet its commitments to make payments.

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

- **Market Risk** – the possibility that financial loss might arise for the Council as a result interest rates movements.

Overall Procedures for Managing Risk

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

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

These are required to be reported and approved before the start of the year to which they relate. These items are reported with the Annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as well as a mid-year and quarterly updates.

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 23/02/2017 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2017/18 is £128m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary is £120m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 25% based on the Council's net debt.

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

Credit Risk

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

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

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

- There is an individual bank and group limit of £8m. Outside of the UK the Council will only make deposits with banks in AA- rated countries. Investments can be for a maximum 3 year duration.

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

The Council's maximum exposure during 2017/18 to credit risk in relation to its investments in banks and building societies was £46.1m. It 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. Experience has shown that, whilst rare, it can happen that such entities can fail to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no new evidence at 31 March 2018 that this risk was likely to crystallise.

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

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

Potential Maximum Exposure to Credit Risk	Amount at 31 March 2018	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2018	Estimated maximum exposure to default & uncollectability at 31 March 2018	Estimated maximum exposure at 31 March 2017
	£000	%	%	£000	£000
	A	B	C	(A*C)	
Bonds	-	-	-	-	-
Customers	13,305	4.5%	4.5%	599	337
				599	337

The Council does not generally allow credit for customers. Of the £13.305m balance £12.088m is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

Age of debts	31 March 2017	31 March 2018
	£000	£000
Less than three months	200	308
Three to six months	6,688	11,681
Six months to one year	29	36
More than one year	79	63
	6,996	12,088

Liquidity Risk

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

Maturity - liabilities	**31 March 2017**	**31 March 2018**
	£000	**£000**
Less than one year	11,883	16,228
Between one and two years	2,000	-
Between two and five years	1,000	3,000
More than five years	102,717	100,717
	117,600	119,945

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

Re-financing Risk

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

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

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

The maturity analysis of financial liabilities is as follows:-

Maturity Analysis	**Aprroved Minimum Limits**	**Aprroved Maximum Limits**	**31 March 2017**	**31 March 2018**
	%	**%**	**£000**	**£000**
Less than one year	-	100	1,000	2,000
Between one and two years	-	100	2,000	-
Between two and five years	-	100	1,000	3,000
Between five and ten years	-	100	2,000	-
More than ten years	-	100	100,717	100,717
Total			**106,717**	**105,717**

Market Risk

This is the risk that the Council will be adversely affected by market movements in the value of its investments.

The Council is protected from this risk through not holding investments with the intention of trading, where tradable investments are held it is policy to hold them until maturity. This has the effect of nullifying market risk.

Interest Rate Risk

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

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.

- Borrowings at fixed rates – the fair value of borrowings will fall.

- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise.

- Investments at fixed rates – the fair value of the assets will fall.

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

The Council has a number of strategies for managing interest rate risk. Policy is currently to aim to keep a maximum of 25% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. Risk of loss may be ameliorated if a proportion of government grant payable on financing costs moves with prevailing interest rates or the Council's cost of borrowing, and provides compensation for a proportion of any higher costs.

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

According to this assessment strategy, at 31 March 2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

1% Interest Higher	£000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	-
Increase in government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	-
Share of overall impact debited to HRA	-
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income & Expenditure	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income & Expenditure)	14,236

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

Price Risk

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

45. Heritage Assets: Five-Year Summary of Transactions

Sims Clock and Bank Gardens were transferred to the Stroud Town Council in March 2017. They both had a nominal historical cost valuation of £1 on the asset register. Other than this there were no transactions involving the purchase, donation, disposal or impairment during the five financial years from 2013/14 to 2017/18.

46. Heritage Assets: Further Information

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

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

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

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

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

47. Prior Period Adjustment

In 2016/17 the Council brought into use council housing dwellings in relation to two development projects. When these sites were completed this year, it was identified that the Council had not sufficiently adjusted the value of the related development sites in assets under construction as dwellings were being brought into use, and as such an impairment of the development sites was required upon completion. Based on the dwellings brought into use during previous years, the Council has calculated that £4.304m of this impairment relates to 2016/17 and therefore has restated its accounts to reflect this impairment within the comparatives.

The effects of this restatement are as follows:

- At 31 March 2017 the carrying value of the assets under construction category of property, plant and equipment is restated downwards by £4.304m.
- The gain on the revaluation of council dwellings recognised in the Comprehensive Income and Expenditure Statement during 2016/17 is reduced by £4.304m, as is the surplus on the provision of services.
- Because this revaluation gain is not a statutory charge to the Housing Revenue Account, it is reversed out of the HRA reserve into the Capital Adjustment Account through the Movement in Reserves Statement, through the line comprising of adjustments between the accounting basis and funding basis under regulations.

Effect on Balance Sheet 31 March 2017

	As presented previously £000	Correction required £000	As restated £000
Property plant and equipment	312,401	-4,304	308,097
Long term assets	315,348	-4,304	311,044
Total net assets	188,012	-4,304	183,708
Usable reserves	28,664	-	28,664
Unusable reserves	159,348	-4,304	155,044
Net worth / total reserves	188,012	-4,304	183,708

Effect on CI&ES 2016/17

Council dwelling revaluation	-25,772	4,304	-21,468
Surplus / deficit on provision of services	-33,825	4,304	-29,521
Total comprehensive income and expenditure	-47,249	4,304	-42,945

Effect on Movement in Reserves Statement 2016/17 Housing Revenue Account

Balance at 1 April 2016	1,938	-	1,938
Surplus or deficit on the provision of services	35,136	-4,304	30,832
Adjustments between accounting basis and funding basis	-30,919	4,304	-26,615
Increase/decrease in the year	4,217	-	4,217
Balance at 31 March 2017	6,155	-	6,155

Effect on Movement in Reserves Statement 2016/17 Unusable Reserves

Balance at 1 April 2016	117,483	-	117,483
Adjustments between accounting basis and funding basis	28,441	-4,304	24,137
Increase/decrease in the year	41,865	-4,304	37,561
Balance at 31 March 2017	159,348	-4,304	155,044

Effect on Cash Flow Statement 2016/17

Net surplus (-) / deficit on the provision of services	-33,825	4,304	-29,521
Adjustments to net surplus or deficit on the provision of services for non-cash movements	15,917	-4,304	11,613

Supplementary Financial Statements

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

Housing Revenue Account Income and Expenditure Account

2016/2017 Restated £000		*notes*	2017/2018 £000	2017/2018 £000
	income			
-21,634	dwelling rents	*6*	-21,448	
-350	non-dwelling rents	*8*	-294	
-1,106	charges for services and facilities		-1,088	
-170	transfers from General Fund		-170	
-178	contribution towards expenditure		-198	
-23,438	**total income (-)**			**-23,198**
	expenditure			
3,049	repairs and maintenance		3,939	
5,056	supervision and management		5,257	
2,174	special services		2,104	
-17,948	depreciation, impairment and revaluation	*11*	5,989	
29	increased provision for bad or doubtful debt	*10*	-	
-7,640	**total expenditure**			**17,289**
-31,078	**net income(-)/cost of HRA services as included in the whole authority Comprehensive Income & Expenditure Statement**			-5,909
322	HRA share of corporate and democratic core			315
-30,756	**net income(-)/cost of HRA services**			-5,594
	HRA share of operating income & expenditure included in the whole authority Comprehensive Income & Expenditure Statement:			
-3,009	gain (-) or loss on sale of HRA non-current assets	*13*		-1,891
3,493	interest payable & similar charges			3,451
-24	HRA interest & investment income			-33
336	pensions interest cost & expected return on pensions assets			290
-872	Capital grants and contributions receivable			-116
-30,832	**surplus(-) / deficit for the year on HRA services**			**-3,893**

Movement on the Housing Revenue Account Statement

2016/2017 £000		2017/2018 £000
-1,938	**balance on the HRA as at the end of the previous reporting period**	**-5,213**
-30,832	surplus(-) / deficit for the year on the HRA Income & Expenditure Statement	-3,893
26,615	adjustments between accounting basis & funding basis under regulations	4,468
-4,217	net increase (-) or decrease before transfers to or from reserves	575
942	transfers to or from reserves	1,635
-3,275	**increase (-) or decrease in year on HRA**	**2,210**
-5,213	**balance on the HRA as at the end of the current reporting period**	**-3,003**

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

Note to the Movement on the Housing Revenue Account Statement

2016/2017 £000		2017/2018 £000
-1	difference between any other item of income & expenditure determined in accordance with the Code & those determined in accordance with statutory HRA requirements (if any)	1
872	Capital grants and contributions receivable	116
3,009	gain or loss (-) on sale of HRA non-current assets	1,891
-577	HRA share of contributions to or from the Pensions Reserve	-796
208	capital expenditure funded by the HRA	1,047
-	sums directed by the secretary of State to be debited or credited to the HRA that are not expenditure or income in accordance with the Code	
5,156	transfer to / from (-) Major Repairs Reserve	8,198
17,948	transfer to / from (-) the Capital Adjustment Account	-5,989
26,615	**net additional amount required to be credited (-) or debited to the HRA balance for the year**	**4,468**

Notes to the Housing Revenue Account (HRA)

1. Housing Stock

The Council was responsible for managing an average of 5,116 dwellings during the year. 26 dwellings were sold under the right-to-buy legislation and 4 non right-to-buy sales, compared with 29 total sales in the previous year. There were 32 dwellings added through completions at Top of Town and Chapel Street in Cam, six flats were converted from ex sheltered scheme warden accommodation, and four properties purchased on the open market. Also, 103 dwellings were held vacant pending demolition as part of refurbishment projects, or held for disposal. The value of the additions and other disposals is shown as part of the 'Movement in HRA fixed assets' table as 'development sites'. The table below summarises movements in stock during the year.

Movement in housing stock

2016/17 (restated)					(number by type of dwellings)	2017/18				
1 Apr	**right-to-buy sales**	**other disposals**	**additions**	**31 Mar**		**1 Apr**	**right-to-buy sales**	**other disposals**	**additions**	**31 Mar**
1,294		-	3	1,297	bungalows	1,297	-1	-24		1,272
1,548	-2		20	1,566	flats	1,566	-3	-67	10	1,506
2,229	-23	-12	45	2,239	houses	2,239	-22	-5	27	2,239
25				25	maisonettes	25		-11		14
21			14	35	shared ownership	35			5	40
5,117	**-25**	**-12**	**82**	**5,162**	**total housing stock**	**5,162**	**-26**	**-107**	**42**	**5,071**

Note: the table includes a restated figure for 2016/17 to adjust for a net change of 2 properties that had been accounted for in 2015/16.

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

Movement in HRA fixed assets

(figures in £'000s)	**Balance 1 Apr 17 Restated**	**additions in year**	**disposals**	**revaluation**	**depreciation & impairment**	**transfers**	**Balance 31 Mar 18**
operational assets							
- council dwellings	255,579	3,727	-1,705	19,898	-5,604	-660	271,235
- community assets	23						23
- development sites	8,977	2,509	-80	-8,055		-1,269	2,082
- other land and buildings	3,916		-150	458		389	4,613
non-operational assets							
- investment property	1,060			62			1,122
- asset held for sale	850		-850	495		1,946	2,441
total net fixed assets	**270,405**	**6,236**	**-2,785**	**12,858**	**-5,604**	**406**	**281,516**

In 2017/18 the Council Dwelling stock were revalued and increased in value by £19.898m (revaluation £17.787m, plus £5.604m depreciation reversal, less capital spend of £3.493m; £48.546m 2016/17).

The opening balance of Development Sites has been restated to recognise the revaluation of completed sites.

2. Vacant Possession Value of Dwellings

The open market vacant possession of dwellings including land within the HRA at 31 March 2018, at March 2018 prices is £775m. The value of dwellings net of the social element factor (35%) is £271m. The difference of £504m between the vacant possession value and balance sheet value of dwellings within the HRA shows the economic cost of providing council housing at less than open market rents.

3. Major Repairs Reserve (MRR)

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

Major repairs reserve		
2016/2017	(figures in £'000s)	**2017/2018**
	balance 1 April	(1,418)
(5,156)	transferred in	(8,198)
0	transferred out to Housing Revenue Account	
3,738	financing of Capital expenditure	3,506
(1,418)	**balance 31 March**	**(6,110)**

4. Capital Expenditure

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

Funding HRA capital expenditure										
Spend 2016/ 2017	**financing 2016/2017**				**capital schemes**	**Spend 2017/ 2018**	**financing 2017/2018**			
	capital receipts	**capital grants**	**borrowing**	**revenue funding**	(All figures in £000's)		**capital receipts**	**capital grants**	**borrowing**	**revenue funding**
3,520	-	-	-	3,520	Major Works Programme	3,441	262	-	-	3,179
7,417	2,395	872	3,762	388	New Build and Development	1,946	907	116	-	923
38	-	-	-	38	Sheltered Housing Modernisation	615	164	-	-	451
10,975	**2,395**	**872**	**3,762**	**3,946**	**total capital expenditure**	**6,002**	**1,333**	**116**	**-**	**4,553**

5. Capital Receipts

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

HRA in year capital receipts		
2016/ 2017	(figures in £'000s)	**2017/ 2018**
2,371	council house sales	2,572
-33	*less* : cost of sales	-34
2,393	other receipts	1,758
4,731	total capital receipts	4,296
-1,422	*less:* pooled receipts paid to Government	-475
3,309	**total usable capital receipts**	**3,821**

6. Rent Income

This is the total dwelling rent collectable for the year after allowance for empty property. At 31 March 2018 there were 65 vacant properties for rent representing 1% of the total (on 31 March 2017 the figures were 38 and 0.7%). The average weekly rent in 2017/2018 was £82.42, a decrease of £0.52, or 0.6% over the previous year. This change is a composite figure that includes stock improvements, addition of new builds, inflation and the effect of sales.

7. Rent Arrears

During the year the amount of rent arrears, which include £236k in respect of former tenants, has decreased by £12k (2.0%). See also note 10

Analysis of rent arrears

2016/ 2017	(figures in £'000s)	**2017/ 2018**
39	court costs	44
359	current rent arrears	318
212	former tenant arrears	236
610	**gross arrears at 31 March**	**598**

8. Non-dwelling Rents

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

9. Pensions Accounting

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

The cumulative provision for uncollected debts was £0.417m at 31 March 2018 (£0.421m at 31 March 2017).

11. Depreciation, Impairment and Revaluation

The HRA incurs capital charges in respect of depreciation in accordance with the Item 8 Credit and Item 8 Debit (General) Determination for 2016/2017.

The depreciation charge is based upon a 33 year life of the operational dwellings, less an allowance for residual land value. The depreciation charge for dwellings is £5.604m (£5.156m in 2016/2017).

The impairment charge for dwellings is £3.493m (£3.520m in 2016/2017).

In addition to this impairment charge, the debit of £5.989m to the HRA Income and Expenditure Statement includes upwards revaluations of properties of £10.740m

(£39.219m in 2016/2017), impairment charge for dwellings £3.493m (£3.520m in 2016/2017) and a net nil depreciation.

Depreciation, Impairment & Revaluation				
2016/2017 Restated		(figures in £'000s)		**2017/2018**
-39,219		Revaluation	-10,740	
17,751		Revaluation - revaluation reserve	13,236	
	-21,468			**2,496**
	-5,156	Depreciation write-back		-5,604
	3,520	Impairment		3,493
	5,156	Depreciation		5,604
	-17,948	**balance 31 March**		**5,989**

12. Capital Expenditure Funded by Revenue Under Statute

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

13. Gain (-) / Loss on Sale of HRA Fixed Assets

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

Collection Fund

2016/17 business rates £000	2016/17 council tax £000	2016/17 total £000	income	notes	2017/18 business rates £000	2017/18 council tax £000	2017/18 total £000
-	-69,026	-69,026	council tax receivable	16	-	-72,348	-72,348
-27,697	-	-27,697	net rates payable by ratepayers	18	-27,379	-	-27,379
			expenditure				
			apportionment of previous year surplus / deficit (-)				
-590	-	-590	Central Government		48	-	48
-472	195	-277	Stroud District Council		39	177	216
-118	830	712	Gloucestershire County Council		10	756	766
-	158	158	Gloucestershire Police and Crime Commissioner		-	140	140
			precepts / shares				
13,738	-	13,738	Central Government		13,365	-	13,365
10,990	8,036	19,026	Stroud District Council		10,692	8,354	19,046
2,748	47,797	50,545	Gloucestershire County Council		2,673	50,354	53,026
-	8,864	8,864	Gloucestershire Police and Crime Commissioner		-	9,159	9,159
-	3,143	3,143	Parish and Town Councils		-	3,331	3,331
			charges to collection fund				
-	-	-	less: write offs of uncollectable amounts		-	-	-
-17	55	38	less: increase / decrease (-) in bad debt provision		273	56	329
-116	-	-116	less: increase / decrease (-) in provision for appeals		374	-	374
160	-	160	less: cost of collection		159	-	159
-	-	-	Interest		-	-	-
441	-1	440	less: transitional protection payments		-248	-	-248
110	-	110	less: disregarded amounts		108	-	108
-823	**51**	**-772**	**surplus(-) / deficit for the year**		**113**	**-21**	**92**
893	-1,187	-294	balance at start of the year		70	-1,136	-1,066
70	**-1,136**	**-1,066**	**balance at end of the year**		**183**	**-1,157**	**-974**

Notes to the Collection Fund

14. General

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

15. Council Tax Base

The Council's tax base represents the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted by a prescribed ratio to give an equivalent number of "band D" dwellings. The band D equivalent is adjusted by 1.5% to cover appeals, changes in discounts and bad debts that arise. The tax base for 2017/18 was calculated as follows:

Council tax base

band	estimated number of properties after effect of discounts	ratio	band D equivalent dwellings
DIS A	12.35	5/9	6.86
A	4,405.36	6/9	2,936.91
B	9,401.33	7/9	7,312.15
C	10,287.22	8/9	9,144.20
D	7,060.28	9/9	7,060.28
E	5,949.83	11/9	7,272.01
F	3,642.27	13/9	5,261.06
G	2,344.56	15/9	3,907.60
H	224.25	18/9	448.50
	43,327.45		43,349.56
less:	adjustment for collection rate (1.5%)		-650.24
council tax base			**42,699.32**

16. Council Tax Income

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

Income from council tax

		£'000 2016-17		£'000 2017-18
total council tax base *(see note 15)*	42,148.48		42,699.32	
multiplied by average band D tax rate	£1,609.54		£1,667.41	
total property income		-67,840		-71,197
add: transitional relief		1		-
add: other adjustments		-1,187		-1,151
income from council tax		**-69,026**		**-72,348**

17. Council Tax Rates

Council tax rates by precepting body and band

precepting body	disr A £	A £	B £	C £	D £	E £	F £	G £	H £
district council	108.69	130.43	152.17	173.91	195.65	239.13	282.61	326.08	391.30
county council	655.14	786.17	917.20	1,048.23	1,179.26	1,441.32	1,703.38	1,965.43	2,358.52
police authority	119.16	142.99	166.83	190.66	214.49	262.15	309.82	357.48	428.98
average parish	43.34	52.01	60.67	69.34	78.01	95.35	112.68	130.02	156.02
total	926.34	1,111.61	1,296.87	1,482.14	**1,667.41**	2,037.95	2,408.48	2,779.02	3,334.82

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

Table contains rounding (see Glossary) which affects the arithmetic accuracy of the figures.

18. Income from Business Rate Payers

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA), multiplied by a uniform business rate set nationally by Central Government. Prior to 1 April 2013 the total amount due, less certain reliefs and allowances, was paid to a central pool (the NNDR pool) managed by Central Government, which, in turn, paid back to Local Authorities their share of the pool based on a standard amount per head of the local adult population.

Administration of NNDR was changed following the introduction of a business rates retention scheme in 2013/14, and so instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of Stroud, the local share is 40%. The remainder is distributed to preceptors and in the case of Stroud these are Central Government (50%) and Gloucestershire County Council (10%).

The net business rates shares payable for 2017/18 were estimated before the start of the financial year as £26.730m (£10.692m to Stroud, £13.365m to Central Government, and £2.673m to Gloucestershire County Council). In addition, a share of the estimated collection fund surplus from 2016/17 of £0.097m has been allocated in the same proportions. These sums have been paid in 2017/18 and charged to the collection fund in year.

Net rates payable by ratepayers

	£'000 2016-17	£'000 2016-17	£'000 2017-18	£'000 2017-18
Gross Rates Payable by Ratepayers		**32,781**		**34,965**
(Less):				
Transitional Relief	441		-248	
Mandatory Reliefs	-4,403		-5,698	
Unoccupied Property Relief	-987		-1,032	
Discretionary Reliefs (unfunded)	-190		-230	
Discretionary Reliefs (funded through s31 Grant)	8		-379	
Hardship Relief	47		-	
Total Cost of Reliefs		**-5,084**		**-7,586**
Net Rates Payable by Ratepayers		**27,697**		**27,379**

Table contains rounding (see Glossary) which affects the arithmetic accuracy of the figures.

The total non-domestic rating income in 2017/18 was £26.713m (£27.119m in 2016/17). For 2017/18, the total non-domestic rateable value at the year-end is £75.3m (£69.9m in 2016/17). The national multipliers for 2017/18 were 46.6p for qualifying Small Businesses, and the standard multiplier being 47.9p for all other businesses (48.4p and 49.7p respectively in 2016/17).

19. Business Rate Net Share

The income credited to the Comprehensive Income and Expenditure Statement for business rates is £4.166m (16-17 £3.670m). This is comprised as follows:

Net share from business rates					
		£'000	£'000	£'000	£'000
		2016-17	2016-17	2017-18	2017-18
SDC local share		10,990		10,681	
add:	40% of prior year deficit	351		22	
less:	40% of estimated deficit	-329		39	
less:	40% of current year deficit	-22		-56	
			10,990		10,685
less:	tariff payment to Government		-7,702		-7,450
	levy		-722		-1,052
add:	Section 31 grant		662		1,370
	Renewable Energy schemes		109		108
net income from business rates			**3,337**		**3,661**
add:	Gloucestershire BR pool surplus / deficit (-)		333		505
net income from business rates (inc GBRP)			**3,670**		**4,166**

20. Council tax and Business Rate Provision for Bad Debts

A Council Tax provision was made during 2017/18 amounting to £56k (2016/2017 £55k). This was calculated using CIPFA Guidelines. The total amount of the provision at 31 March 2018 is £339k and represents 20% of the £1.685m debt outstanding (£336k, 21% and £1.579m at 31 March 2017).

Business Rate provision for bad debts was £407k and represents 52% of the £790k outstanding amount (£396k, 39% and £1.008k at 31 March 2017).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STROUD DISTRICT COUNCIL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Stroud District Council ('the Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the Statement of Accounts

The Section 151 Officer is responsible for the other information published with the Statement of Accounts, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the Statement of Accounts for the financial year is consistent with the financial statements.

Section 151 Officer's responsibilities

As explained more fully in the statement set out on page 17, the Section 151 Officer is responsible for: the preparation of the Authority's 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 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Stroud District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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.

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Stroud District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Stroud District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Statutory reporting matters

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the financial statements of Stroud District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Ian D Pennington

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
66 Queen Square
Bristol BS1 4BE

26 July 2018

Glossary

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

Accounting Policies	The specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.
Actual	Financial transactions that have occurred in the year.
Actuary	Person professionally trained in the technical aspects of pensions, insurance and related fields. The actuary estimates how much money must be contributed to an insurance or pension fund in order to provide future benefits.
Appropriation	Transfer to or from a *revenue* or capital reserve.
Balances	The amount remaining at the end of the year after income and expenditure has occurred. May refer to the amount available to meet expenditure in future years.
Budget	A statement defining the Council's policy over a specified period in terms of finance.
Business Rates Retention (BRR)	A change in the administration of business rates funding whereby a greater proportion of business rates income may be retained locally.
Capital Charges	Where a service owns a fixed asset to provide those services [operational assets] or holds an asset for future development or investment [non-operational assets] it bears a cost of its use. This represents depreciation (where appropriate). Maintenance of the asset is a *revenue* cost.
Capital Expenditure	Spending on assets that have a long-term use such as purchase or improvement of land, buildings and equipment. Where the asset is not owned by the Council that expenditure is *revenue expenditure funded by capital under statute,* long-term debtor or *intangible asset*.
Capital Receipts	Income from the sale of capital assets such as land and council houses. Capital receipts can only be used (subject to certain legal exceptions) to finance new *capital expenditure*.
Change in Accounting Estimate	Is an adjustment of the carrying amount of an asset or a liability or the amount of the periodic consumption of an asset that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not correction of errors.
Chartered Institute of Public Finance and Accountancy (CIPFA)	CIPFA is the professional body of accountants and auditors working in local government and public services. Membership of the Institute is by way of examination and entitles members to use the letters CPFA (Chartered Public Finance Accountant) after their names. The Institute provides financial and statistical

	information services and advises central government and other bodies on local government and public finance matters. It also publishes accounting requirements and accounting standards, including those relating to the production of statement of accounts.
Collection Fund	Stroud District Council collects council tax and business rates on behalf of a number of public bodies – Gloucestershire County Council, Gloucestershire Police and Crime Commissioner and town and parish councils. Also, the Council is lead authority of the Gloucestershire Business Rates Pool. The Collection Fund account is separate to the Council's normal funds, belonging collectively to these bodies.
Corporate and Democratic Core (CDC)	Comprises two divisions of service: democratic representation and management (DRM) and corporate management (CM). If anything does not fall within the definitions given for either DRM or CM, then it cannot be within CDC. DRM concerns corporate policy making and all other member-based activities. CM concerns those activities and costs that relate to the general running of the Council. These provide the infrastructure that allows services to be provided, whether by the Council or not, and the information required for public accountability. Activities relating to the provision of services, even indirectly, are overheads on those services, not CM.
Curtailment	A curtailment for a defined benefit pension scheme is an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of the defined benefit for some or all of their future service. Curtailments include: a) Termination of employees' services earlier than expected, for example as a result of discontinuing a segment of business. b) Termination or amendment of the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will only qualify for reduced benefits.
Depreciation	Charges reflecting the decline in the value (not cost) of assets as a result of their usage or ageing.
Estimate	Often used instead of the word *budget*; and is a forecast of income and expenditure for the year.
Forecast	An *estimate* of income and expenditure in a financial year.
Gloucestershire Business Rates Pool (GBRP)	Set up to maximise business rates income retained within the county. Currently, Gloucestershire County, Cheltenham Borough, Cotswold District, Forest of Dean District, Gloucester City and Stroud District councils.
General Fund	The account that records and finances Council *revenue* expenditure, other than *HRA*.
Housing Revenue	A separate statutory account dealing with the *revenue* income and expenditure arising from the provision of Council-owned and

Account (HRA)	managed dwellings.
IAS 19	International Accounting Standard 19 *Employee Benefits* is the accounting requirement as regards pensions that local authorities must fully recognise in the publication of their statement of accounts.
Intangible Asset	Expenditure on assets that gives access to a future economic benefit that is controlled by the Council such as software licences.
Impairment	Values of individual assets and categories of assets that are reviewed for evidence of reductions in value.
Investment Assets	Interest in land and/or buildings which is held for its investment potential, any rental being negotiated at arm's length.
Material	Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessment of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or combination of both, could be the determining factor.
Medium Term Financial Plan (MTFP)	The Council's rolling 5-year estimate of all effects on the *General Fund*, including inflation, government grants, service changes, base rate changes and the *tax base*.
Net Cost	The cost of continuing operations after deducting specific grants and income from fees and charges.
National Non-Domestic Rates 1 (NNDR1)	An annual estimate of business rate income submitted to government by a billing authority.
NNDR3	An annual declaration of actual business rate income submitted to government by a billing authority.
Non Distributed Costs	Elements that are excluded from recharge to the total cost of a service but limited to: past service costs, settlement costs, curtailments, unused share of IT facilities and cost of shares of other long-term unused but unrealisable assets.
Overspend	Where *actual* expenditure is more than the *budget*.
Precept	A levy made by the Police and Crime Commissioner, county council, district council or parish/ town councils on the *Collection Fund* to provide the required income from council taxpayers and business ratepayers on their behalf.
Prospective Application	Of a change in accounting policy and of recognising the effect of a change in an accounting estimate, respectively, are: a) Applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed, and b) Recognising the effect of change in the accounting estimate in the current and future periods affected by the change.

Public Works Loan Board (PWLB)	An institution that borrows money on behalf of the government and lends it to public bodies that meet its borrowing criteria.
Retrospective Application	Is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.
Retrospective Restatement	Is correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.
Revenue Expenditure Funded by Capital Under Statute	Expenditure which does not result in, or remain matched with, assets controlled by the Council, such as housing improvement grants. They do not appear on the Council's Balance Sheet.
Revenue	This word is used in two different contexts, 1) sources of income, and 2) expenditure that is not of a *capital* nature such as general running costs including salaries and capital financing costs.
Revenue Support Grant (RSG)	A grant paid by or to central government to or from local authorities to support general *revenue* expenditure and not for specific services.
Right-To-Buy (RTB)	Legislation allows tenants of local council dwellings to buy their property, at a discount, after a qualifying period as local council tenants. The net income from the sale is a *capital receipt*.
Rounding	Figures in the statement of accounts are generally presented in thousands and are rounded using the convention 2.5 = 3 and 2.4 = 2. Applied with consistency this can lead to obvious and simple arithmetic errors, for example 2.4 + 2.4 = 4.8 becomes 2 + 2 = 5. Where possible the arithmetic integrity of the figures is maintained by making simple adjustments. Sometimes however, the interrelation of figures within the Statement of Accounts does not permit of simple adjustment. In this Statement of Accounts the following sentence is appended where a table contains figures that do not strictly add up, 'Table contains rounding (see Glossary) which can affect the arithmetic accuracy of the figures'.
Settlement	An irrevocable action that relieves the employer (or defined benefit scheme) of the primary responsibility for the pension obligation and eliminates risks relating to the obligation and the assets used to effect the settlement. Settlements include: a) A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits. b) The purchase of an irrevocable annuity contract sufficient to cover vested benefits, and c) The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.
Tax Base	Used to measure the taxable value of properties in a council's area based upon numbers of properties in each tax band.
Underspend	Where *actual* expenditure is less than the *budget*.

Feedback form – your views

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

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

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

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

Alternatively, comments can be made to:
David Stanley, Accountancy Manager (Section 151 Officer)
Tel: 01453 754100. Fax 01453 754936. Email: statementofacc@stroud.gov.uk

You can give your name and address if you wish.

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

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

How could we improve the Statement of Accounts?

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

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

Your address………………………………………………………………………......

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Telephone..Email..

Thank you